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<b>Subject:</b>	<b>THE FUTURE OF EAST KENT HR (EKHR)</b>
<b>Meeting and Date:</b>	<b>Cabinet – 17 May 2021</b> <b>East Kent Services Committee – May 2021 (To be confirmed)</b>
<b>Report of:</b>	<b>Nadeem Aziz, Chief Executive and the Interim Head of Shared Services/Interim Head of Collaborative Services</b>
<b>Portfolio Holder:</b>	<b>Councillor Chris Vinson, Portfolio Holder for Finance, Governance and Digital</b>
<b>Decision Type:</b>	<b>Non-Key Decision</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**Purpose of the report:** To disband East Kent Human Resources and bring the services in-house.

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**Recommendation:** To Cabinet:

It is recommended that:

1. East Kent Human Resources (EKHR) should be disbanded and that the HR service returned in house;
2. Authority is delegated to the Chief Executive to:
  - (a) Make any further decisions and to carry out all necessary processes to give effect to the decision to disband EKHR;
  - (b) To sign off and enter into any agreements necessary to give effect to the decision, including but not limited to the novation of any contracts between all or any of the three councils and any third parties.
3. The East Kent Shared Services Collaboration Agreement dated 14 October 2016 is amended to reflect the changes set out or taking effect under recommendations 1 - 3.

To the East Kent Services Committee:

1. That authority is delegated to the Interim Head of Shared Services/Interim Head of Collaborative Services to:
  - (a) Make any further decisions and to carry out all necessary processes to give effect to the decision of the three councils to disband EKHR;
  - (b) To sign off and enter into any agreements necessary to give effect to the decision, including but not limited to the novation of any contracts between all or any of the three councils and any third parties.

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## 1. Summary

- 1.1 EKHR 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 (Shepway District Council (SDC) at the time of inception). SDC unilaterally left the EKHR shared service in the early years of its operation.
- 1.2 As the HR requirements and expectations of the three Councils have changed over time it has become apparent that requirements have diverged, and a shared model is no longer the optimal approach. This report proposes the dissolution of EKHR and the return of HR services in-house.
- 1.3 However, the three councils will continue to operate a shared payroll and will also continue to share the same HR system (“the Midland system”). This situation will be reviewed at the time the Midland system needs replacement. As the payroll service uses the Midland system, replacement in the future may have implications for the shared payroll service, but these matters are outside the scope of the current report.

## 2. **Background**

- 2.1 EKHR is a team within East Kent Services (EKS)<sup>1</sup> and currently employs 24.41 full time equivalents (FTEs). It provides both HR and payroll services to the three Councils. The staff are employed by DDC and are hosted at DDC’s Whitfield site. DDC also host the Midland system. The Interim Head of Shared Services is employed by and is an officer of TDC but manages EKS on behalf of all three Councils under the direction of the East Kent Services Committee. Also, (and importantly for the purposes of this report), she also holds the chief officer post of Interim Head of Collaborative Services within the structure of DDC. In this capacity she manages EKHR, again under the direction of the East Kent Services Committee.
- 2.2 At the time of its creation EKHR was the second shared service (after EK Audit Partnership) to be created. Since then, significant changes in the three partner councils include:
  - (a) The creation of East Kent Services, providing Revenues and Benefits and ICT services to the three Councils and the subsequent transfer of revenue and benefit functions to CIVICA;
  - (b) The creation and subsequent dissolution of East Kent Housing;
  - (c) CCC has recently taken its waste management service back in house from Serco under its newly formed company Canenco;
  - (d) The creation of a separate trust for the Marlowe Theatre at Canterbury;
  - (e) The on-going expansion of the Port Health Authority function at DDC due to the proposed creation of a Border Control Point following Brexit.
- 2.3 These changes and others within each Council, mean that in terms of workforce and the need for HR support, the Chief Executives agree that they now need an HR service more closely aligned to the requirements and culture of each Council. This has led to discussion at the EKS Strategic Board (comprising the three Chief Executives and the S151 Officers), and the emergence of a joint consensus, that the Board would like to disband EKHR and take each Council’s HR service in house.
- 2.4 While the proposal is for HR service and staff to move in house, it is proposed that the payroll service, and the Midland system, will remain a shared service and will be hosted by DDC, and the existing collaboration agreements will be amended or replaced as appropriate to give effect to this.

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<sup>1</sup> EKS also provide Revenues and Benefits through a contract with Civica and also ICT services.

