CIPFA performance in public services

Public Sector Corporate Services VfM Indicators

Human Resources

2011/12

Barchester Council

compared with

All Members

Computed and printed by:
CIPFA Business Limited
3 Robert Street, London, WC2N 6RL

Preface

The UK Audit Agencies (Audit Commission, NAO, Audit Wales, Audit Scotland and Northern Ireland Audit Office) combined together to develop a set of indicators to measure the value for money of support services across the public sector. KPMG, with CIPFA as a partner, was appointed to undertake the research and development work and the Audit Agencies published their report in May 2007.

The functions covered by the VfM indicators (Communications, Finance, HR, ICT, Legal, Estates Management and Procurement) have been identified by the Government as a priority area for securing efficiency improvements and releasing resources for use in delivering front-line services. Although the Audit Agencies were keen for public sector bodies to use the indicators, they decided not to offer a benchmarking service themselves. CIPFA has therefore undertaken to provide this service to the public sector.

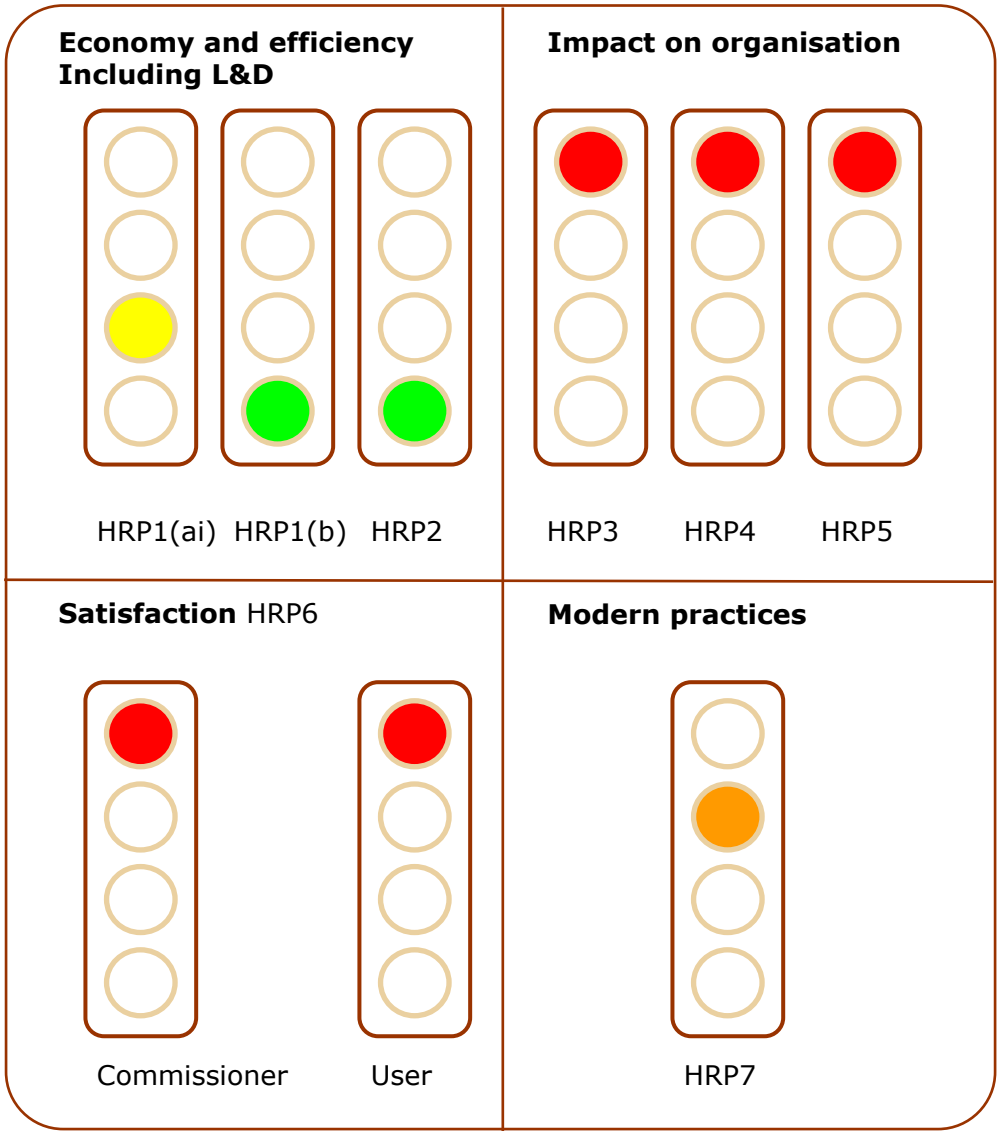
I hope that you find the enclosed information useful, and more importantly that you use it in the spirit in which it is intended; this is a tool to help you take a view on the value for money provided by your corporate support services, and provide some pointers as to how they might improve.

CIPFA would be more than happy to come and discuss with you potential opportunities for you to improve your services, building on the information in this report. Please do not hesitate to give John Wallace a call (0207 543 5600) if you would like to discuss this or any other matters further.

Christopher Greene
Head of Information Services

RESULTS ON ONE PAGE

The Audit Agencies developed an approach to considering Value for Money for Corporate Services which had four dimensions. The overall results are shown below:



Notes:

- a green light indicates performance in the best quartile; a yellow light indicates performance between the median and best quartile; an amber light indicates performance between the median and worst quartile and a red light indicates performance in the worst quartile
- for the purposes of this report, high cost and low productivity are considered poor. However, we accept this is a generalisation and that in some circumstances organisations can choose to invest more in functions because they have under invested in the past or because they want to place particular emphasis on a function
- full descriptions of the indicators are shown in the remainder of this report

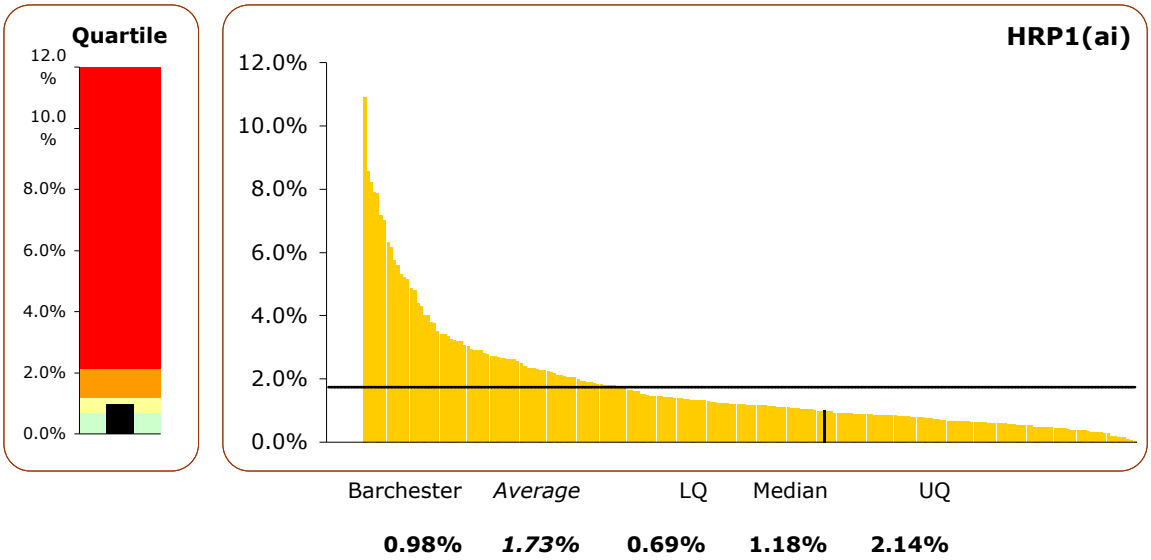
Section 1 - ECONOMY AND EFFICIENCY

HRP1 Cost of the HR function

Rationale and expected impact on behaviour
In most circumstances organisations would aim to reduce their HR costs over time. However organisations that score poorly on measures designed to test the effectiveness of the HR function (for example primary indicators 4, 5, 6 and 7) and also spend less on HR than the benchmark for their peers, will wish to consider whether extra investment would secure better value for money.

Organisations that spend more than their peer organisations may wish to consider whether this is because, for example, they have an above average score against effectiveness criteria or whether
there is scope for efficiency savings (for example evidenced by a disproportionately high cost of recruitment per vacancy, secondary indicator 5)

HRP1(ai) HR Cost as a percentage of organisational running costs (including L&D)



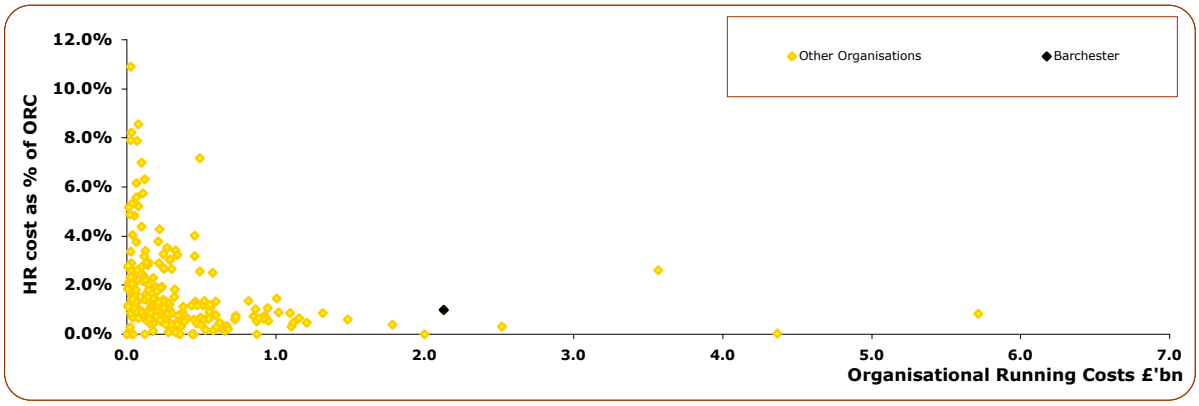
Cost of Difference

This shows the monetary value represented by the difference in percentage from the median (and lower quartile). Favourable variances are shown as negative figures.

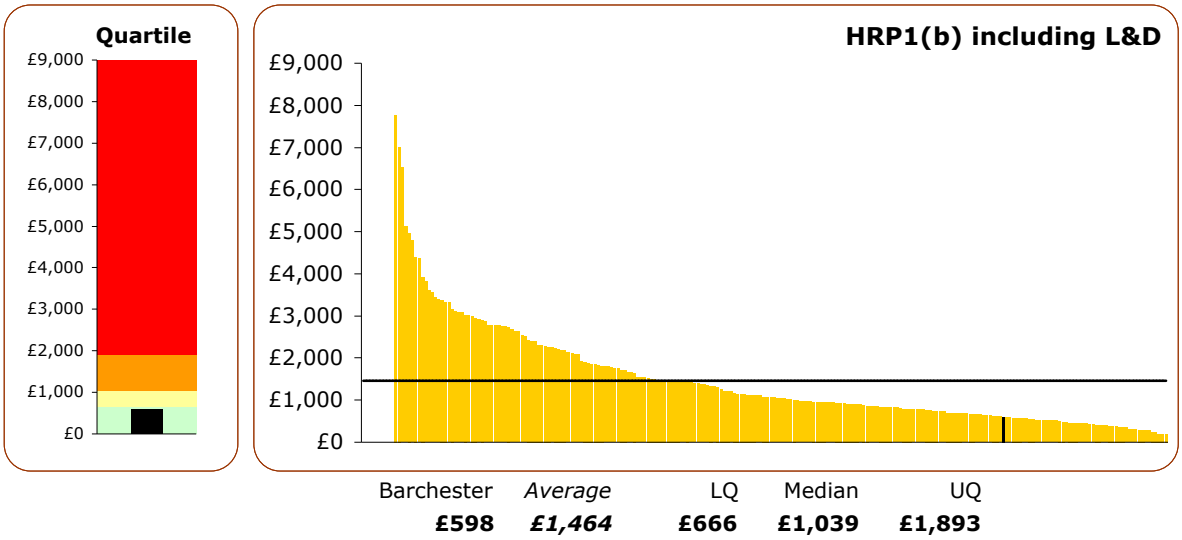
From median (£'000)	**-£4,076**	From lower quartile (£'000)	**£6,231**

Economies of Scale

This chart investigates the relationship between cost and size of the organisation. There is some indication that very small organisations tend to use a higher proportion of their resources on the HR function.

