



**Hampshire
& Isle of Wight**

FIRE & RESCUE AUTHORITY

HIWFRA Full Authority

Purpose: Approval

Date: **10 October 2023**

Title: Funding for In-house HR Team

Report of Chief Fire Officer

SUMMARY

1. This report outlines the options for establishing an in-house HR team, and the benefits and risks of each option. Members are asked to consider and approve funding for resourcing an embedded function that best meets the requirements of the Service now and into the future, including addressing a number of people challenges the Authority are already aware of such as increased sickness levels, improving our manager's confidence in HR processes, providing additional support for on-call employees, and responding to sector wide concerns about culture and behaviours in fire services.
2. Members are also asked to approve funding for an HR management IT system, and potential one-off redundancy costs associated with the withdrawal from using HR Operations (Ops) within the Shared Services Partnership (SSP).

BACKGROUND

3. HR Ops is currently one of the functions delivered for Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) through the SSP. HR Ops includes the activities listed below. It should be noted that this does not include recruitment activity.
 - (a) HR casework (absence management, capability, misconduct issues).
 - (b) HR policy and reward (HR policy development, pay awards, job evaluation and some pension expertise).
 - (c) Organisational change (restructures and redundancies).

4. The SSP has been in place since 1 February 2014. In 2022, Hampshire and Isle of Wight Constabulary (HIOWC) undertook a review of the services they received via the SSP, which included HR Ops, and concluded that they wished to amend the services delivered and establish in-house teams for HR Ops and Finance.
5. HIOWC's decision meant that the services delivered by the SSP would need to be changed, particularly for HR Ops which operated as a shared team for all three partners. As a result, it was not sustainable for HIWFRS to continue to use HR Ops. It was possible for us to remain using financial services from the SSP, because the delivery model had a distinct HIOWC team which did not impact upon the service received by HIWFRS.
6. Therefore, HIWFRS gave notice to withdraw from HR Ops (only) on 15 February 2023 and the decision was ratified on 31 March 2023. There is a notice period to withdraw from HR Ops, to allow for the design and on-boarding of the in-house HIWFRS HR function. The go-live date for a new embedded HR team is 1 April 2024.

CONSIDERATIONS FOR ESTABLISHING AN EMBEDDED HR FUNCTION

7. Since the Shared Services partnership was created, there have been significant developments within the Fire Sector, particularly since the introduction of HMICFRS and Fire Standards. There are now Fire Standards specifically on the issue of Leading and Developing People, and Leading the Service. HIWFRS must demonstrate how it meets these standards through the leadership of its People and Organisational Development (POD) Directorate. This has created different expectations of an HR service and is likely to continue to do as more Fire Standards are developed.
8. Members are also aware of HMICFRS' sector wide concerns in relation to values and behaviours. HIWFRS is committed to understanding and improving the cultural health of our organisation. In addition to the cultural review we are undertaking this year, an important way of understanding culture is to be able to interpret and analyse HR data to identify trends or patterns in people issues. It is critical that the HR team are connected to and understand this work so they can provide thematic information to support organisational learning, nuance their professional guidance in line with our cultural aspirations, and help improve managerial practice through training.
9. In addition to sector wide considerations, there are specific challenges within HIWFRS that have been previously reported to the Fire Authority and which would benefit from enhanced support for managers to improve their confidence using HR processes. For example, we have seen increased

sickness levels, much of which is related to long term complex absences, often associated with poor mental health. Therefore, in considering a future HR service, it was important that we asked our managers what they would most value in a new HR delivery model.

10. We spoke to 52 supervisory and middle managers across the Service and listed below are the requirements that were most consistently mentioned.
 - Improved HR support – a proactive, partnership approach to HR support for managers.
 - Increased access to HR support – face to face and telephone contact with HR advisors and support beyond core office hours for on-call teams and watches coming onto night shift.
 - Drop-in sessions for advice and guidance.
 - Ability to attend meetings within geographical groups to understand their specific challenges and meet at locations and times more convenient for managers, particularly for on-call managers.
 - HR advisors to deliver training on a range of issues, but particularly focussed on sickness and performance management.
 - More proactive support from HR advisors in managing HR cases and processes.
11. We shared the management feedback with senior managers and Heads of Service. They supported the requirements listed above and were particularly passionate about the delivery of training to upskill and improve the confidence of managers across the Service in tackling people challenges. They believed this would directly improve the culture and performance of teams across the Service and therefore should be prioritised.

ANTICIPATED BENEFITS OF AN EMBEDDED HIWFRS HR TEAM

12. Having considered the sector wide and internal people challenges, the Director of People and Organisational Development (POD), has developed three options for establishing an in-house HR function for Members to consider. If the recommended option is approved by Fire Authority, there are a number of anticipated benefits to HIWFRS that the Director of POD has identified, and which are listed below.
 - Bespoke provision of professional HR services for HIWFRS.
 - Improved understanding and awareness of people challenges within HIWFRS.
 - HR advice that is aligned to the strategic and cultural direction of HIWFRS.
 - Retain expertise of current resource.

