



Report to:	Strategy and Resources Committee	Date:	28 September 2015
Report title:	HR Shared Service - proposed approach		
Report from:	Gerald Almeroth, Strategic Director - Resources		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Richard Clifton		
Author(s)/Contact Number(s):	Lucy Vaughan, HR Shared Services Project Manager		
Corporate Plan Priorities:	The HR service supports the organisation in the delivery of all Corporate Plan priorities		
Open/Exempt:	Open		
Signed:		Date:	17 September 2015

1. Summary

- 1.1 The purpose of this report is to obtain agreement to the approach for developing and implementing a new HR Shared Service between London Borough of Sutton and the Royal Borough of Kingston upon Thames. This follows on from the decoupling of the current HR shared services in both Sutton and Merton, and Kingston and Richmond, by April / May 2016. The report sets out the principles and timescales for the proposal and also the key issues being managed as well as the expected future benefits. The proposed 'go live' date for the new HR Shared Service is 1 April 2016.

2. Recommendations

- 2.1 To note the arrangements for decoupling the current HR Shared Service with LB Merton.
- 2.2 To agree that the proposed HR Shared Service with Kingston is progressed on the basis of the approach as set out in the report.
- 2.3 To agree that Kingston is the employing authority for the new HR shared service.
- 2.4 To delegate authority for any arrangements required to complete the decoupling arrangements and implement the proposed shared service to the Strategic Director - Resources.



3. Background

- 3.1 The current Sutton and Merton shared HR service was implemented in Sept 2009 and a collaboration agreement was put in place for the arrangement. Sutton became the employing authority for the new shared HR service. Since its inception, the service has delivered significant savings and benefits for both boroughs. In 2014 a feasibility study was carried out for a potential four borough HR shared service with Kingston and Richmond.
- 3.2 The Royal Borough of Kingston have had a HR Shared Service with Richmond since 2012 with Kingston being the employing authority. In April 2015, following a wider announcement of a proposal to have a full shared staffing arrangement between Richmond and Wandsworth, Richmond gave the required 12 months notice to exit the shared service with Kingston. Further to this Merton then gave notice to Sutton that they were going to exit the HR Shared Service, with arrangements proposed to be ending on 31 May 2016.
- 3.3 Work has begun in all of the boroughs to plan and progress the decoupling as well as looking at options for the future of the HR service. A project manager was jointly appointed between Sutton and Kingston to manage the process and independent legal advice has also been sought. This is being funded from the Transformation Challenge Grant awarded by the DCLG to SW London Boroughs as part of a bid for funding work on shared services.
- 3.4 It is clear that the decoupling arrangements need to be worked through and finalised as far as possible so there is clarity for the next stage of planning and engaging in the design for the proposed joint HR Shared Service for Sutton and Kingston. This will include TUPE arrangements and managing other staffing impacts, as well as systems access and management of jointly procured contracts. The key risks and issues are highlighted in section 6.
- 3.5 There are likely to be ongoing arrangements with both Merton and Richmond going forward, which will need putting in place in parallel to bringing the Sutton and Kingston services together. For instance Sutton may continue to provide some discrete services to Merton and this is likely to be the case for Kingston too. A shared Sutton and Kingston service could benefit from the existing strong traded business with schools and could provide services to Merton and Richmond schools in the future helping to maintaining business continuity for them.
- 3.6 The HR system (I-Trent) and Payroll function operates across the four boroughs (Sutton, Kingston, Merton and Richmond) and as an externally procured contract is subject to different legal arrangements and therefore remains largely unaffected by the decoupling. Sutton are the lead borough for the contract with Agilisys with Kingston and Merton both named as partners. Richmond access the system and contract via their HR Shared Service. The 10 year contract was implemented in April 2012 and provides a HR system and all payroll services to all four boroughs (including schools) and Achieving for Children (AFC). Sutton provide the central client function within the current HR service. The partner boroughs remain committed



to the contract and would like to explore the expansion of its use to other organisations on a commercial basis wherever possible.

- 3.7 There has been some initial engagement with all HR staff on the future direction of travel and key principles of the service on 28 July (Kingston) and 31 July (Sutton). The Unions in both boroughs have also been informed of the proposed changes. Further engagement and consultation will take place with staff and customers in Phase 2.