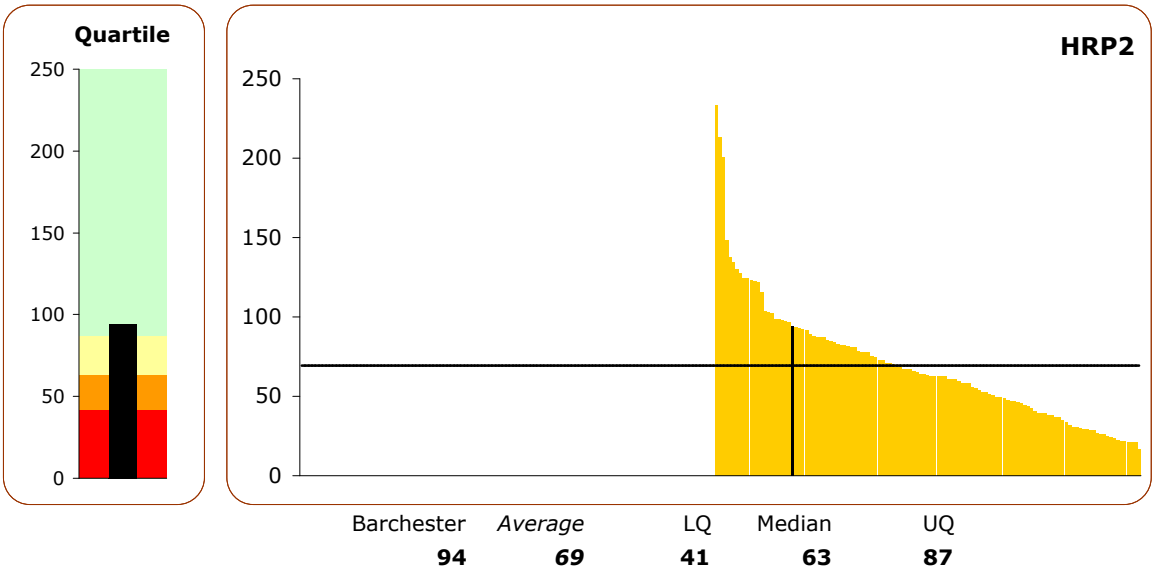


HRP1(b) HR Cost per FTE (including L&D)

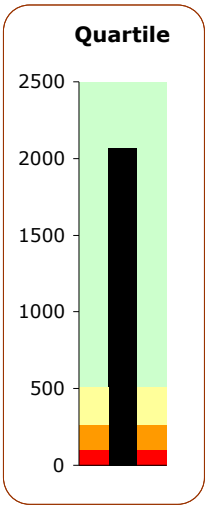


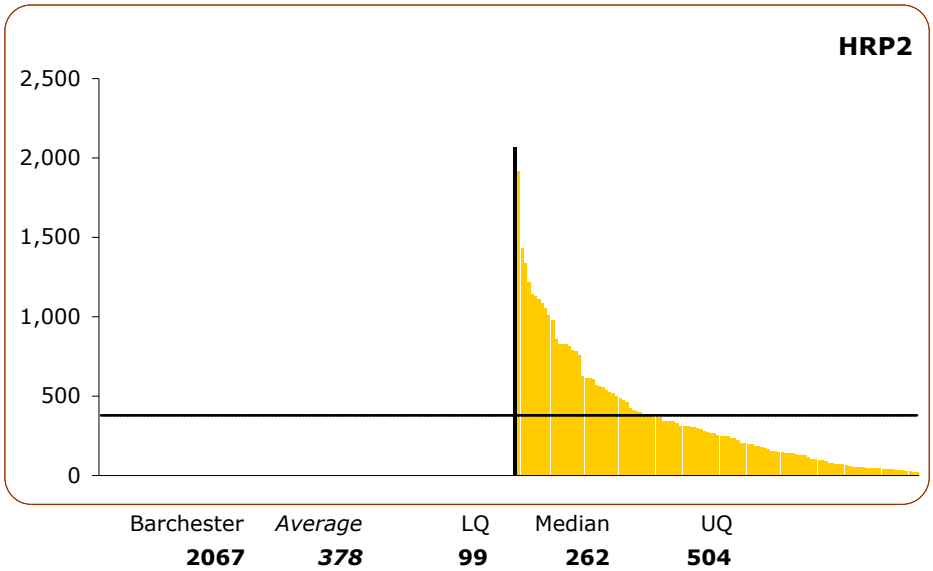
HRP2 Ratio of employees to HR staff (including L&D)

Rationale and expected impact on behaviour
This is a high-level indicator of the cost-effectiveness of the HR function which complements primary indicator 1. Organisations should compare their result for this indicator with their peers, investigating the reasons for any significant differences. They should also examine their result for this indicator in conjunction with their results for effectiveness indicators (for example primary indicators 4, 5, 6 and 7).



HRP2 Ratio of employees to L&D staff





HR Cost/£'000 Organisation running costs (including L&D) 2011/12

For each benchmark two figures are given, the first being the organisation's cost and the second (in italics) is the group average.

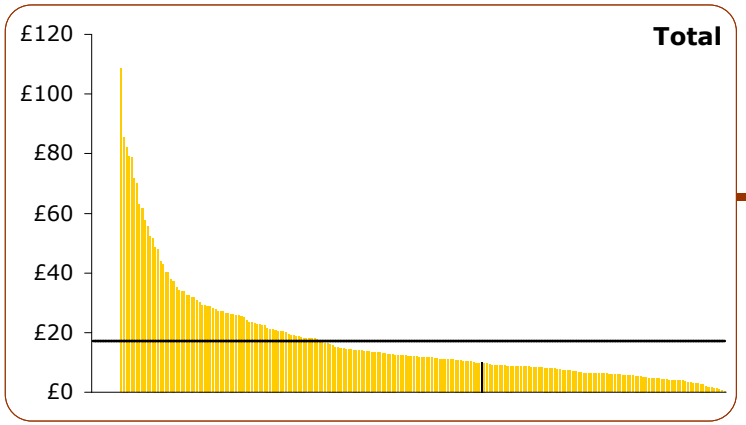
Total Cost
£9.84 ***£17.14***

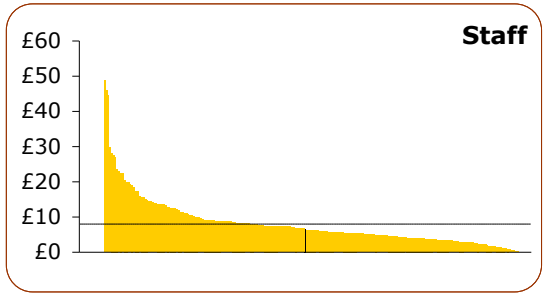
- **Staff** — **£6.36** ***£7.91***
- **IT** — **£0.62** ***£0.32***
- **Accommodation** — **£0.23** ***£0.61***
- **Supplies/ Consumables** — **£1.35** ***£0.74***
- **Outsourcing** — **£0.00** ***£0.82***
- **Other Recruitment** — **£0.00** ***£0.33***
- **Learning and Development (HRS1)** — **£0.40** ***£7.92***
- **Other** — **£0.88** ***£1.64***

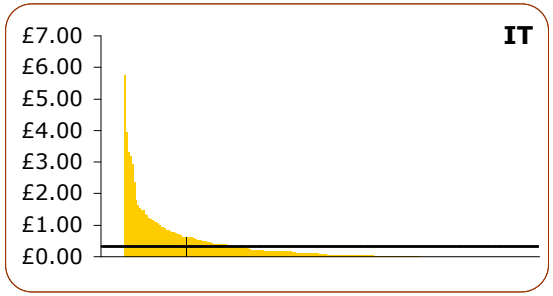
Costs 2011/12 (£'000)	
Staff	13,533
IT	1,314
Accommodation	492
Supplies/ Consumables	2,878
Outsourcing	-
Recruitment	-
L&D	851
Other	1,862
Total	20,930
Org. running costs	2,127,000
FTE	357.4

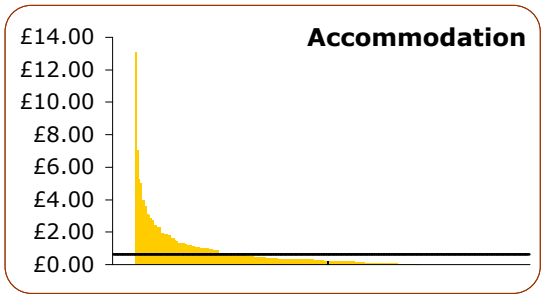
HR COST PER £'000 ORGANISATIONAL RUNNING COSTS (INCLUDING L&D)