- Increased support for managers from a proactive, leading (rather than manager self-serve) service.
 - HR Advisors able to deliver face to face support across the whole workforce (including on-call, Isle of Wight).
 - Greater flexibility and adaptability to respond to changing priorities across HIWFRS.
 - Resilience of HR support and across the wider POD Directorate.
 - Develop managers' capability through training and coaching leading to improved performance of teams.
 - Improved access to information to enable organisational learning related to HR activity.
 - Ongoing support to significant change programmes or projects across the Service.
13. In respect of benefit realisation, the expected tangible outcomes of the recommended option are listed below. These outcomes will be captured in future performance reports to the Fire Authority.
- A reduction in absence.
 - Quicker resolution of cases.
 - Improved data and insight in respect of people/HR related trends.
 - Levels of managers participating in training and development associated with HR/people practices.
14. In addition, we will seek feedback from managers about whether their requirements are being met and in relation to their confidence levels in managing HR process and tackling people challenges. The evaluation of these less tangible outcomes will occur 18-24 months post establishment of the embedded HR team.

ESTABLISHING AN EMBEDDED HR FUNCTION

15. In determining options for an embedded HR function, it is important to understand current resources and costs to create a baseline structure which aligns with the current HR Ops model.
16. The current HR Ops model delivered via SSP provides approximately 7.2 FTE resource at a charge of £389,000. This includes 2.4 FTE resource which are posts that work wholly or mostly to deliver services for HIWFRS. There is also a 0.4 FTE of a pensions specialist. The remaining funding is used to contribute to the broader HR Ops team and ensures we have access to HR Advisors to support with casework and restructure/redundancies when required. Over the past seven years, it has been calculated that our costs increase by approximately 4.4% a year. Therefore, it is reasonable to assume that our costs for 2024/25 would be £406k.

17. In addition to the baseline resource as outlined above, over the last four to five years, we have spent approximately £100k per annum more on HR support to deliver significant change (combination with Isle of Wight FRS) or cross-organisational projects (introduction of PPG framework), or large HR projects (on-call ways of working).

BASELINE MODEL – OPTION 1 (NOT RECOMMENDED)

18. It would cost £410k per annum to establish a baseline structure that most closely matches the capacity and delivery of the current HR Ops provision. This is an increase of £4k per annum against our current estimated charge for 2024/25.

Benefits	Risks
<p>Minimal increase in budget.</p> <p>Bespoke provision of professional HR services for HIWFRS.</p> <p>Improved understanding and awareness of people challenges within HIWFRS.</p> <p>HR advice that is aligned to strategic and cultural direction of HIWFRS.</p> <p>Improved access to information to enable organisational learning related to HR activity.</p>	<p>Insufficient capacity to provide increased support for managers.</p> <p>Limited ability to deliver face to face support across the whole workforce (including on-call and Isle of Wight).</p> <p>Unable to retain expertise, particularly in respect of pensions.</p> <p>Reduced resilience for sickness or leave as will not have access to broader HR Ops team.</p> <p>Insufficient capacity to develop managers' capability through training.</p> <p>Change activity will require additional funding for temporary resource which may be harder to recruit as will not have access to broader team of HR Ops.</p>

19. Given the risks associated with this option, and that it does not meet the requirements identified by HIWFRS managers, this option is not recommended.

IMPROVED MODEL – OPTION 2 (NOT RECOMMENDED)

20. This option would cost an additional £201k and would create additional capacity to meet the requirements of HIWFRS managers. It would not provide sufficient capacity to deliver significant change activity, so this would need to continue to be funded from reserves or from separate budgets agreed for project work/teams.

Benefits	Risks
<p>Bespoke provision of professional HR services for HIWFRS.</p> <p>Improved understanding and awareness of people challenges within HIWFRS.</p> <p>Flexibility to respond to changing priorities.</p> <p>HR advice that is aligned to strategic and cultural direction of HIWFRS.</p> <p>Improved access to information to enable organisational learning related to HR activity.</p> <p>Capacity to provide increased support for managers, including face to face across the whole workforce.</p> <p>Resilient HR function.</p> <p>Ability to deliver training and coaching to upskills managers and improve performance.</p>	<p>£201k additional funding required.</p> <p>Change activity will require additional funding for temporary resource which may be harder to recruit as will not have access to broader team of HR Ops.</p>

21. This option is not recommended because, whilst it meets the requirements of HIWFRS managers, it will not have the capacity to deliver significant change activity which we have needed to fund separately for the last five years. Accessing additional capacity during this time has been relatively straightforward as we have been able to 'buy' additional resource from within the broader HR Ops team. However, this access will not be possible in the future and, therefore, if we are unable to recruit to temporary roles, we will have to compromise the business-as-usual delivery of the HR function.