4. Options - Key Principles and Benefits

- 4.1 Sutton and Kingston are in a position where both have to manage the decoupling process where the respective shared service arrangements are ceasing at the same time. Sutton and Kingston have already established a memorandum of understanding about sharing services together where there is a benefit to both to do so and a good track record of working together on these things. An alternative option to joining the HR Shared Services together would be on the basis of having a single team in each borough, however, the view is that some of the existing benefits of a shared service would be lost and there would be dis-economies of scale and additional management and overhead costs incurred as a result. It is proposed in this report that Sutton and Kingston implement a HR Shared Service.

- 4.2 Following initial engagement with senior officers and staff in both Sutton and Kingston, it is proposed that the following set of shared principles for a future HR shared service are adopted:

- it will be an in-house shared service model, with commissioned elements where it makes sense;
- look and feel shared – joint governance, management and decision making;
- fit local needs, and be adaptable and flexible across locations;
- there will be dedicated leadership for both Kingston and for Sutton, to ensure the needs of both boroughs are met equally;
- the service will have sufficient resources to support strategic leadership and business needs;
- it will be cost effective, with efficient processes and systems;
- it will deliver effective HR initiatives to develop organisational capability, productivity and flexibility;
- it will be a new shared service created together, which keeps the doors open for others to join; and,
- it will be designed with a view on the future of back office services across the two boroughs.

- 4.3 It is expected that the HR Service will realise or will continue to realise the following benefits if progressed:

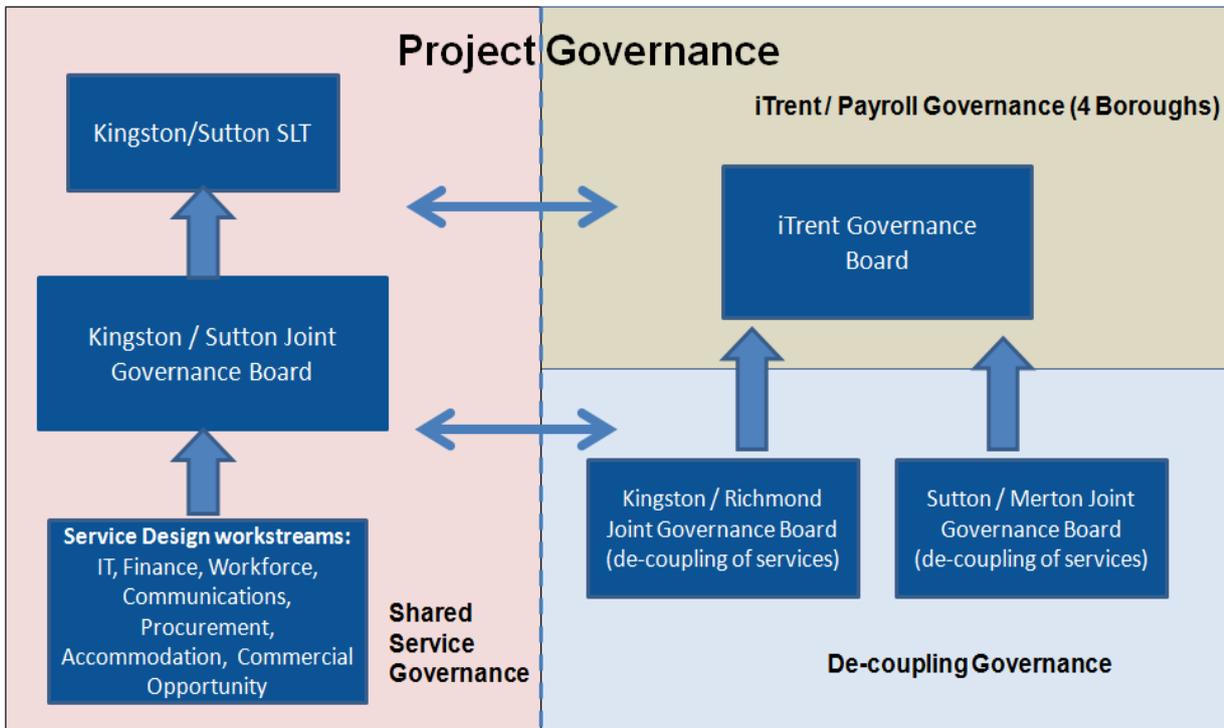
- be a key enabler for other shared services between Sutton and Kingston, which builds on the already integrated ICT shared service;
- increased commercial opportunities to sell services, the service would be selling services to schools across 3 boroughs (Kingston, Richmond and Sutton, and in some instances Merton);
- financial savings for both authorities, although these will be limited initially;



- greater resilience and flexibility;
- provides the opportunity to streamline operations;
- provides more career opportunities for staff; and,
- the service will have greater influence in the HR market, including working with external providers.