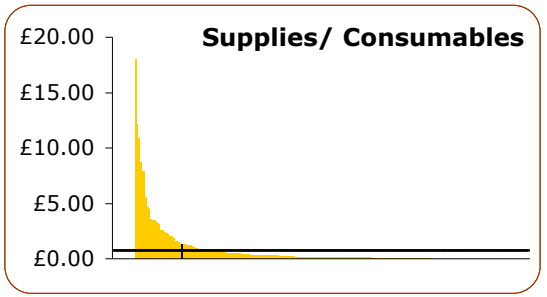
2011/12 Actuals

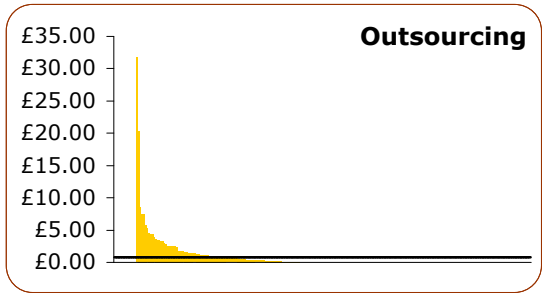


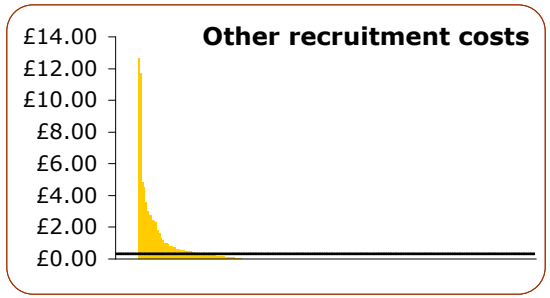


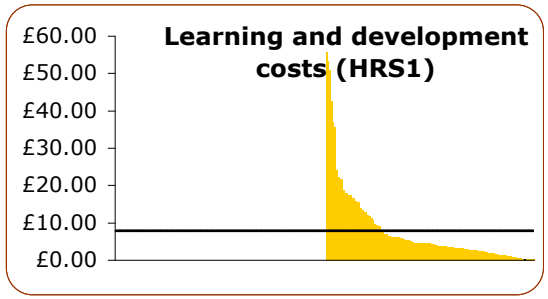


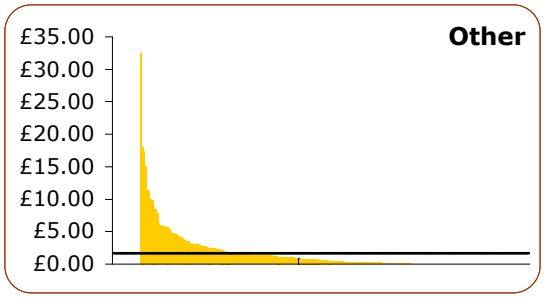




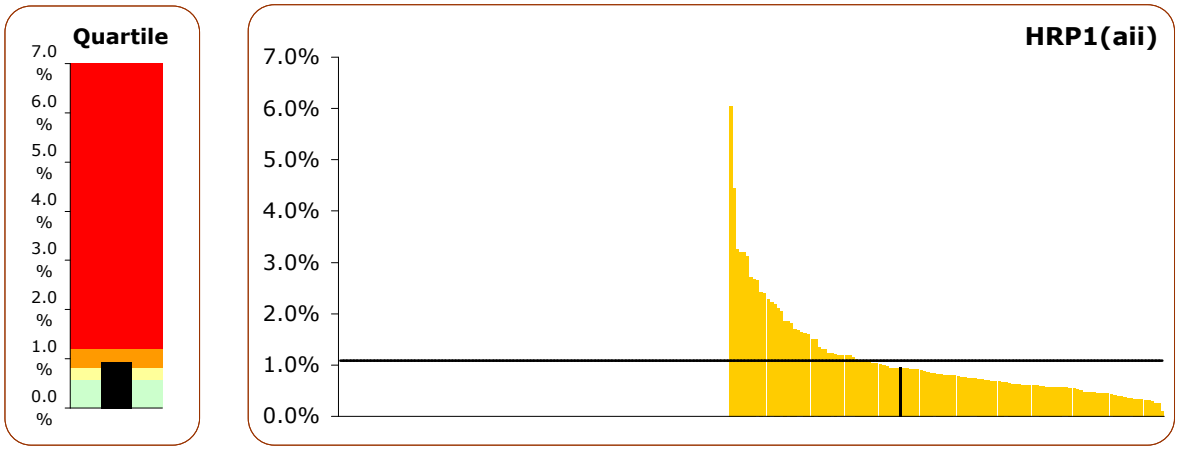




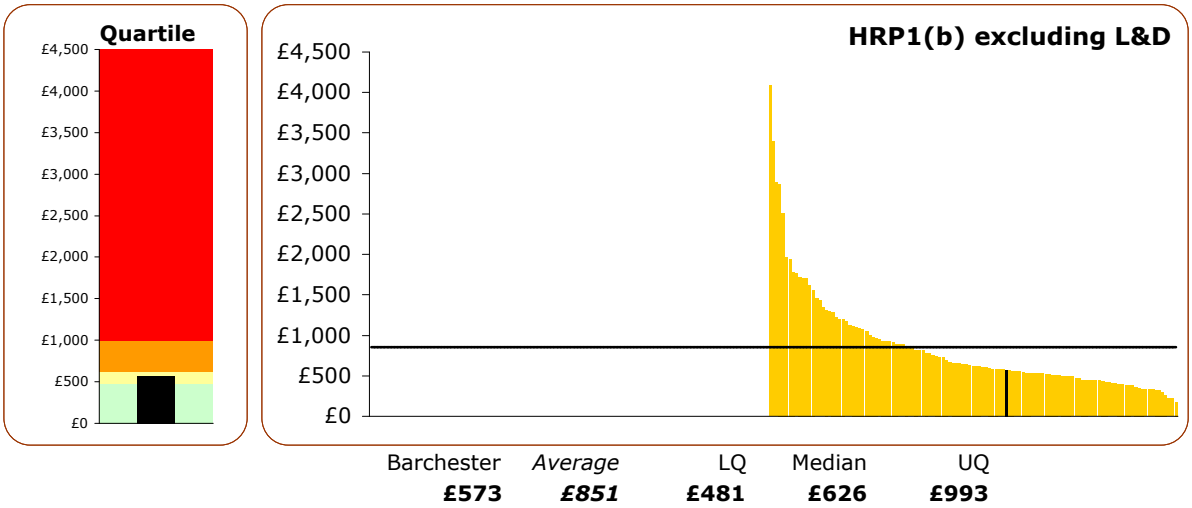




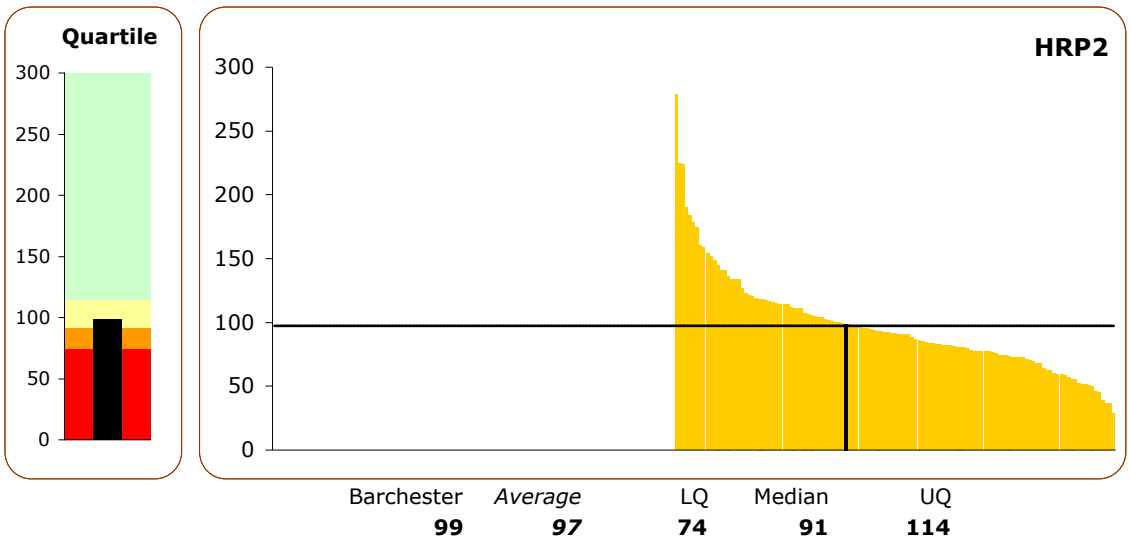
HRP1(aii) HR Cost as a percentage of organisational running costs (excluding L&D)



HRP1(b) HR Cost per FTE (excluding L&D)



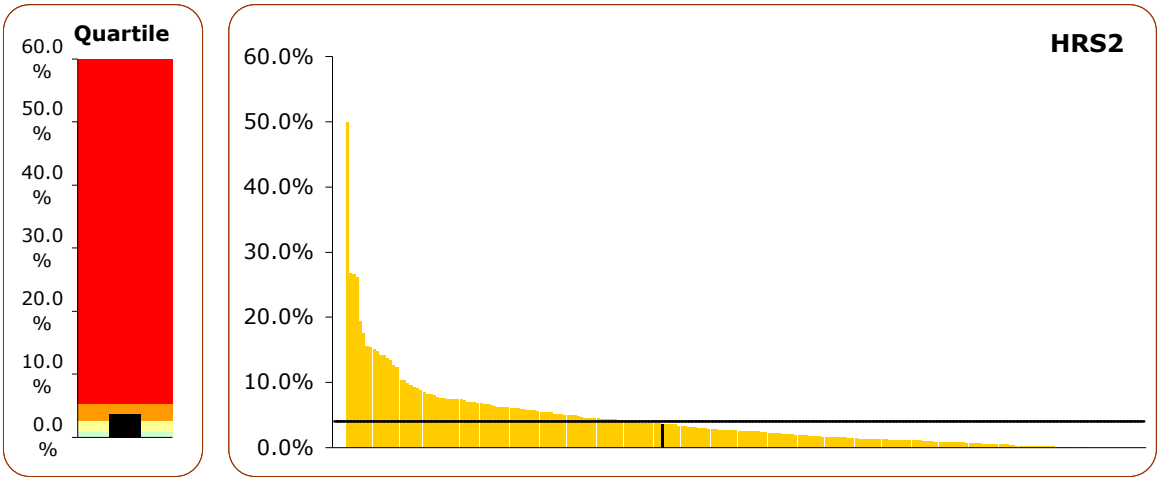
HRP2 Ratio of employees to HR staff (excluding L&D)



Secondary Indicators

HRS2 Cost of agency staff as a percentage of total pay bill

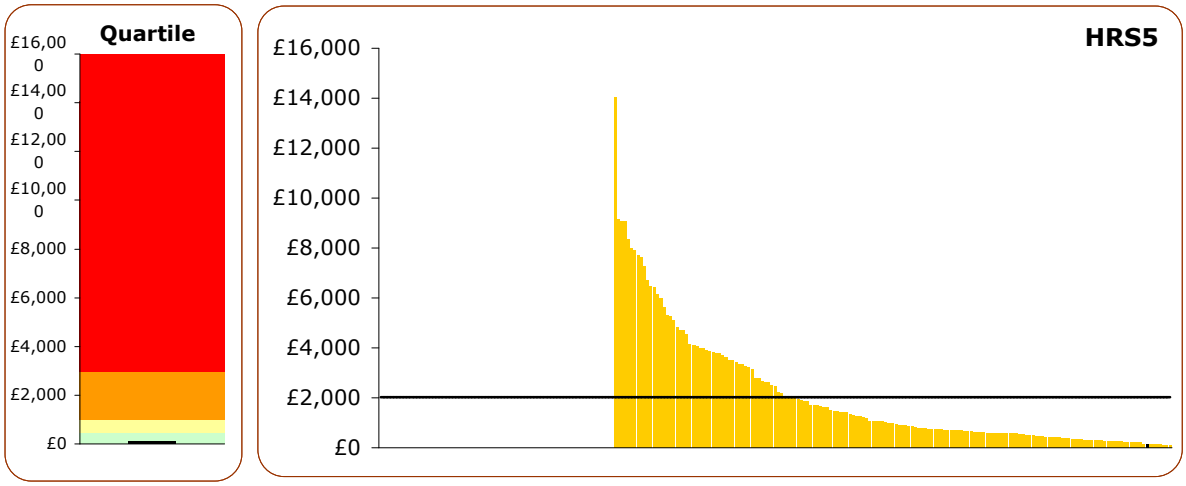
Rationale and expected impact on behaviour
Reliance on agency staff can increase costs significantly and not necessarily represent value for money. Most organisations would therefore aim to reduce the proportion of their pay-bill spent on agency staff although they may (of course) need to use agency staff to good effect to manage variability in workload especially at short notice.



Barchester	*Average*	LQ	Median	UQ
3.7%	***4.0%***	**0.8%**	**2.5%**	**5.4%**

HRS5 Cost of recruitment per post filled

Rationale and expected impact on behaviour
This complements secondary indicator 4. While organisations should usually aim to reduce the unit cost of recruitment, they should examine the result of this indicator in conjunction with primary indicator 4 (leavers as a proportion of total staff) and secondary indicator 7 (the percentage of staff still in post after 12 months). Where organisations spend less on recruitment than their peers but have below average staff retention they may wish to consider whether extra investment in recruitment is likely to offer better value for money.

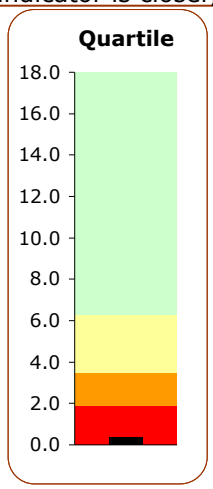


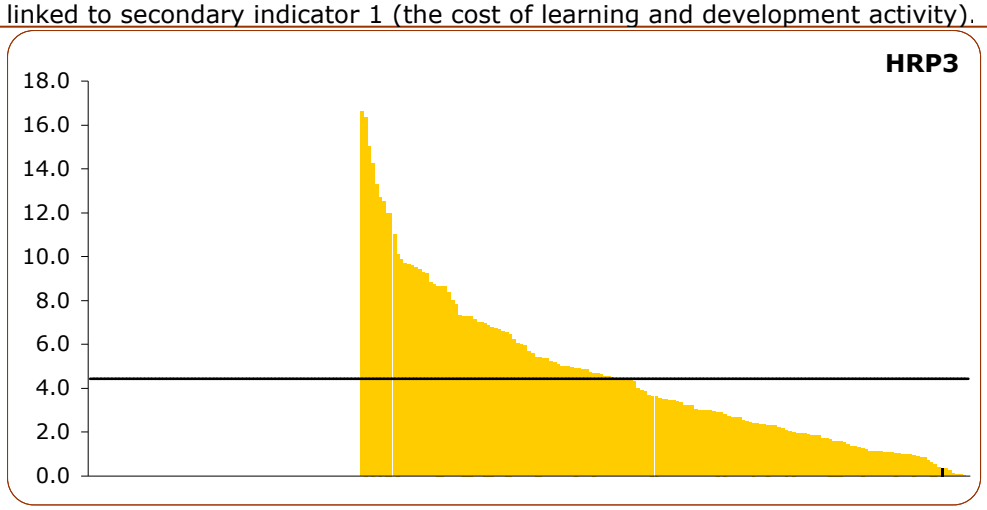
Barchester	*Average*	LQ	Median	UQ
£143	***£2,033***	**£481**	**£986**	**£2,963**

Section 2 - IMPACT

HRP3 Average days per full-time equivalent employee per year invested in learning and development

Rationale and expected impact on behaviour
The investment in learning and development indicates the organisation's commitment to enhancing its capacity to deliver and improve. Organisations should compare their result for this indicator with their peers, investigating the reasons for any significant differences, taking into account factors such as any
difference in the average degree of experience within the workforce and turnover of staff. This indicator is closely linked to secondary indicator 1 (the cost of learning and development activity).

