

The Future of East Kent HR (EKHR)

Cabinet	29 April 2021
Report Author	Interim Head of Shared Services
Portfolio Holder	Leader of the Council
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	All

Executive Summary:

This report sets out proposals to disband the East Kent HR Service (EKHR) and take HR services in house with effect from 1 September 2021. It sets out the rationale for the decision, the proposed processes and relevant recommendations. If the decision is to disband EKHR, the report recommends delegating authority to the Interim Head of Shared Services, in consultation with the Chief Executive and Leader. It should be noted that the Leader and Deputy Leader, together with the Leaders and Deputy Leaders of Canterbury City Council and Dover District.Council, sit as the East Kent Shared Services Committee.

Recommendation(s):

1. That EKHR should be disbanded and that the HR service returns in house;
2. That authority is delegated to the Interim Head of Shared Services, in consultation with the Chief Executive and Leader, to carry out all necessary processes to give effect to the decision;
3. That authority is given to the Interim Head of Shared Services to sign off and enter into any agreements necessary to give effect to the decision. This includes, but is not limited to, novation of contracts between any of the three Councils and any third parties;
4. To recommend to Council that the East Kent Shared Services Collaboration Agreement dated 14 October 2016 is amended to reflect the changes set out in recommendations 1 - 3.

Corporate Implications

Financial and Value for Money (to be completed)

The budget for HR, training and payroll services is £352,000 in 2020/21. If the service is brought in house, then that budget will become the sum available to fund the new in-house service. The 2021/22 EKHR budget is funded in part by the use of EKHR reserves, which will not be available as an ongoing funding source. Whilst this is a problem regardless of

how the service is delivered, the new staffing arrangements in each district will need to reflect a saving to accommodate the fact that reserves can only be used once.

Keeping the payroll service and HR system as a shared operation minimises potential one off costs associated with the service transfer and retains the efficiencies of a shared service for those activities.

Legal

EKHR is governed by the East Kent Shared Services Collaboration Agreement dated 14 October 2016 ("The Agreement"). The Agreement sets out relevant provisions for the termination of any service covered in the Agreement and also provisions relating to staff transferring from the shared service back into the Council. The Agreement also covers the EK ICT shared service, Customer Services and Revenues and Benefits, which will not be affected by the proposals in this report.

The Agreement states that, if any part of it is terminated through mutual agreement, the Councils shall cooperate with each other to facilitate the smooth migration of the shared service from the host Council (in this case, Dover District Council) to the three Councils.

If the proposals in this report are agreed, The Agreement will be amended to reflect the changes.

Corporate

The main risks involved in the proposals concern the effects on staff within EKHR and the smooth transition from a shared service to an in house service. To mitigate these risks, a fairly long lead in time is proposed, with the in house service starting w.e.f 1 September.

Staff will be fully involved in, and consulted on, the proposals. The Interim Head of Shared Services and the three Chief Executives have already had meetings with all the staff. A working document of questions has been prepared by staff and answered. It will be updated as the project progresses.

A detailed project plan will be completed and shared with staff in EKHR, showing the stages of consultation etc. It is envisaged that a project group will be set up to manage the transition, comprising leads from various areas, e.g. Legal, Digital, HR, to ensure that the process is managed effectively.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -
(Delete as appropriate)

- To eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act.
- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

You should then explain how your report supports the aims you have indicated in the table above. **Please see completed Equalities Impact Assessment**

In addition authors are required to conduct a Customer Impact Assessment where proposals affect customers or staff. Topics such as:

- the introduction/change/cessation of a service
- introduction/increases in fees and charges
- staff restructures
- creation/amendment of policy or strategy documents
- introduction of new initiatives/schemes

are examples of where an assessment should be carried out.

Compliance can only be achieved if we can evidence that due regard is given in substance, this means starting your assessment at the beginning of your piece of work and updating it throughout. Completing the assessment at the end or after a decision is taken will not satisfy the Duty.

Where an assessment is required please summarise the key findings here and append your full analysis to the report with any personal data redacted.

Please see the equality compliance toolkit on TOM or contact the Legal Department for assistance.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -
(delete as appropriate)

- *Growth*
- *Environment*
- *Communities*

1.0 Introduction and Background

1.1 HR has been a shared service for Canterbury City Council (CCC), Dover District Council (DDC) and Thanet District Council (TDC) since September 2010. In its original form, it was a four way shared service, with the inclusion of Folkestone and Hythe District Council (formerly Shepway District Council). Shepway District Council

unilaterally left the HR shared service a few years later. The original Collaboration Agreement (20/9/10) was replaced by the current Collaboration Agreement dated 14/10/16 between DDC, CCC and TDC.