5. Governance and Timescales

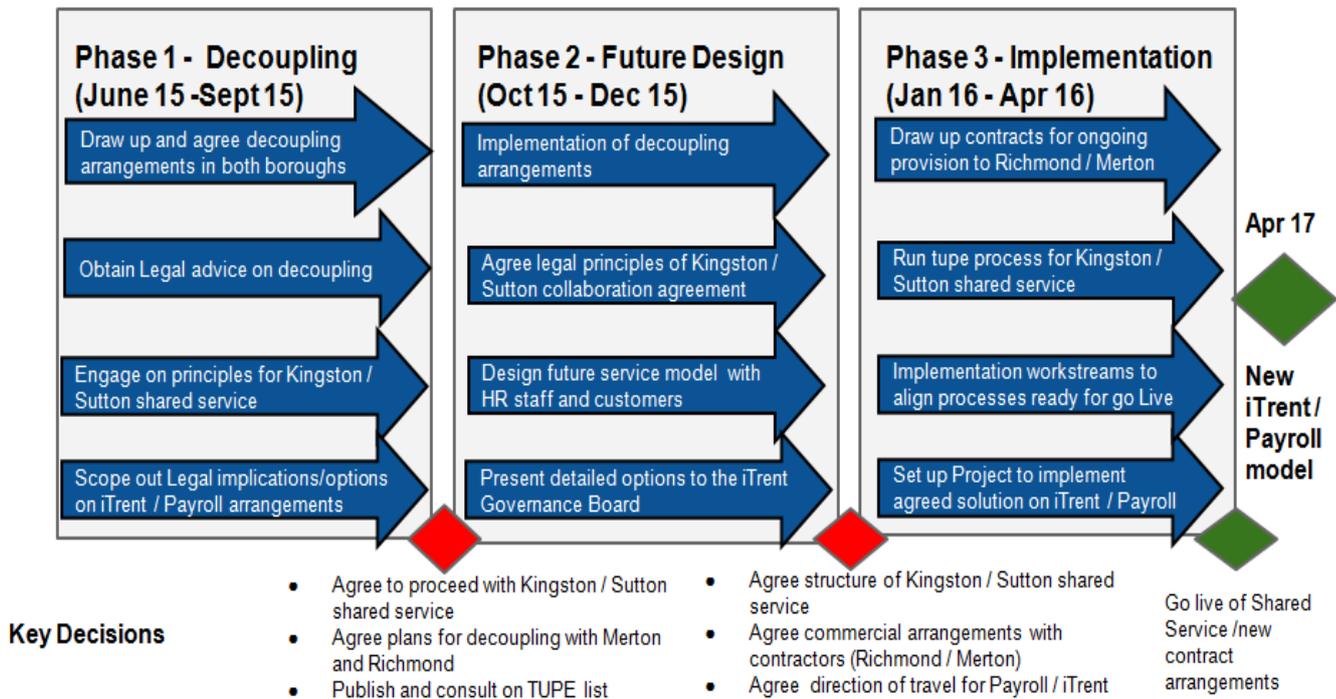
- 5.1 Gerald Almeroth, Strategic Director of Resources, Sutton and Sheila West, Executive Head of Organisational Development and Strategic Business, Kingston are the project sponsors.
- 5.2 The Project Governance arrangements are complex due to the decoupling that needs to happen. Please see below for an overview of the Governance:



- 5.3 The Kingston / Sutton Joint Governance Board is made up of the project Sponsors, joint project manager and the Heads of Strategic Business for both Sutton and Kingston.
- 5.4 There are project team meetings with the service design workstream leads (senior officers in HR), to ensure co-ordination of activity and effective reporting to the Governance Board.
- 5.5 An overview of the project time lines is depicted below:



Overview of Phases



- 5.6 Pending agreement of the progression of the shared HR service, the project will move into Phase 2. The objectives of Phase 2 are as follows:
- to co-design a future operating model for the shared HR service based on the agreed principles (section 4.1), with customers at the heart of the process;
 - to compare and contrast current ways of working, and to build the best of both into the future design; and,
 - to propose alignment of policies, processes and practices wherever this is possible in order to help deliver further efficiencies.
- 5.7 The proposal is that a shared service between Sutton and Kingston goes live on 1 April 2016, which will ensure ongoing sustainability of the services in the light of the two shared services in both boroughs decoupling from their current arrangements in April / May 2016. There is a will by all boroughs to try to align go live and termination dates so that it is a seamless process for staff and customers.
- 5.8 A formal collaboration agreement will be produced and agreed between the two boroughs to underpin the governance and shared responsibilities for the service. The principles of the shared service will be that it is truly shared in terms of service management and leadership. The report proposes that the employing authority is RB Kingston, which is only a matter of administration in terms of clarity as to who the employer is and this does not relinquish any control of the Council's policy setting or decision making in respect of its HR policies and procedures, which will remain with Sutton.



6. Risks and Issues

6.1. The top three key risks are identified as follows:

- the processes involved in the decoupling could delay the April 2016 'Go Live' date for the Sutton / Kingston with the management of the TUPE process and as consultation with staff on the decoupling arrangements will be required . A key issue is also whether the termination of the collaboration agreement in Sutton / Merton can be aligned with the termination of the Kingston / Richmond agreement to enable a 'go live' date of 1 April;
- there is a risk that key staff may leave the service during the process because of the uncertainty about the arrangements and also in parallel with the implementation of the People Plan proposals once agreed. These risks will be managed through continuous and positive engagement with staff during the design phase; and,
- the reconfiguring of the HR service (both decoupling and coming together) could impact on the level of service received by the two boroughs, and affect the delivery of key transformation programmes in other areas (e.g. People Plan, shared Environment Services project). It is important that this is kept under review and that key corporate programmes remain on track.

6.2 The Sutton / Kingston Joint Governance Board will oversee the risks and issues on an ongoing basis through the project risk and issue registers and these will be reported through to both Council via their individual corporate project management arrangements.

7. Impacts and Implications

Financial

- 7.1 There is an existing savings target for the HR service in Sutton to deliver £120k in 2015/16 and £170k in 2016/17. The savings this year are on target to be met and there are existing plans in place for the savings in 2016/17 also to be delivered. These will be taken into account in the shaping and design of the new shared service with Kingston.
- 7.2 Due to the complexity of the decoupling arrangements, external legal advice has been sought on behalf of Sutton and Kingston. The boroughs have also jointly appointed a project manager to co-ordinate the process. This is being funded from the DCLG Transformation Challenge Fund grant awarded to SW London boroughs.
- 7.3 There may be redundancy costs as a result of the decoupling with Merton, however, it is part of the collaboration agreement that both authorities will use best endeavours to minimise this wherever possible. Any redundancy costs that do arise will be shared on a 50/50 basis.



Legal

- 7.4 The external legal advice from Trowers and Hamblins is clear that the arrangements relating to the decoupling of the two shared services needs to be agreed first before detailed design and agreement of any new shared service can take place. This is to ensure all responsibilities for the decoupling are shared.
- 7.5 It is clear that TUPE applies to a grouping of posts within the existing Sutton and Merton service, therefore consultation will be required on these posts. A fair and transparent process will also be applied to those staff who work across both boroughs as to whether they stay with the host borough or TUPE to Merton.
- 7.6 Kingston also provide the HR service to Achieving for Children (AFC) which is the Community Interest Company set up by Kingston and Richmond to provide all Children's Safeguarding Services to both boroughs. As a shareholder of the company Kingston can provide HR services to it without the company going through a formal public procurement process as the 'Teckal' exemption applies. It causes less complexity for the future service delivery model of any Kingston and Sutton shared HR service if Kingston were the employing authority as it would avoid Sutton having to become a shareholder of the company.

8. Appendices and Background Documents

Appendix letter	Title
None	

Background documents
South West London Shared HR Service Feasibility Study - Inner Circle and Templetree Consulting, July 2014

Audit Trail		
Version	Final	Date: 17/09/2015
Consultation with other officers		
Finance	Yes	Gerald Almeroth
Legal	Yes	External legal advice (Trowers)

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