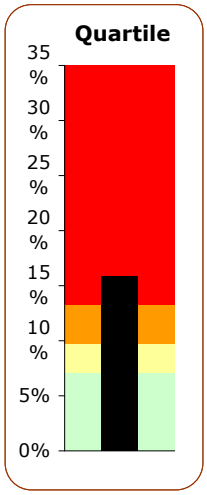


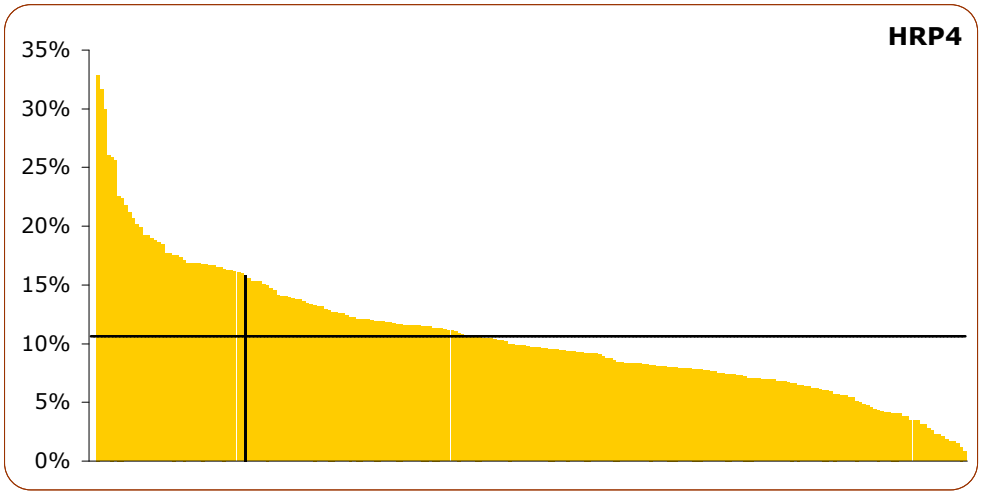


Barchester	*Average*	LQ	Median	UQ
0.4	***4.4***	**1.9**	**3.5**	**6.3**

HRP4 Leavers in the last year as a percentage of the average total

Rationale and expected impact on behaviour
This indicator aims to look at the stability of the workforce. Some turnover in an organisation is accepted as healthy but a high level of turnover can indicate problems in organisational leadership, culture and management and can impact on organisational performance (for example through loss of capacity, loss of valuable skills and knowledge etc). Organisations may wish to compare their turnover rates with their peers, examining whether there are robust reasons for any significant differences. In most circumstances organisations would seek to reduce the percentage of leavers

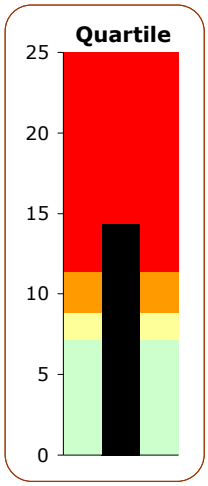


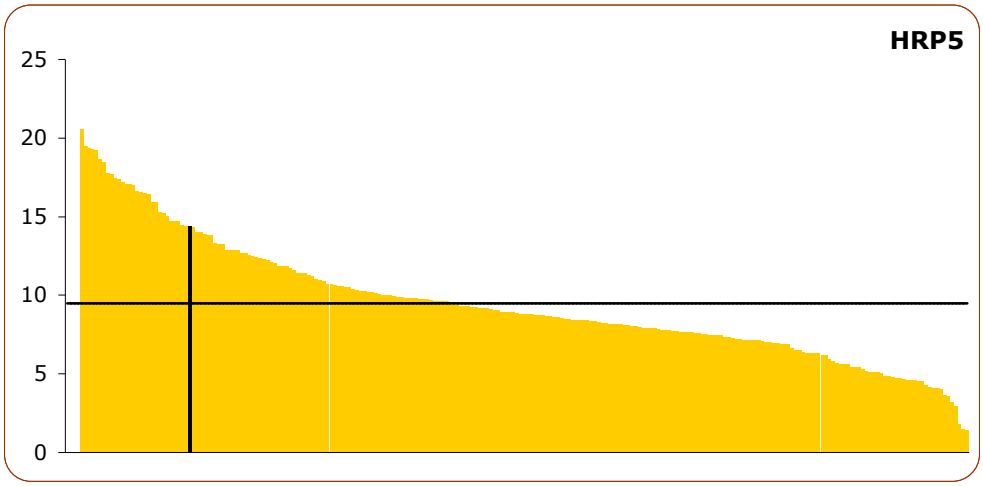


Barchester	*Average*	LQ	Median	UQ
15.9%	***10.6%***	**7.1%**	**9.7%**	**13.3%**

HRP5 Average working days per employee (full time equivalent) per year lost through sickness absence

Rationale and expected impact on behaviour
Looks at the effectiveness of the HR function in terms of impact on the overall levels of sickness absence in the organisation through development of processes and procedures, and training for managers. Organisations should aim to reduce the number of days lost through sickness absence over time.



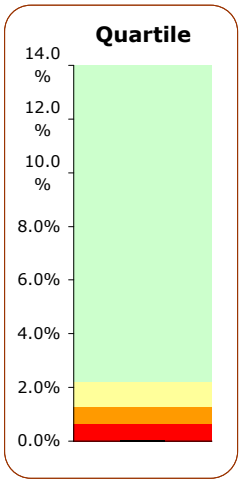


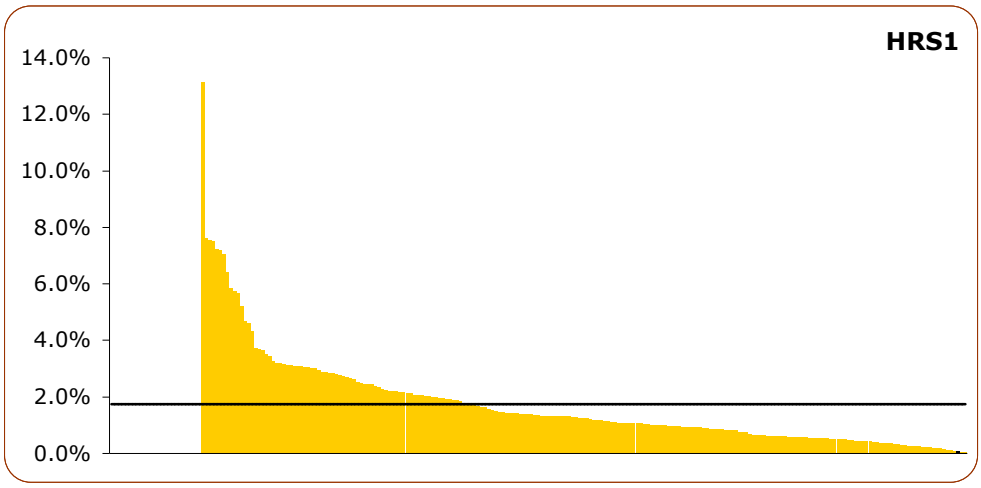
Barchester	*Average*	LQ	Median	UQ
14.4	***9.5***	**7.2**	**8.8**	**11.4**

Secondary Indicators

HRS1 Cost of learning and development activity as percentage of the total pay-bill

Rationale and expected impact on behaviour
The level of expenditure on learning and development indicates the organisation's commitment to enhancing its capacity to deliver and improve.This complements primary indicator 3 (average days invested in learning and development per employee). In both cases organisations should compare their results with their peers, investigating the reasons for any significant differences, taking into account factors such as any difference in the average degree of experience within the workforce and turnover of staff. In many cases organisations would aim to achieve a period-on-period increase in their investment in learning and development activity.

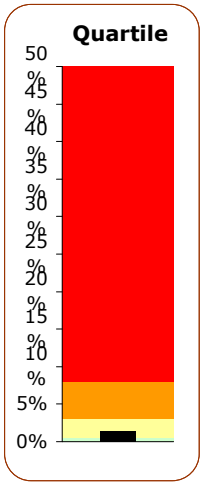


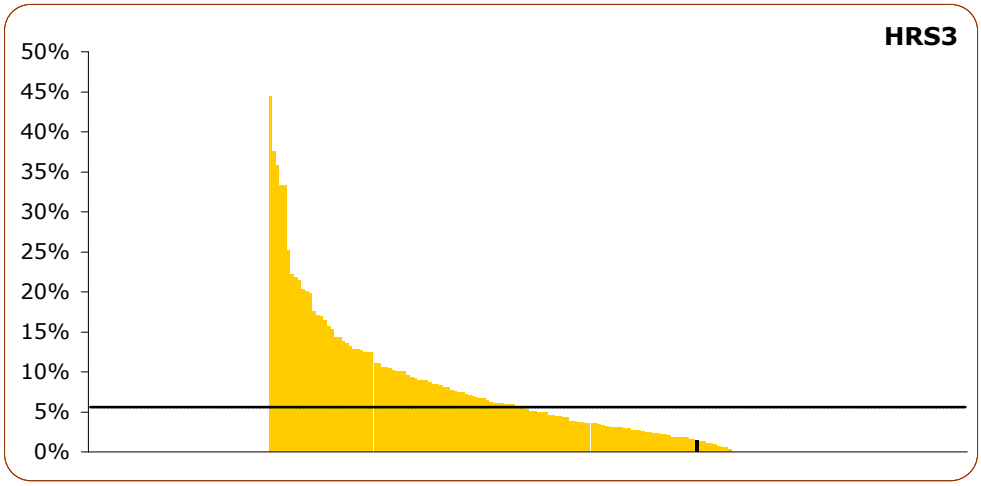


Barchester	*Average*	LQ	Median	UQ
0.1%	***1.7%***	**0.6%**	**1.3%**	**2.2%**

HRS3 Percentage of posts currently in the leadership of the organisation which are filled by people who are not permanent in that position

Rationale and expected impact on behaviour
The degree of stability of the leadership of an organisation is a critical feature in terms of organisational performance and culture. Organisations performing at a sub-optimal level tend to have a significant proportion of non-permanent staff in leadership positions. In most cases organisations would therefore aim to reduce the percentage of non-permanent staff in leadership

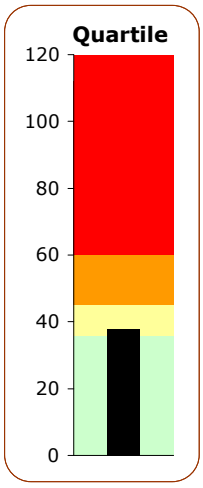


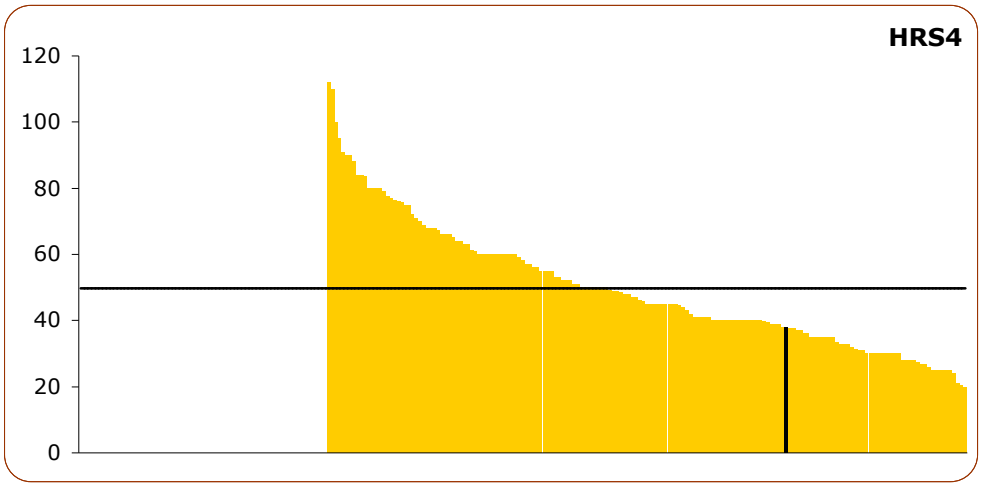


Barchester	*Average*	LQ	Median	UQ
1.5%	***5.6%***	**0.5%**	**3.0%**	**8.0%**

HRS4 Average elapsed time (working days) from a vacancy occurring to the acceptance of an offer for the same post

Rationale and expected impact on behaviour
This is an indicator of efficiency for a key HR process – recruitment to fill vacant posts. Organisations should generally aim to reduce the number of working days needed to fill vacant posts.This indicator complements secondary indicator 5.