- 2.5 EKHR staff are currently employed by DDC and their base is the Council's Whitfield offices in Dover. They have worked as one team for a considerable period of time. To mitigate the impact on staff, the Board has suggested that a model of transferring the staff into roles as identical to their current roles as possible within each Council will be adopted. There are currently 24.41 FTEs within EKHR.
- 2.6 These arrangements will comply with the terms of the Collaboration Agreement, which states, at paragraphs 15.2 and 15.3, that either TUPE shall apply in respect of any of the shared services and, 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. This will include full continuity of employment.
- 2.7 The Board has further considered 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 and their advice is that, broadly speaking, the impact of the service returning in house will be neutral<sup>2</sup>, although there will be an additional impact on DDC as the former host. This arises primarily because CCC and TDC have been contributing towards the cost of the office accommodation at Whitfield occupied by EKHR which they would no longer do. Please see footnote 2 below.
- 2.8 If Cabinet decide<sup>3</sup> to disband EKHR, the process of consultation with staff will start in May/June 2021 with a view to the new services starting from 1 September.
- 2.9 Staff within EKHR have already been informed of the proposals and the Chief Executives also sent out an all staff email on Friday 5 March. It was explained to EKHR staff that, although it was the view of the EKS Board that EKHR should be discontinued, the final decision is for each individual Council.
- 2.10 The Interim Head of Shared Services and the three Chief Executives met separately with all staff, who have also submitted a number of written questions, which are being considered and answered. The Board will maintain an open communication channel, as part of the support to staff throughout the process.

### 3. Identification of Options

3.1 There are two options:

- (a) Modify the current service to the partners separate needs while maintaining a shared service
- (b) Dissolve EKHR and take back the service in-house.

### 4. Evaluation of Options

4.1 Option a - Modify the current service

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<sup>2</sup> As host, DDC makes overhead charges to EKS of circa £80k pa, the bulk of which are for office accommodation and ICT costs for desktop support. DDC is unlikely to be able to make offsetting savings for the bulk of these costs, therefore although the cost of in-house provision compared to EKHR recharges is broadly neutral, DDC will see a net cost as the former host. This is part of a wider discussion with CCC and TDC encompassing similar overhead costs borne by TDC after the Civica contract, and the use of the TDC server room. Resolution of these complex and long standing issues is outside the scope of this report, but Members should be aware that there are likely to be some additional costs to DDC arising from the dissolution of EKHR.

<sup>3</sup> Members should note that by the time that Cabinet consider this report CCC and TDC may already have made their own decisions to disband EKHR. If this is the case, Cabinet will have no practical options but to agree to the disbandment, regardless of their preferences.

4.2 Modifying the current service could align it more closely with the councils' separate requirements. However, it would be likely to do so to the detriment of any remaining economies of scale and is likely to become unwieldy and complex to manage and recharge. Furthermore, Cabinet should note that CCC's Policy Committee and TDC's Cabinet have now taken the decisions to take their HR service back in house. For these reasons this is not the recommended option.

4.3 Option b - Dissolve EKHR and take the service in-house.

4.4 Taking the service back in-house will enable each council to design the service to meet their specific needs, gives councils direct control over an essential service area and avoids unwieldy service management and recharging arrangements. For these reasons this is the recommended option.

## 5. Resource Implications

5.1 The table below sets out the headcount and annual costs.

Council	Current Headcount	Current Cost £	Assumed Cost £
Canterbury	648	427,374	427,374
Dover	489	257,683	257,683
Thanet	613	439,293	439,293
EKS	49	185,780	185,780
Total		1,310,130	1,310,130

### Notes:

- (a) Headcount for illustrative purposes only and is not the basis for charge.
- (b) Assumed cost reflects that each Council already has a budget in place for the service and the expectation at transfer is that the new service will not exceed this.
- (c) Review undertaken to allocate existing staff resources to each authority, with further work required by each authority to identify an appropriate structure within this resource. This will be a matter for the Head of Paid Service.
- (d) Assumed costs ignores any issues with recharges whereby the host will require mitigating actions to cover. (See footnote 2 above).
- (e) No costs factored in to cover any potential redundancies.
- (f) Given the structure of the data within the Midland system, there will be no significant costs to the disaggregation of data for future HR and payroll use.
- (g) No savings assumed associated with the potential removal of and posts due to legacy savings requirements.
- (h) Current head count includes HRA.

## 6. Risk Assessment

6.1 The main risks involved in the recommended option concern the effects on staff within EKHR and smooth transition from a shared service to an in house service.

6.2 To mitigate these risks, a fairly long lead in time is proposed, with the start date for the in house service being proposed as 1 September 2021. Staff will be fully involved in and consulted on the proposals. 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.

## 7. **Climate Change and Environmental Implications**

7.1 The only climate change and environmental implications are from changes in patterns of commuting and homeworking. The commuting implications for individuals will be taken into account, together with other factors, when staff are offered / transferred to roles within the three councils.

7.2 Homeworking arrangements will be part of the wider arrangements under consideration by each of the three councils for their staff.

## 8. **Corporate Implications**

8.1 Comment from the Director of Finance (linked to the MTFP): The Head of Finance & Investment has been consulted on this report and has no further comment to add.

8.2 Comment from the Solicitor to the Council: The Head of Governance has been involved in the production of this report and has no further comment to make

8.3 Comment from the Equalities Officer: This report does not specifically highlight any equality implications, however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>

## 9. **Background Papers**

None.

### Contact Officers:

- Nadeem Aziz, Chief Executive
- Estelle Culligan, Interim Head of Shared Services
- Mike Davis, Strategic Director (Corporate Resources)