

Public Sector Corporate Services VfM Indicators
Human Resources
2011/12

City of London Corporation

compared with

Other London Boroughs Highlighted

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.

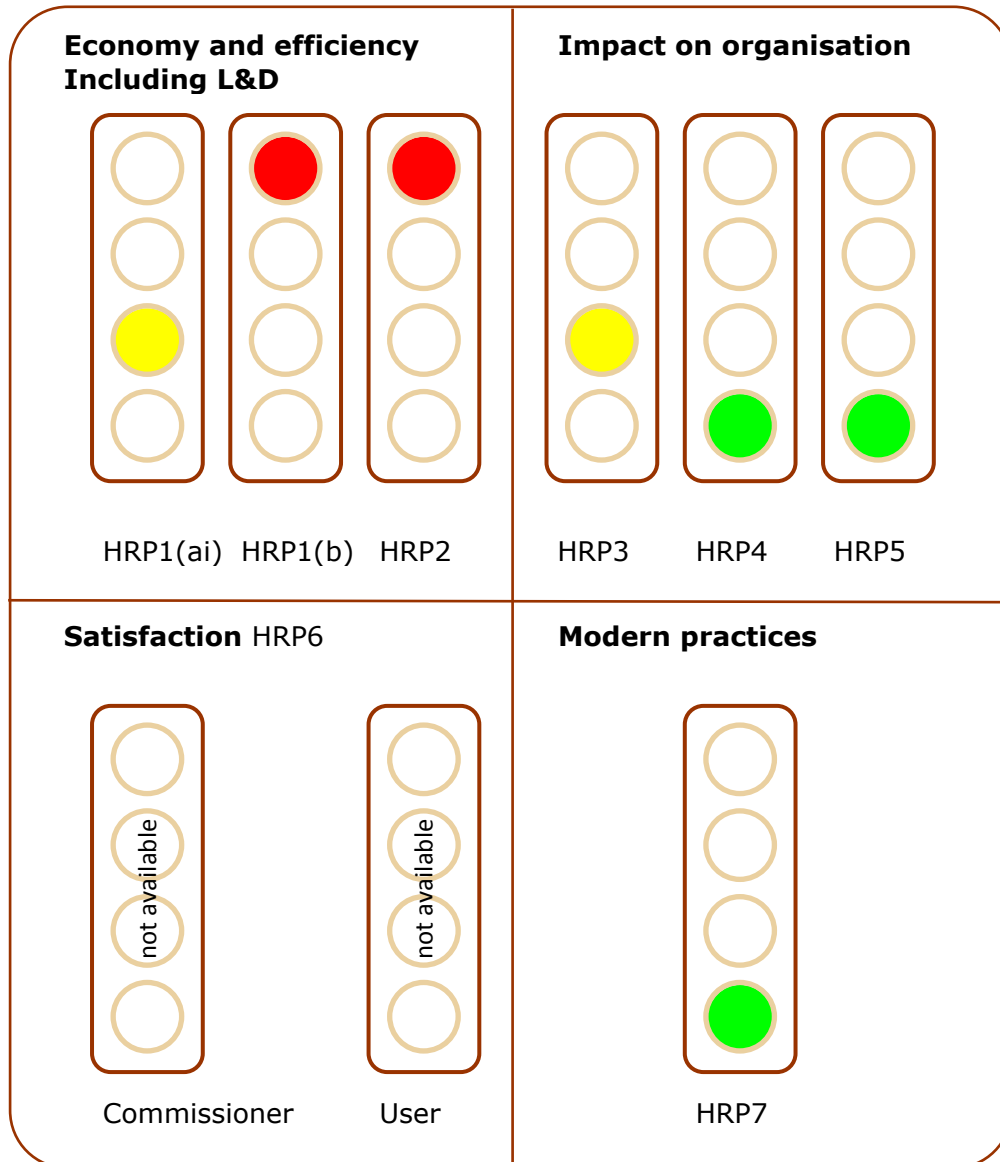
I hope that you find the enclosed information useful, and more importantly that you use it in the spirit in which it is intended; this is a tool to help you take a view on the value for money provided by your corporate support services, and provide some pointers as to how they might improve.