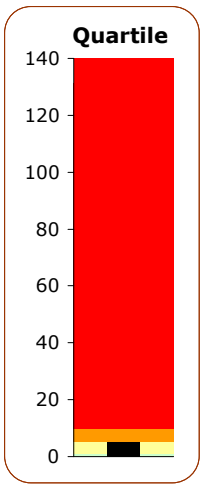


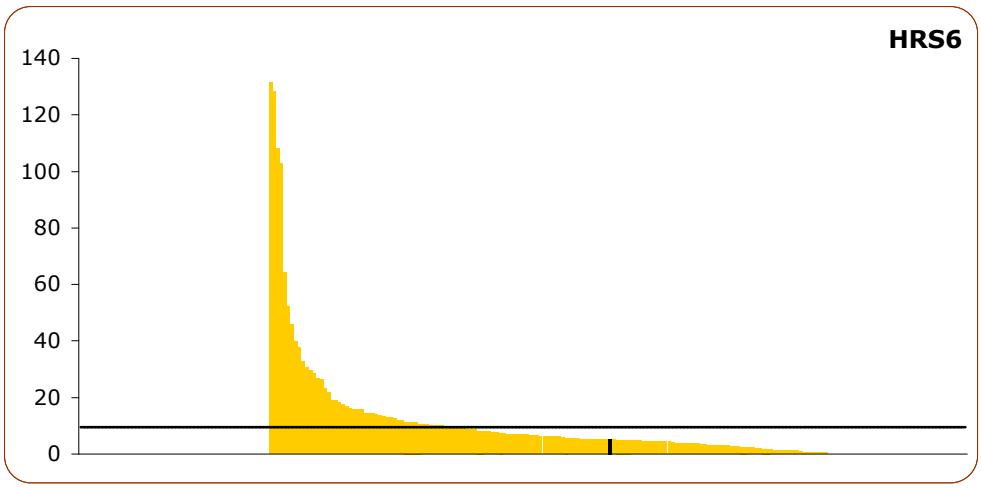


Barchester	*Average*	LQ	Median	UQ
38.0	***49.8***	**36.0**	**45.0**	**60.0**

HRS6 Reported injuries, diseases and dangerous occurrences per 1,000 FTE per year

Rationale and expected impact on behaviour
This measures the effectiveness of the organisation's health and safety procedures. Organisations would expect to achieve a period-on-period reduction in the number of incidents although organisations reporting extremely low figures compared to their peers may wish to consider whether all relevant occurrences are correctly reported.

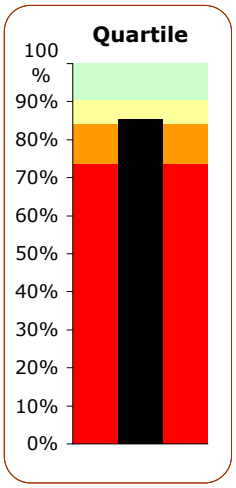


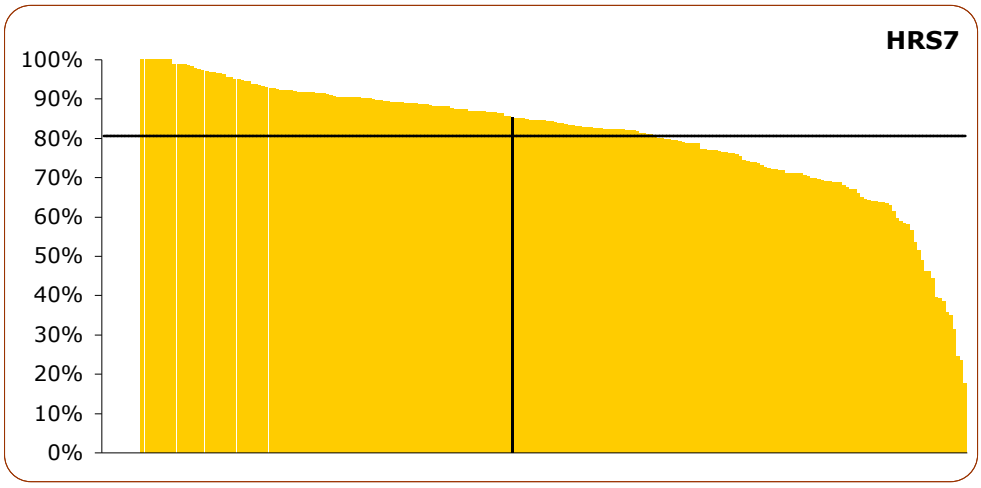


Barchester	*Average*	LQ	Median	UQ
5.1	***9.6***	**1.1**	**5.1**	**9.9**

HRS7 Percentage of people that are still in post after 12 months

Rationale and expected impact on behaviour
The level of turnover in the first year is an indicator of the effectiveness of the organisation's recruitment and induction processes. This is closely linked to primary indicator 4 (leavers as a proportion of total staff). Organisations would expect to achieve a period-on-period increase in the number of people still in post after 12 months.

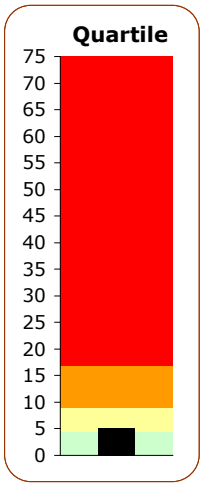


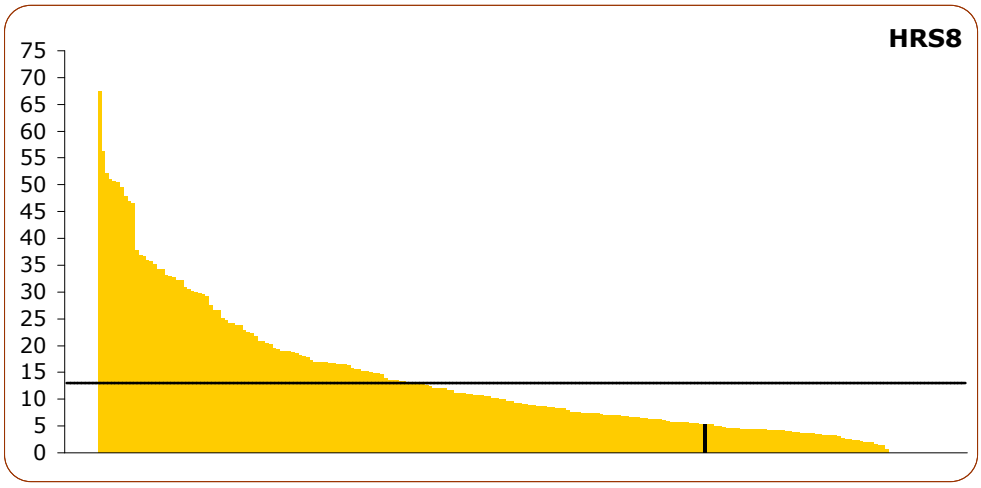


Barchester	*Average*	LQ	Median	UQ
85%	***81%***	**74%**	**84%**	**90%**

HRS8 Cases of disciplinary action per 1,000 employees

Rationale and expected impact on behaviour
To measure the extent to which capability/performance and conduct are actively managed. Organisations would usually expect to achieve a period-on-period reduction in the number of cases. However where no cases are actioned or where the number is considerably less than for peers with no apparent plausible explanation, organisations may wish to investigate whether managers are correctly applying disciplinary procedures.

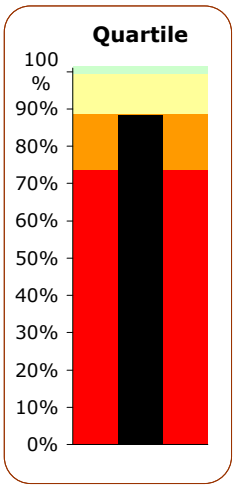


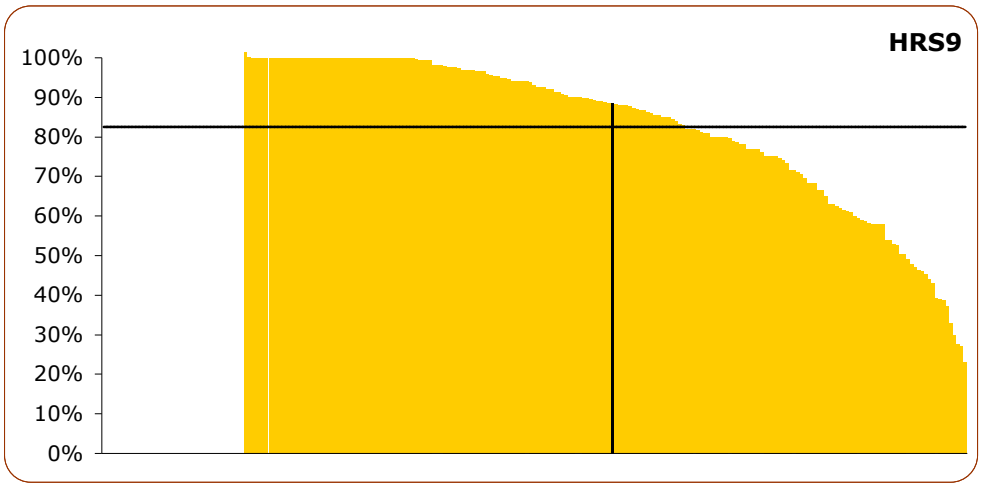


Barchester	*Average*	LQ	Median	UQ
5.3	***13.0***	**4.4**	**8.9**	**17.0**

HRS9 Percentage of staff who receive (at least) an annual face to face performance appraisal

Rationale and expected impact on behaviour
To measure the coverage of individual performance management processes across the organisation. Organisations should aim to move towards achieving 100 per cent for this indicator (particularly in respect of their permanent staff).