2.0 The Current Situation

- 2.1 The three Councils have moved on in the last 11 years and much has changed. Each has felt the effects of reductions in local government finance. Each has, of necessity, restructured and reorganised its workforce in various ways and has also taken over or outsourced various services. In 2018, the three Councils took the decision to outsource its Revenues and Benefits and Customer Services to Civica; CCC has recently taken its waste management service back in house under its newly formed Canterbury Environment Company, Canenco; TDC employs its own waste management staff and owns and runs Ramsgate Port and DDC has recently expanded its workforce at the Dover Port Authority. EKH was disbanded in October 2020 and each Council's housing team came back in house. CCC also provides an HR service through EKHR to The Marlowe Theatre.
- 2.2 These changes and others within each Council, mean that EKHR is no longer a shared service, but is more of a shared resource. That resource is now stretched across five different organisations (TDC, CCC, DDC, the Marlowe and Canenco) and could be provided in a more beneficial way. The Chief Executives agree that they need an HR service more closely aligned to the requirements of each Council. There has been a lot of discussion at the EKS Strategic Board (comprising the three Chief Executives). The Board has recently decided, in principle, to disband EKHR and take each Council's HR service back in house.
- 2.3 While the proposal is for EKHR staff to move in house, it is agreed that the small payroll service and the EK Midland HR software, will remain a shared service. Discussions will be had with Midland HR about the continued management of the HR software and how access should be split between the Councils.
- 2.4 A clear benefit of the proposal will be the closer alignment of the individual HR services with the corporate priorities of each Council. Although the Chief Executive is the Head of Paid Service and has ultimate responsibility for staffing matters, it is also the case that members will have more involvement in issues such as setting HR policies and procedures which directly affect each Council's staff. Members will also be able to have a better understanding of issues which affect staff.
- 2.5 Discussions have occurred over the course of several recent Board meetings. A main concern has of course been the effect of the proposals on staff. EKHR staff are currently employed by DDC and their base is Dover. They have also worked as one team for a considerable period of time. To mitigate the impact on staff, the Board has agreed that it will adopt a model of transferring the staff into roles as identical to their current roles as possible within each Council.
- 2.6 The proposal to transfer staff as closely as possible into roles similar to their existing roles is in accordance with the Agreement. It states, at paragraphs 15.2 and 15.3, that either TUPE shall apply in respect of any of the shared services or, if TUPE does not apply, each Council shall still employ any employee who returns to it from a

shared service, on the same terms and conditions as applied immediately before termination including full continuity of employment.

- 2.7 A further consideration for the Board has been the financial impact of the change on the finances of the shared services. As EKHR staff are employed by DDC, the costs are shared with CCC and TDC. The S151 officers and finance teams have undertaken considerable work in understanding the split of finances. Their advice is that, broadly speaking, the impact of the service returning in house will be neutral.
- 2.8 If the decision is taken to disband EKHR, the process of consultation with staff would start in May 2021 with a view to the new services starting from 1 September.
- 2.9 Staff within EKHR have already been informed of the proposals. The Interim Head of Shared Services met all staff in early March. The Chief Executives sent out an all staff email on 5 March and met all staff on 31 March. It was made clear to all staff that, although the decision has been taken in principle by the EKS Board, the final decision is for each individual Council. Staff have also submitted a number of written questions, which have been answered and will be updated as the project progresses. No doubt staff will continue to have concerns and questions. The Board's aim is to maintain an open communication channel, so that staff feel valued and supported throughout the process.
- 2.10 CCC and DDC are considering the proposals at their meetings on 19 April 2021 (Policy Committee at CCC) and 17 May 2021 (Cabinet at DDC).

3.0 Options

- 3.1 The EKS Board has spent some considerable time discussing the proposal to disband EKHR. The recommended decision is to agree the proposal and authorise the next steps in the process, as set out in the Recommendations, with a view to starting the new services from 1 September 2021.
- 3.2 Alternative proposals include maintaining the HR service as a shared service. This is not recommended, for all the reasons set out in this report.
- 3.3 A second alternative could be a discussion about how the EKHR service could be reconfigured to better support each Council "on the ground". This happens to a certain extent at the moment, in that each Council has its own dedicated Business Partner. However, in order to increase this support while maintaining a shared service, each Council would need some sort of hybrid service, with more staff locally based and a centrally maintained, smaller EKHR. This model could be unsatisfactory and unwieldy and also financially complex.

Contact Officer: Estelle Culligan, Interim Head of Shared Services
Reporting to: The EKS Board: Nadeem Aziz, Chief Executive DDC, Colin Carmichael, Chief Executive CCC and Madeline Homer, Chief Executive TDC.

Annex List

Annex 1 - Future of EKHR Equality Impact Assessment

Background Papers

None

Corporate Consultation

Finance: Tim Willis, Deputy Chief Executive and S151 Officer. The S151 Officers at CCC and DDC have also been consulted throughout.

Legal: The report author is Director of Law and Democracy at TDC and has consulted with the Heads of Legal at CCC and DDC.