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.

Julian Mund
Director of Markets and Product Development

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

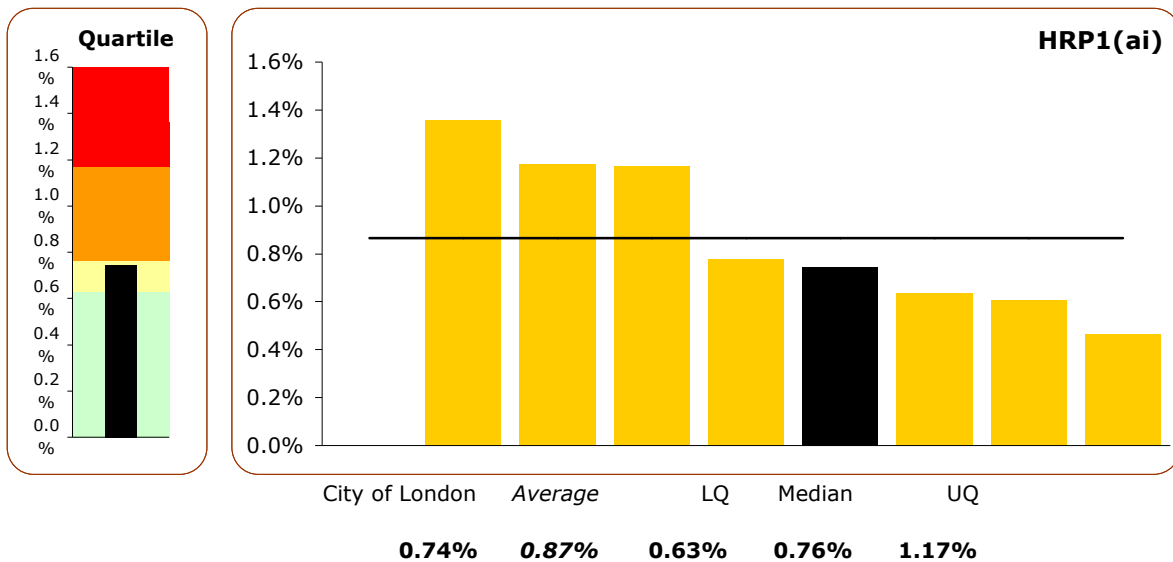
HRP1 Cost of the HR function

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)