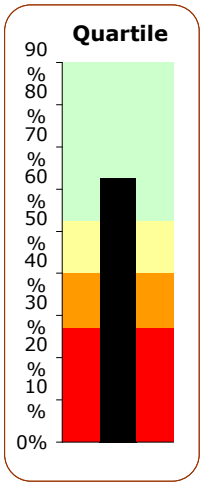


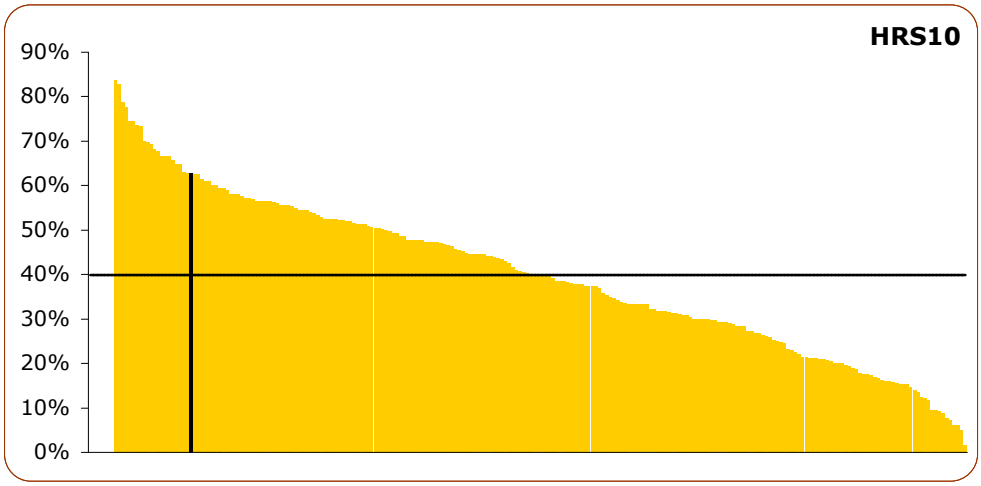


Barchester	*Average*	LQ	Median	UQ
88%	***83%***	**74%**	**89%**	**100%**

HRS10 Percentage of leadership posts occupied by women

Rationale and expected impact on behaviour
To monitor progress in the achievement of equality of opportunity in employment for leadership posts. Organisations should compare their achievement against this indicator with their peers and, in most cases, should seek to secure a period-on-period increase in respect of this indicator.

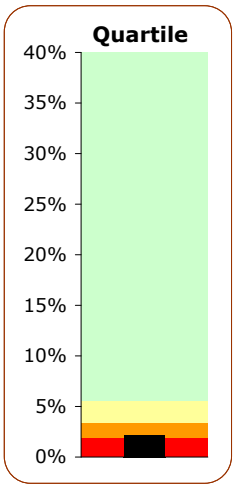


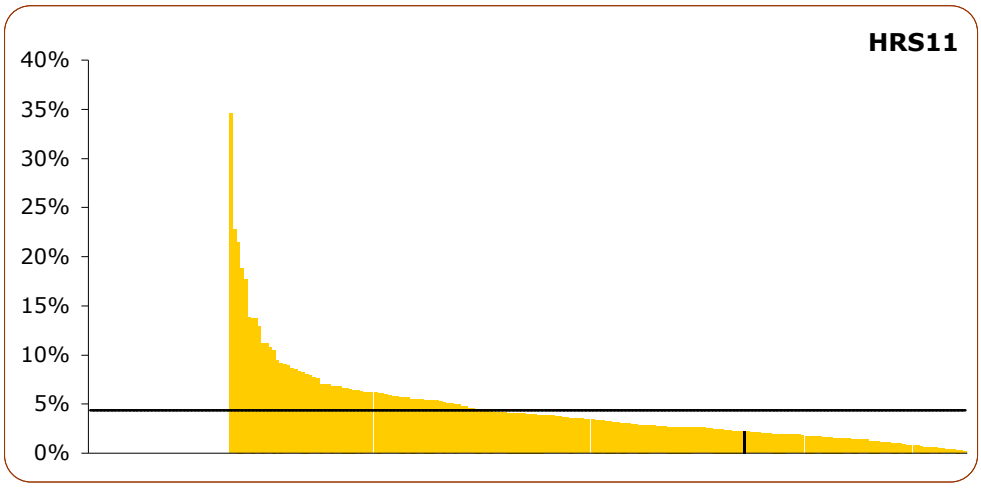


Barchester	*Average*	LQ	Median	UQ
63%	***40%***	**27%**	**40%**	**53%**

HRS11 Percentage of employees who consider themselves to have a disability

Rationale and expected impact on behaviour
To monitor progress in the achievement of equality of opportunity in employment. Organisations should compare their achievement against this indicator with that of their peers and consider how the composition of their workforce might move towards a position that, for example, is more representative of the community they serve.

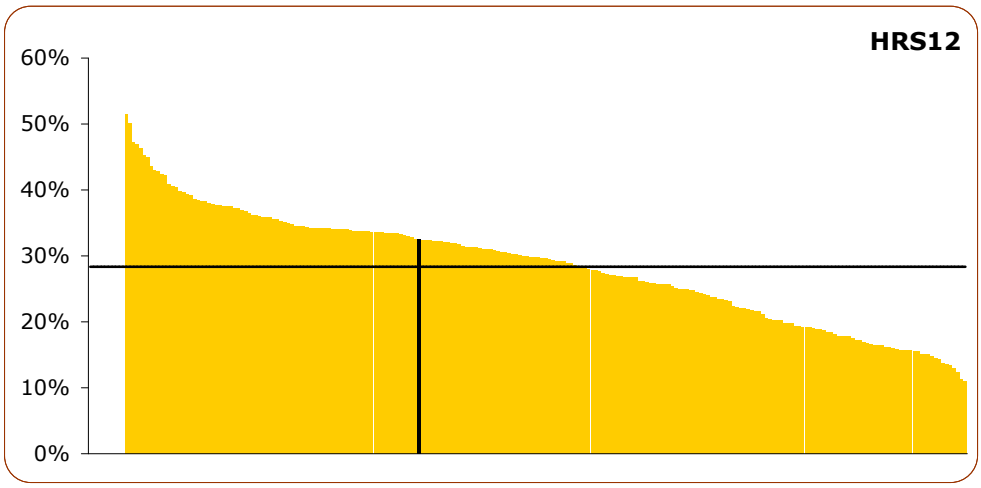




Barchester	*Average*	LQ	Median	UQ
2.2%	***4.4%***	**2.0%**	**3.4%**	**5.6%**

HRS12 Percentage of employees aged 50 or over

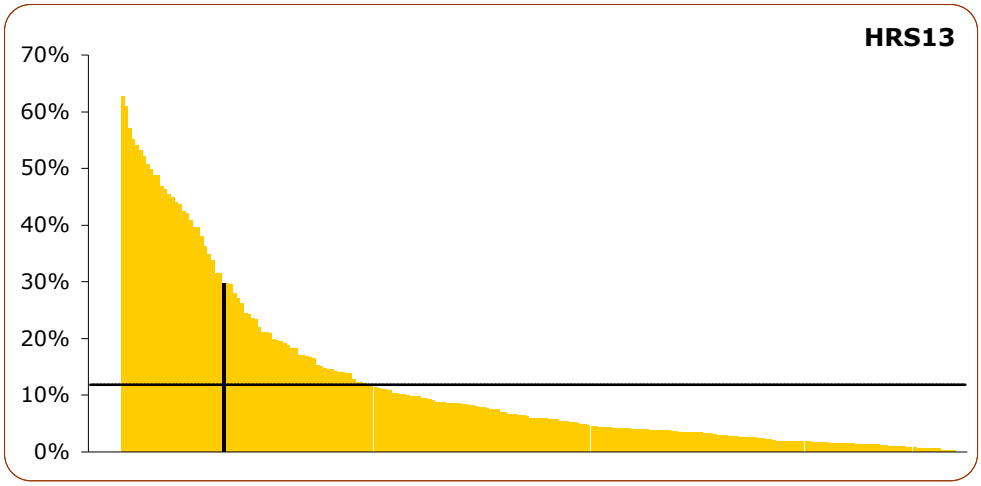
Rationale and expected impact on behaviour
To monitor progress in the achievement of equality of opportunity in employment. Organisations should compare their achievement against this indicator with that of their peers and consider how the composition of their workforce might move towards a position that, for example, is more representative of the community they serve.



Barchester	*Average*	LQ	Median	UQ
32.5%	***28.4%***	**21.7%**	**29.7%**	**34.1%**

HRS13 Percentage of Black and Minority Ethnic (BME) employees in the workforce

Rationale and expected impact on behaviour
To monitor progress in the achievement of equality of opportunity in employment. Organisations should compare their achievement against this indicator with that of their peers and consider how the composition of their workforce might move towards a position that, for example, is more representative of the community they serve.



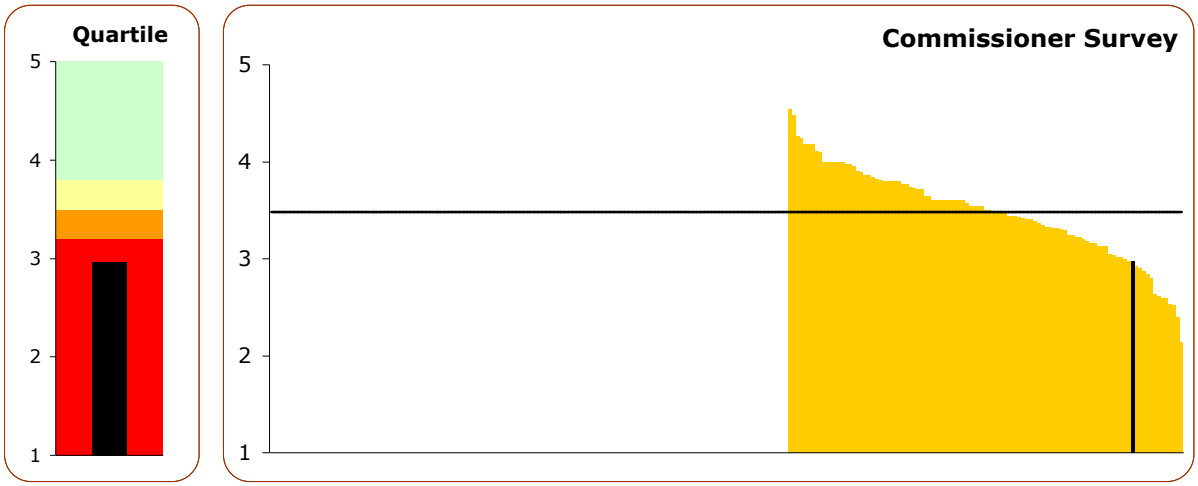
Barchester	*Average*	LQ	Median	UQ
29.8%	***11.8%***	**2.5%**	**5.9%**	**14.4%**

Section 3 - SATISFACTION

Rationale and expected impact on behaviour
This indicator examines the effectiveness of the HR function by assessing the perceptions of its commissioners and users. The indicators have been identified because they are considered to indicate whether the function communicates effectively with its commissioners and users, and is responsive to the requirements of the organisation.

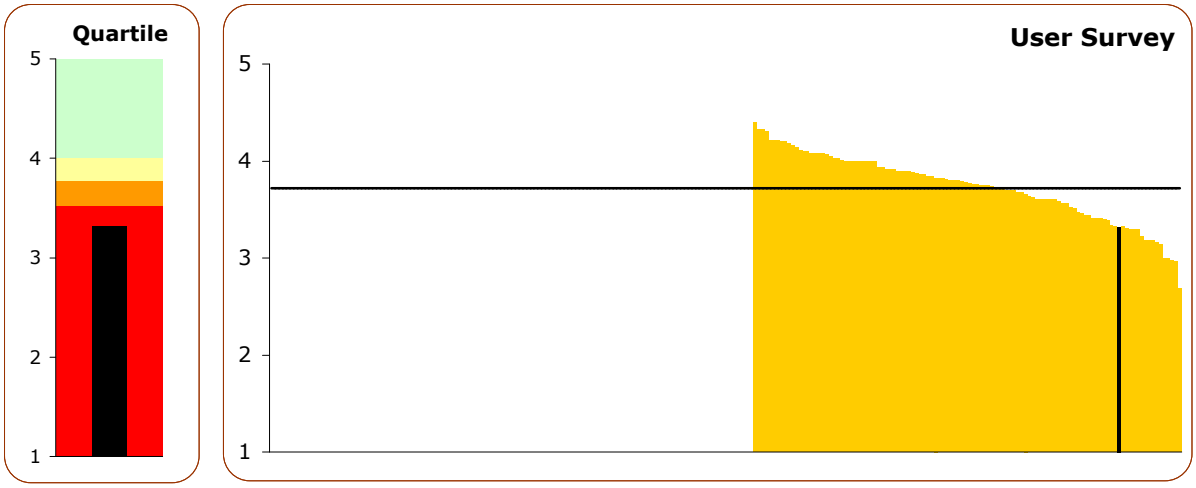
Over time, organisations should seek to increase the proportion of commissioners and users agreeing with the statements.

