

**Committee: Cabinet**

**Date of meeting: 6 July 2016**

<b>Subject:</b>	Delivery of Human Resources Function
<b>Lead Officer:</b>	Head of Organisational Development Head of Finance
<b>Portfolio Holder:</b>	Corporate Development – Councillor S.J. Selleck
<b>Link to Council Priorities:</b>	All
<b>Exempt information:</b>	None
<b>Delegated status:</b>	For resolution
<b>Key Decision:</b>	Yes

### **EXECUTIVE SUMMARY:**

Currently the HR function is provided in-house at the Council. This report proposes that the Council explore the possibility of outsourcing the transactional functions of this service.

This is an operational matter and as such is the responsibility of the Head of Paid Service. However, the likely size of the contract will need agreement by Cabinet and Council hence this report on the intention to explore options for an outsourced service.

### **RECOMMENDED: THAT**

- (A) THE DELIVERY OF HR TRANSACTIONAL FUNCTIONS (OUTLINED IN PARA. 1.2) BE EXPLORED FOR OUTSOURCING THROUGH A PROCUREMENT EXERCISE; AND**
- (B) A FURTHER REPORT BE PRESENTED BACK TO SEPTEMBER CABINET OUTLINING THE FINDINGS FROM THE PROCUREMENT EXERCISE.**

#### **1.0 Background**

1.1 Currently the HR service at the Council sits within the Organisational Development team. The HR service undertakes a number of transactional services and it is proposed that the market be explored to see if these functions can be carried out more cost effectively.

It is believed that the service would provide the Council with more efficient service delivery and increased customer focus which would lead to better quality outcomes.

Key benefits include:

- lower and more transparent costs;
- higher customer satisfaction ratings, through an improved match between customer expectations and service;
- a more selective and strategic contribution from HR;

- better management information, provided more consistently across the organisation as a whole; and
- better service specification, through a Service Level Agreement, performance monitoring and the contract.

1.2 The scope of the procurement exercise would be to find a supplier for the following functions:

- **Recruitment and compliance** – supports managers in recruitment-related activity at all levels. Activity is mainly transactional in nature, using an online ATS recruitment system (jobs go public). Employee compliance consists of administering DBS, Disclosure Scotland, Right to Work and pre-employment checks.
- **Telephone support** – provides the ‘first line’ HR support to managers.
- **Employee Services** – mainly transactional and administers changes to employee T&Cs; for example, change of hours, pay, maternity leave, etc.
- **Pay and Reward** – mainly transactional and carries out changes to employee pay. There is some employee self-service functionality via I-Trent (e.g. mileage, overtime).
- **Pay and Data** – the provision of a payroll service. This function processes third party deductions, monthly and yearly statutory returns and LGPS.
- **Pensions** – provides a LGPS pension’s administration service to employees and deferred members.
- **Employee relations** – assists in the delivery of case work in relation to employees which is appropriately owned by managers.
- **Business Partnering and change management** – this function shall provide business partnering advice and support.
- **Policy** – this function provides policy, generalist HR capacity and has responsibility for complying with employment and equalities legislation.
- **Strategic data** – provision of regular management information and shall deal with ad hoc requests.
- **Responding to complaints, FOI and DPA requests**

1.3 **Out of scope:**

The Service Provider would not be required to perform the following functions which shall be retained by the Council:

- Corporate Strategy and Policy Development (excluding legislative updates, we expect the supplier to notify us of updates which need to be made to the Policies)

- Learning and Development (this will be retained within the Organisational Development team)

## 2.0 Procurement framework

- 2.1 It is proposed that the procurement be through a procurement framework provided by Crown Commercial Services (RM1042). Through this framework the Council would have the opportunity to gain up to 13 responses from companies that could provide the service. The framework has been established in compliance with EU regulations.

Following agreement of this report we would publish our specification for 2 weeks and the responses would be evaluated against the specification.

Following evaluation the contract would be awarded to the supplier based on the quality evaluated against the specification and prices based on a 50:50 split.

- 2.2 Contract Procedure Rules (Constitution 5-69) set levels of authority to award contracts following satisfactory evaluation. It is suggested that the contract value would be in excess of £200,000 for a 5 year contract and therefore would need to be approved by Cabinet and Council.

## 3.0 Way forward

- 3.1 If this report is agreed then the contract specification would be advertised. Once bids had been received, they would be evaluated and a recommendation prepared and presented to Cabinet and Council.
- 3.2 Throughout the contracting process all employees would be kept fully informed.

### **Financial implications:**

Current research indicates that there could be a significant saving achieved from the delivery of the service from an outsourced company.

### **Environmental/Sustainability Implications:**

Potentially the service would be provided from outside of Surrey but within the UK.

### **Legal implications:**

None for the purposes of this report. However Legal and Procurement will be fully consulted throughout the procurement process.

### **Equality Implications:**

An equalities impact assessment would be carried out as part of the procurement process.

### **Risk Implications:**

None for the purposes of this report. However there will be a full risk assessment undertaken should the transactional services be outsourced. There would be an

expectation that outsourcing would lead to a reduction in risk , and in particular address the issue of resilience for the future.

**Community Safety Implications:**

None for the purposes of this report.

**Principal Consultees:**

Organisational Development Team, Council Management Board and Heads of Service at Leadership Group (March 2016).

**Background papers:**

None

**Enclosures/Appendices:**

None

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