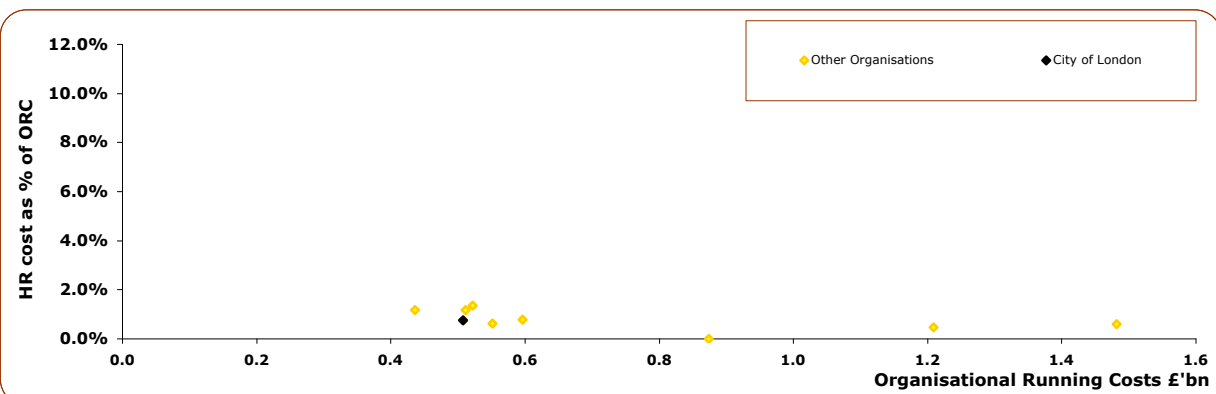
Cost of Difference

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

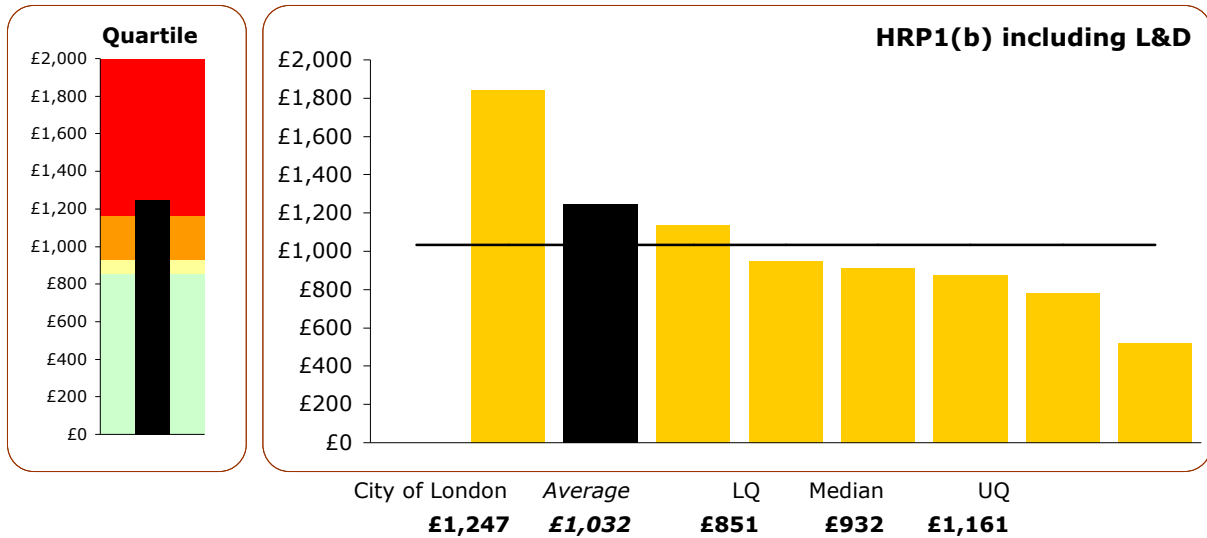
From median (£'000) **-£90** From lower quartile (£'000) **£590**

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.



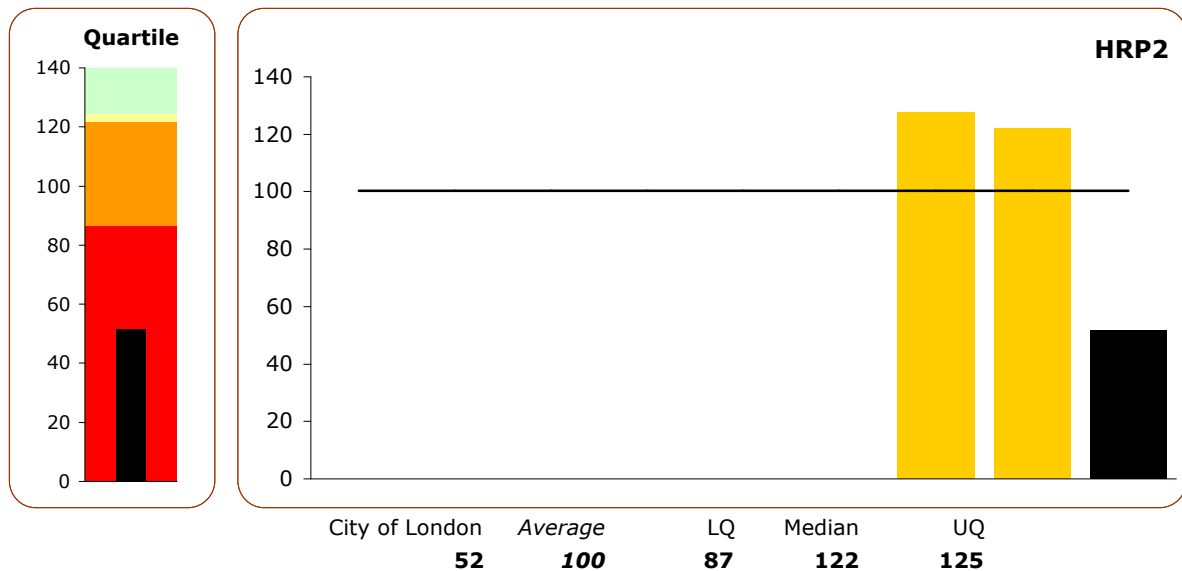
HRP1(b) HR Cost per FTE (including L&D)