HRP6(a) Commissioner satisfaction average score



Barchester	*Average*	LQ	Median	UQ
3.0	***3.5***	**3.2**	**3.5**	**3.8**

HRP6(b) User satisfaction average score

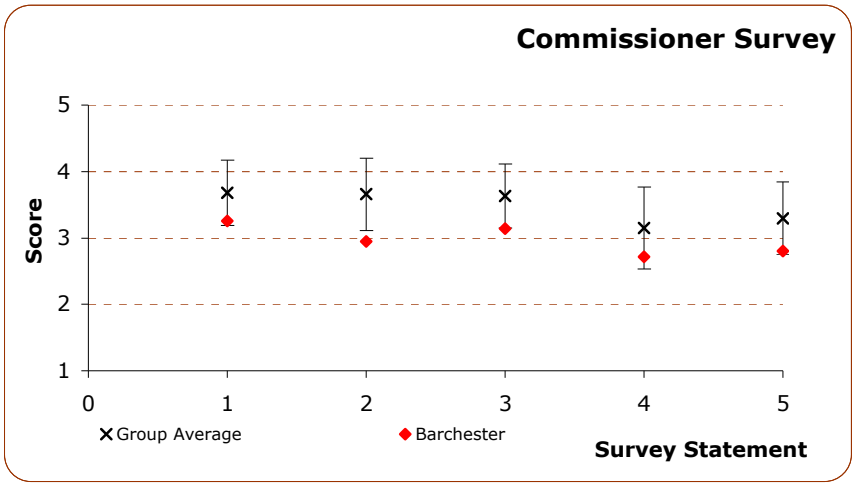


Barchester	*Average*	LQ	Median	UQ
3.3	***3.7***	**3.5**	**3.8**	**4.0**

Analysis of individual statement scores

These charts show the average performance scores for all participants as black x's. The black error bars show one standard deviation either side of the mean. Approximately 65 - 70% of the organisations will fall within this range. The red diamond is the average score for your organisation.

Commissioner Survey



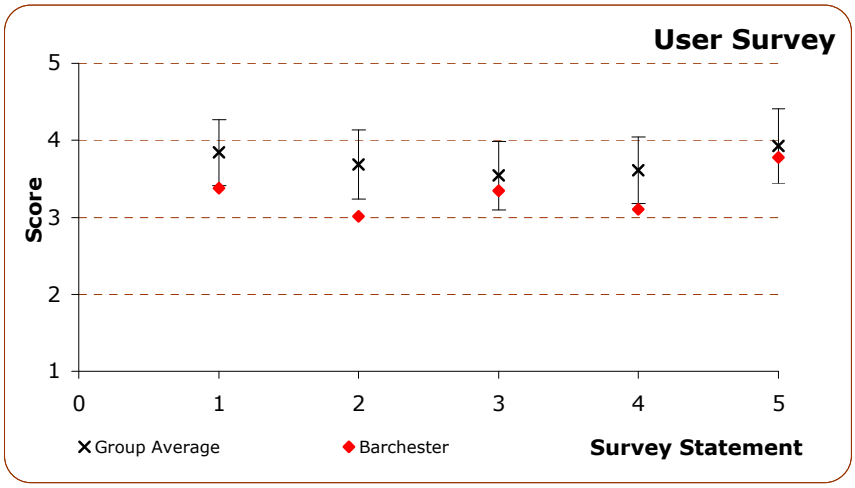
Scores

5 Strongly Agree
4 Agree
3 Neither
2 Disagree
1 Strongly Disagree

Survey Statements

- The HR function supports delivery of the organisation's strategic objectives
- The HR function provides quality advice when I need it
- The HR function enables me to address people management issues
- The HR function anticipates the organisation's workforce issues and addresses them
- The HR function provides value for money

User Survey



Scores

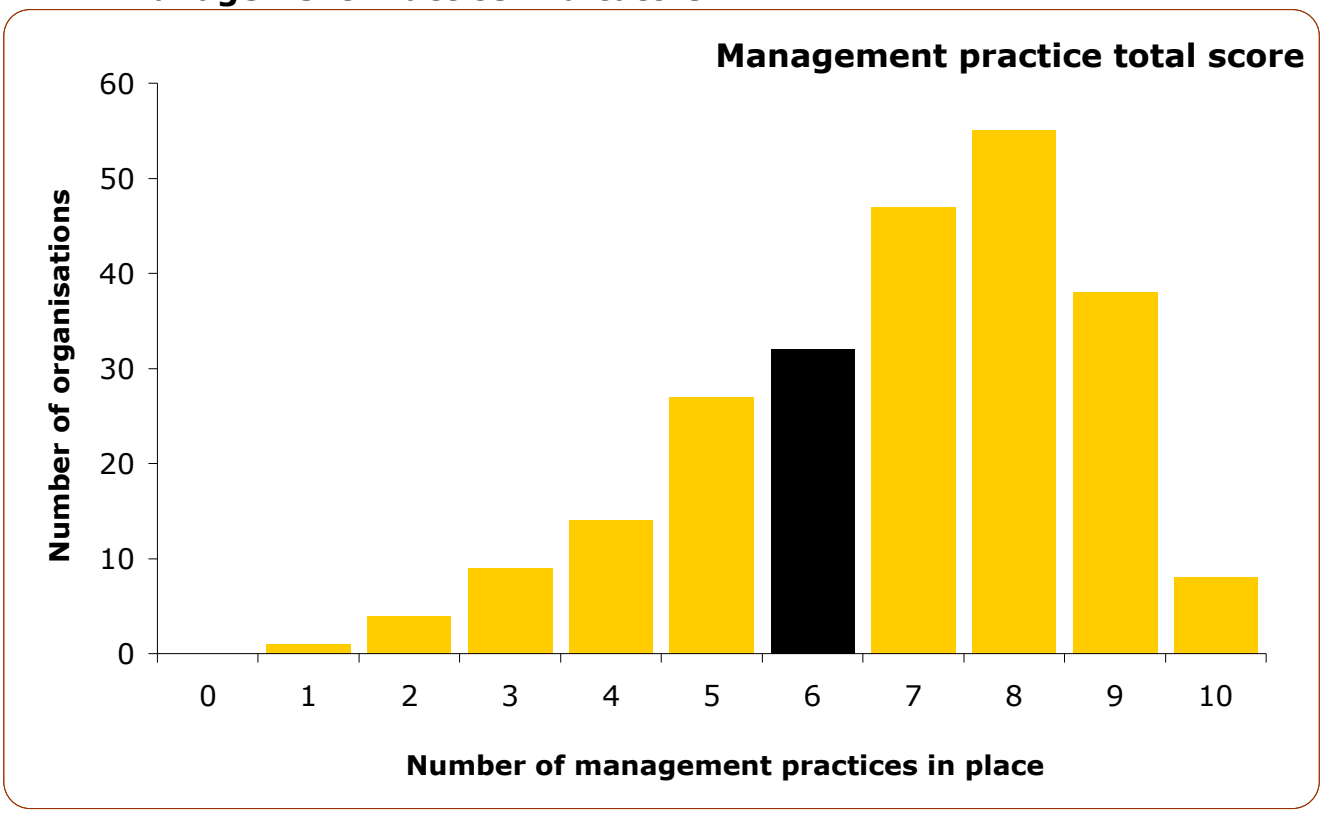
5 Strongly Agree
4 Agree
3 Neither
2 Disagree
1 Strongly Disagree

Survey Statements

- The organisation offers flexible remuneration and benefits options which take account of the different needs of staff
- The organisation takes the well-being of staff seriously
- The appraisal process helps me set measurable objectives which make clear what is expected of me
- I receive appropriate learning and development in relation to my needs
- I know where to go if I have a query relating to an HR issue

Section 4 - MANAGEMENT PRACTICE INDICATORS

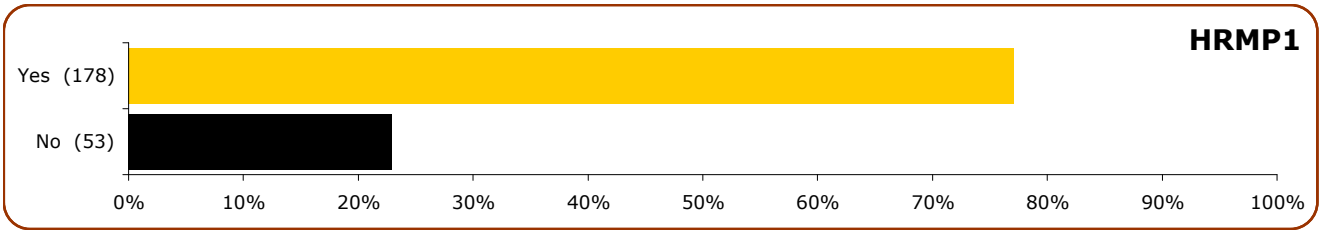
HRP7 Management Practice Indicators



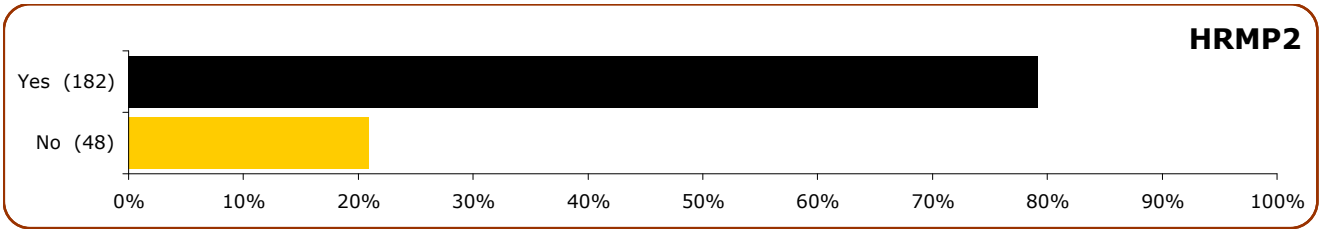
Barchester	*Average*	LQ	Median	UQ
6.00	***6.85***	**6.00**	**7.00**	**8.00**

		Yes	No	% Yes	% No
HRMP1	**No**	**178**	**53**	**77.1%**	**22.9%**
HRMP2	**Yes**	**182**	**48**	**79.1%**	**20.9%**
HRMP3	**No**	**98**	**137**	**41.7%**	**58.3%**
HRMP4	**Yes**	**186**	**44**	**80.9%**	**19.1%**
HRMP5	**Yes**	**182**	**51**	**78.1%**	**21.9%**
HRMP6	**Yes**	**196**	**38**	**83.8%**	**16.2%**
HRMP7	**No**	**96**	**134**	**41.7%**	**58.3%**
HRMP8	**Yes**	**176**	**57**	**75.5%**	**24.5%**
HRMP9	**No**	**121**	**109**	**52.6%**	**47.4%**
HRMP10	**Yes**	**195**	**37**	**84.1%**	**15.9%**

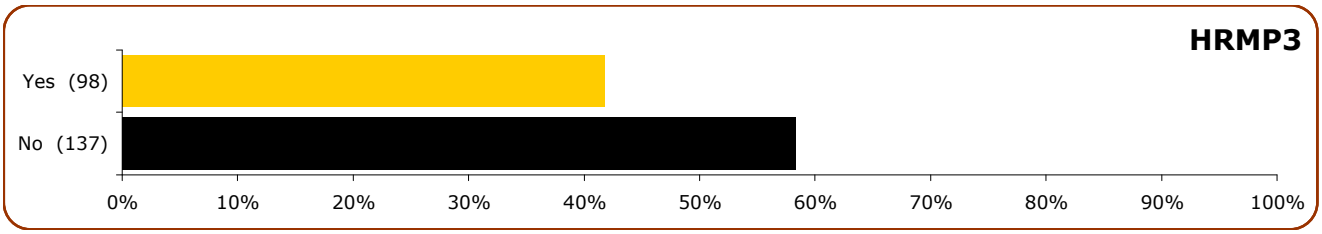
HRMP1
Within the last three years the HR Function has reviewed and rationalised the number of sets of Terms and Conditions in use in the organisation by 5%