22. Executive Group cannot foresee change activity significantly reducing over the next two to five years, particularly as we will develop and implement a new CRMP/Safety Plan during this time. Therefore, having a flexible and adaptable HR function with the capacity to lead and support organisational change is an ongoing priority.

ENHANCED STRUCTURE – OPTION 3 (RECOMMENDED)

23. This option would cost an additional £298k and improves upon option two as it incorporates the additional HR resources that have been funded in previous years to support significant change and/or large projects.

Benefits	Risks
<p>Bespoke provision of professional HR services for HIWFRS.</p> <p>Improved understanding and awareness of people challenges within HIWFRS.</p> <p>HR advice that is aligned to strategic and cultural direction of HIWFRS.</p> <p>Improved access to information to enable organisational learning related to HR activity.</p> <p>Capacity to provide increased support for managers, including face to face across the whole workforce.</p> <p>Retain expertise of current resource.</p> <p>Flexibility to respond to changing priorities across HIWFRS.</p> <p>Resilient HR function able to support the wider POD Directorate.</p> <p>Ability to deliver training and coaching to upskill managers and improve performance.</p> <p>Ongoing support to change activity.</p>	<p>£298k additional funding required.</p> <p>If change activity reduces, the function may be over-resourced.</p>

24. This option is recommended because the likelihood of change activity reducing is considered low and therefore the additional resources this option provides will be needed. However, Executive Group regularly monitors change activity and if this begins to reduce, we will seek to reduce the resources through natural turnover in the first instance. Only if this is not possible will redundancy be considered.

SUPPORTING OUR SAFETY PLAN PRIORITIES

25. The options outlined in this report to establish an in-house HIWFRS HR department will support the delivery of our Safety Plan priorities.
- Our People – will be supported and provided with HR advice that meets their needs and is both relevant to our policies and procedures, but also aligned to our culture, values and behaviours.
 - Public Value – will be ensured through providing an HR service that is both effective and efficient at meeting our organisational needs.
 - High Performance – our managers will be developed which will enable them to lead high performing teams and tackle under-performance.

CONSULTATION

26. The approach to consultation in relation to the employees affected by the decision to withdraw from HR Ops has been agreed with HCC, HIOWC and HIWFRS. All relevant trade unions have been informed and invited to support employees through the change process which is being conducted in line with agreed HR policies.

ADDITIONAL RESOURCE IMPLICATIONS

27. The SSP may incur potential one-off redundancy costs for employees within the current HR Ops team who are no longer required within the HCC model. Both HIWFRS and HIOWC are committed to reducing the potential for redundancy and will be ring-fencing posts in our new embedded teams for them to transfer to.
28. We are not able to accurately estimate the potential redundancy costs. Therefore, Members are asked to note our commitment to avoiding these whilst approving a potential spend of £0-£250k on one-off redundancy costs.

29. The in-house HR function will require a casework management system that can produce management information and produce trend reports on themes and patterns of people challenges. The annual cost of this system is £18k per annum which Members are asked to approve as an ongoing commitment.

IMPACT ASSESSMENT

30. Stage one and two impact assessments have been completed in relation to the potential impact of withdrawing from HR Ops based on current employees. Appropriate mitigation has been identified to lessen the impact and agreed with the SSP.

RISK ANALYSIS

31. If the Fire Authority do not approve additional funding and the Service has to proceed with option one, there is a risk that this will not achieve the benefits anticipated and may reduce the current resilience levels, thereby reducing the overall HR provision to managers.
32. If the Fire Authority approve the recommended option, there may be logistical risks of establishing the new function if all team members, the handover of the HR service, and casework system all go live on 1 April 2024. To avoid this risk, some employees could be appointed between 1 January 2024 and 31 March 2024 to smooth the transition. They would be funded from reserves.
33. Approval of the recommended option will lead to the establishment of an embedded HR function that provides proactive support to managers. There is a risk that this results in an expectation of changed roles and responsibilities for managers addressing people challenges and HR advisors who are there to coach, guide and support them. This risk will be addressed through preparatory briefing sessions with managers, ensuring clarity of roles in our HR procedures and delivery of training to managers.

EVALUATION

34. If the recommended option is approved, there will be an evaluation in Autumn 2025 to determine whether the anticipated benefits have been realised.

CONCLUSION

35. This report outlines the requirements and options for establishing an in-house HIWFRS HR team, who will meet the changing needs of our Service. If approved, the additional funding requested in this report will ensure the provision of a professional and high performing HR team that is aligned to the strategic and cultural direction of the Service. In turn, it will also develop managers' capability and promote organisational competence in dealing with people challenges.

RECOMMENDATIONS

36. That Option 3 (outlined in paragraph 24) and the required funding be approved by the Fire Authority (subject to affordability).
37. That funding for one-off redundancy costs estimated to be between £0-250k, are approved by the Fire Authority.
38. That ongoing funding for the HR casework system of £18k per annum be approved by the Fire Authority.

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