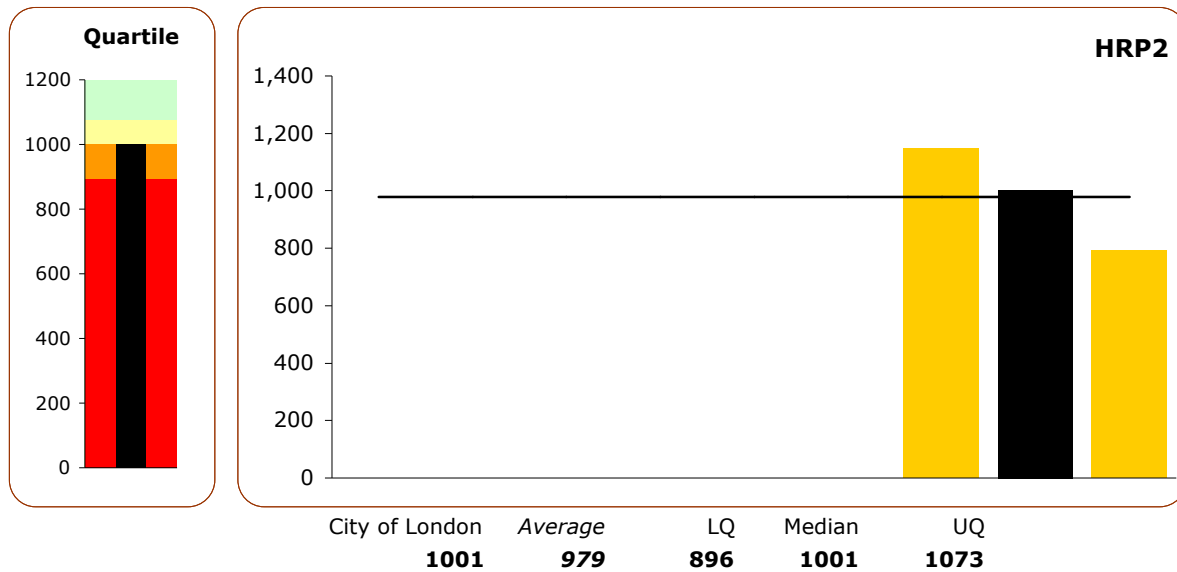
HRP2 Ratio of employees to HR staff (including L&D)