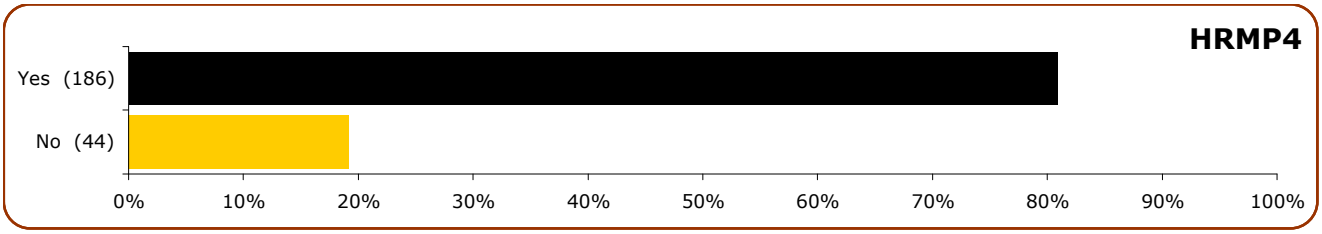
HRMP2
The organisation has undertaken equality impact assessments across all key service areas within the last three years, and is implementing an action plan which targets areas of vulnerability



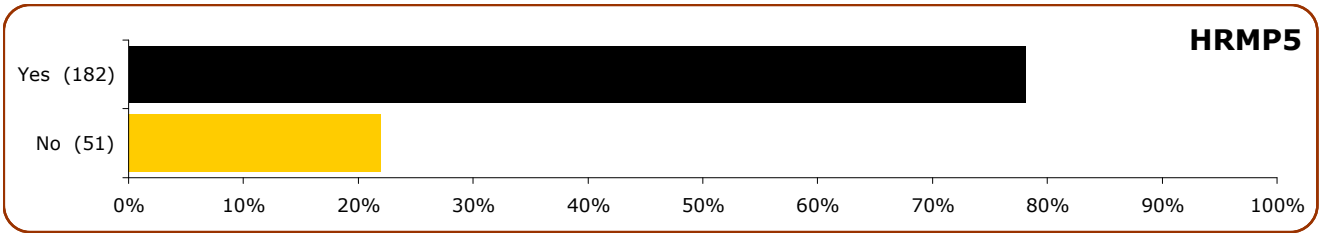
HRMP3
There is employee self-service through desktop access to modify non-sensitive HR data



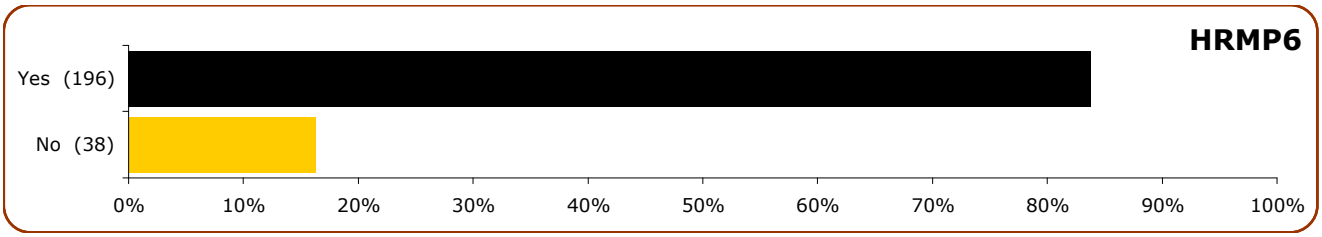
HRMP4
All employees have clear and measurable outcome based targets set at least annually



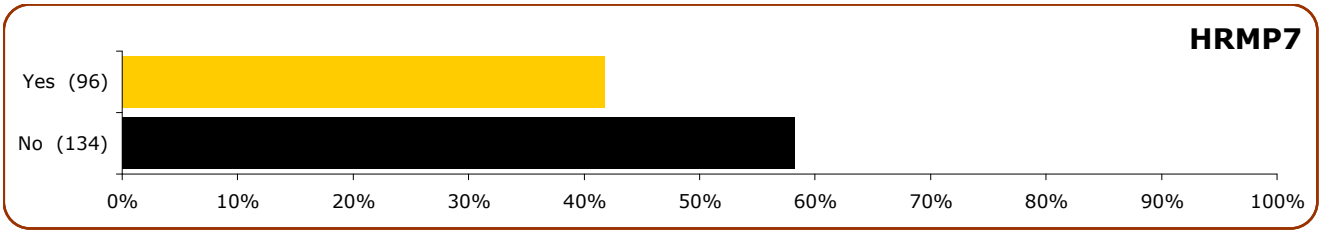
HRMP5
All employees have had a formal, documented performance review at least on an annual basis which can track personal/professional improvement



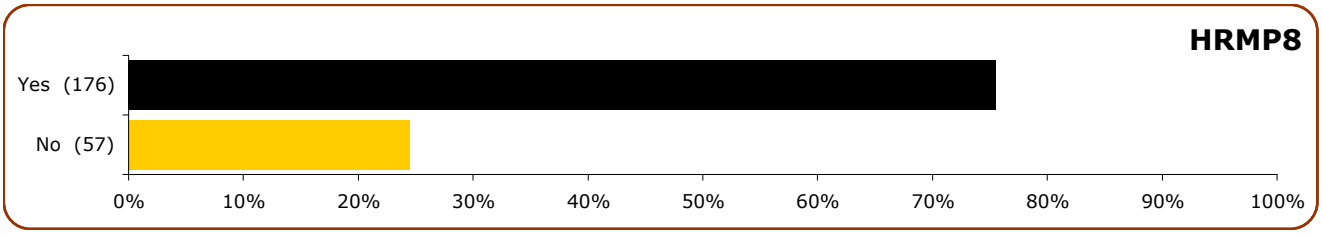
HRMP6
The organisation carries out a survey of staff satisfaction levels at least biennially, publishes the results, has developed an action plan and monitors delivery of that plan on at least a quarterly basis



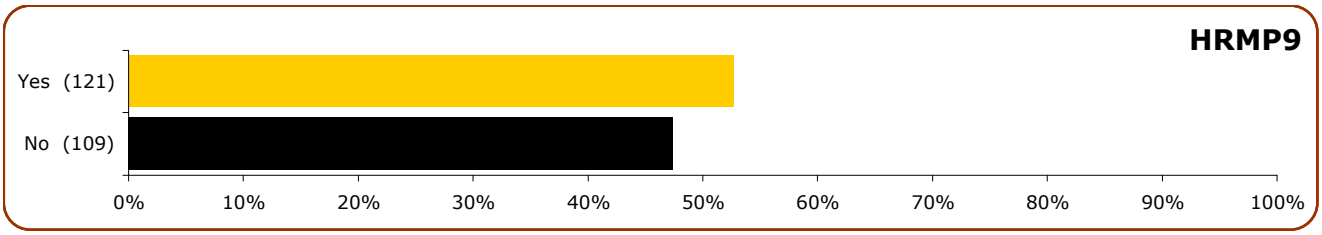
HRMP7
The organisation explicitly requests that employees declare that they have complied with any Continuous Professional Development (CPD) requirements of their professional institute (where applicable)



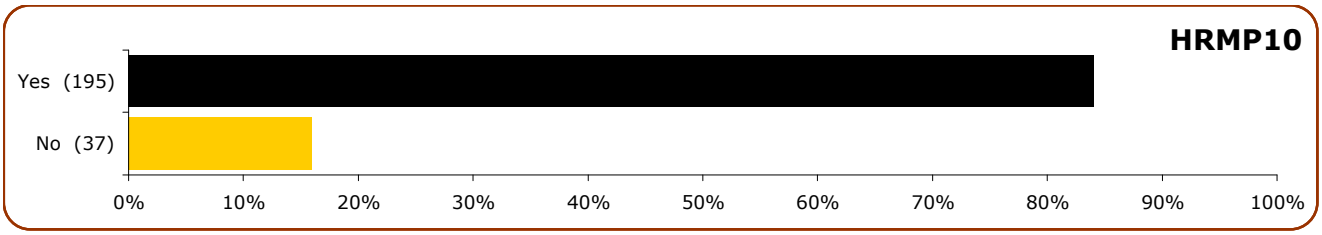
HRMP8
The organisation has a statement which anticipates the workforce requirements of the organisation over the medium-term (at least 3 years) and an action plan agreed by the Executive/ Corporate Management Team which sets out how those requirements are met and is monitored on a 6 monthly or more frequent basis



HRMP9
A comprehensive professional development programme is in place for professional HR staff which ensures that they receive at least 5 days of continuing professional development per



HRMP10
It is possible to apply online for all vacancies for which external applications are invited



Section 5 - TABULAR DATA

		Barchester	*Average*	Lower Quartile	Median	Upper Quartile
Primary Indicators						
HRP1(ai)	Cost of the HR function as a % organisational running costs (including L&D)	**0.98%**	***1.73%***	**0.69%**	**1.18%**	**2.14%**
HRP1(aii)	Cost of the HR function as a % organisational running costs (excluding L&D)	**0.94%**	***1.08%***	**0.57%**	**0.81%**	**1.20%**
HRP1(b)	Cost of the HR function per fte (including L&D)	**£598**	***£1,464***	**£666**	**£1,039**	**£1,893**
HRP1(b)	Cost of the HR function per fte (excluding L&D)	**£573**	***£851***	**£481**	**£626**	**£993**
HRP2	Ratio of employees to HR staff (including L&D)	**94**	***69***	**41**	**63**	**87**
HRP2	Ratio of employees to HR staff (excluding L&D)	**99**	***97***	**74**	**91**	**114**
HRP2	Ratio of employees to L&D staff	**2067**	***378***	**99**	**262**	**504**
HRP3	Average days per full-time equivalent employee per year invested in learning and development	**0.4**	***4.4***	**1.9**	**3.5**	**6.3**
HRP4	Leavers in the last year as a % of the average total staff	**15.9%**	***10.6%***	**7.1%**	**9.7%**	**13.3%**
HRP5	Average working days per employee per year lost through sickness absence	**14.4**	***9.5***	**7.2**	**8.8**	**11.4**
Secondary Indicators						
HRS1	Cost of learning and development activity as % total pay-bill	**0.1%**	***1.7%***	**0.6%**	**1.3%**	**2.2%**
HRS2	Cost of agency staff as a % total paybill	**3.7%**	***4.0%***	**0.8%**	**2.5%**	**5.4%**
HRS3	% posts in the leadership which are filled by people who are not permanent in that position	**1.5%**	***5.6%***	**0.5%**	**3.0%**	**8.0%**
HRS4	Average elapsed time (days) from a vacancy occurring to the acceptance of an offer for the same post	**38.0**	***49.8***	**36.0**	**45.0**	**60.0**
HRS5	Cost of recruitment per post filled	**£143**	***£2,033***	**£481**	**£986**	**£2,963**
HRS6	Reported injuries, diseases and dangerous occurrences per 1,000 employees	**5.1**	***9.6***	**1.1**	**5.1**	**9.9**
HRS7	% people that are still in post after 12 months service	**85%**	***81%***	**74%**	**84%**	**90%**
HRS8	Cases of disciplinary action per 1,000 employees	**5.3**	***13.0***	**4.4**	**8.9**	**17.0**
HRS9	% staff who receive (at least) an annual face to face performance appraisal	**88%**	***83%***	**74%**	**89%**	**100%**
HRS10	% leadership posts occupied by women	**63%**	***40%***	**27%**	**40%**	**53%**
HRS11	% employees who consider themselves to have a disability	**2.2%**	***4.4%***	**2.0%**	**3.4%**	**5.6%**
HRS12	% employees aged 50 or over	**32%**	***28%***	**22%**	**30%**	**34%**
HRS13	% Black and Minority Ethnic (BME) employees in the workforce	**29.8%**	***11.8%***	**2.5%**	**5.9%**	**14.4%**