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

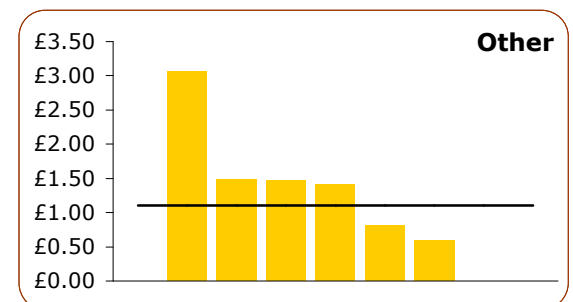
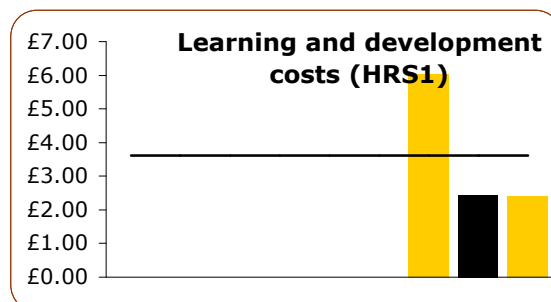
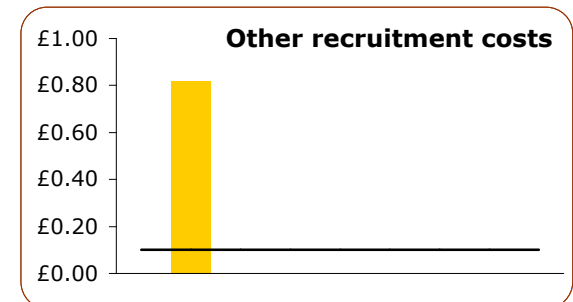
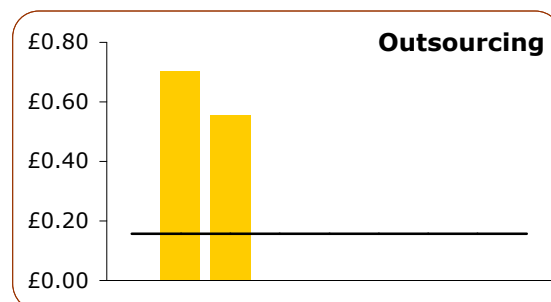
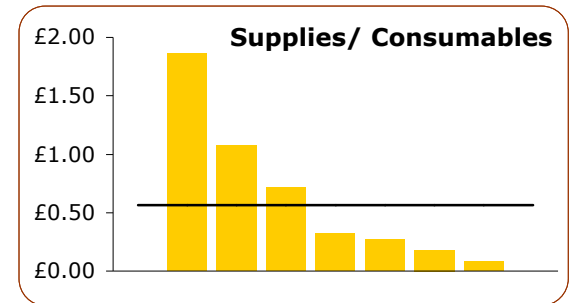
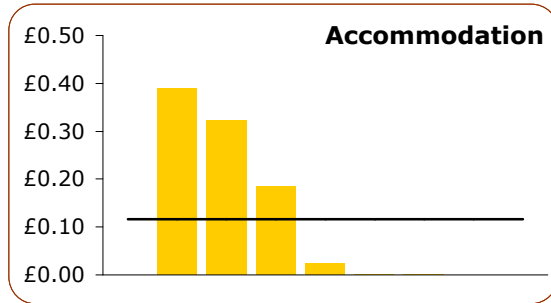
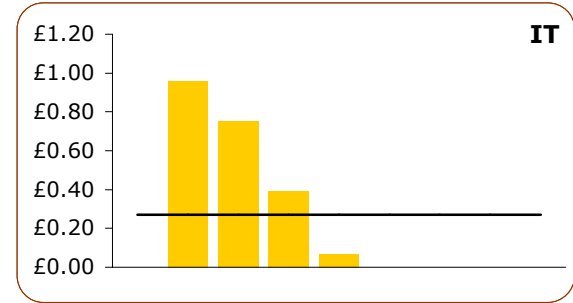
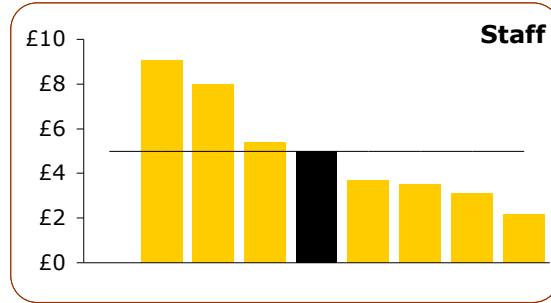
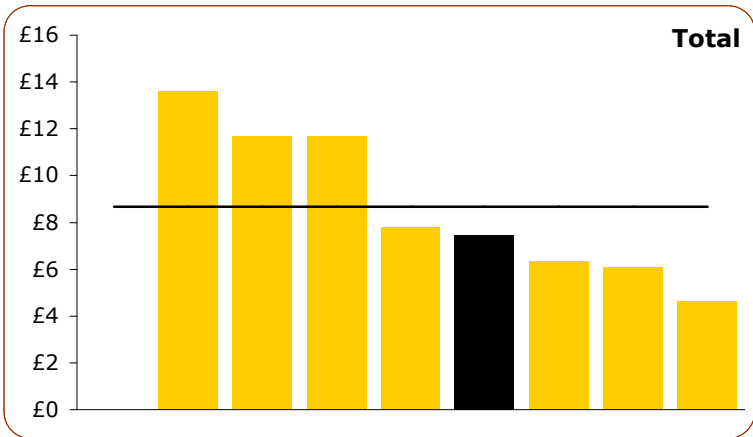
For each benchmark two figures are given, the first being the organisation's cost and the second (in italics) is the group average.

	Staff	IT	Accommodation	Supplies/ Consumables	Outsourcing	Other Recruitment	Learning and Development (HRS1)	Other	Total Cost
	£5.01	£0.00	£0.00	£0.00	£0.00	£0.00	£2.44	£0.00	£7.45
	<i>£4.99</i>	<i>£0.27</i>	<i>£0.12</i>	<i>£0.56</i>	<i>£0.16</i>	<i>£0.10</i>	<i>£3.62</i>	<i>£1.11</i>	<i>£8.67</i>

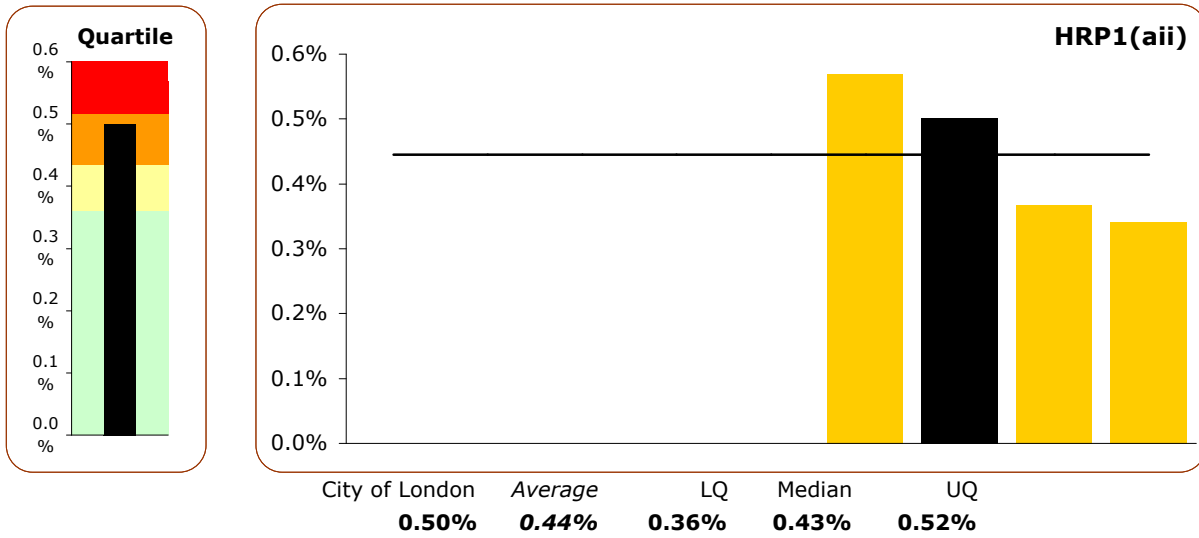
Costs 2011/12 (£'000)	
Staff	2,542
IT	-
Accommodation	-
Supplies/ Consumables	-
Outsourcing	-
Recruitment	-
L&D	1,240
Other	-
Total	3,782
Org. running costs	507,655
FTE	58.1

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

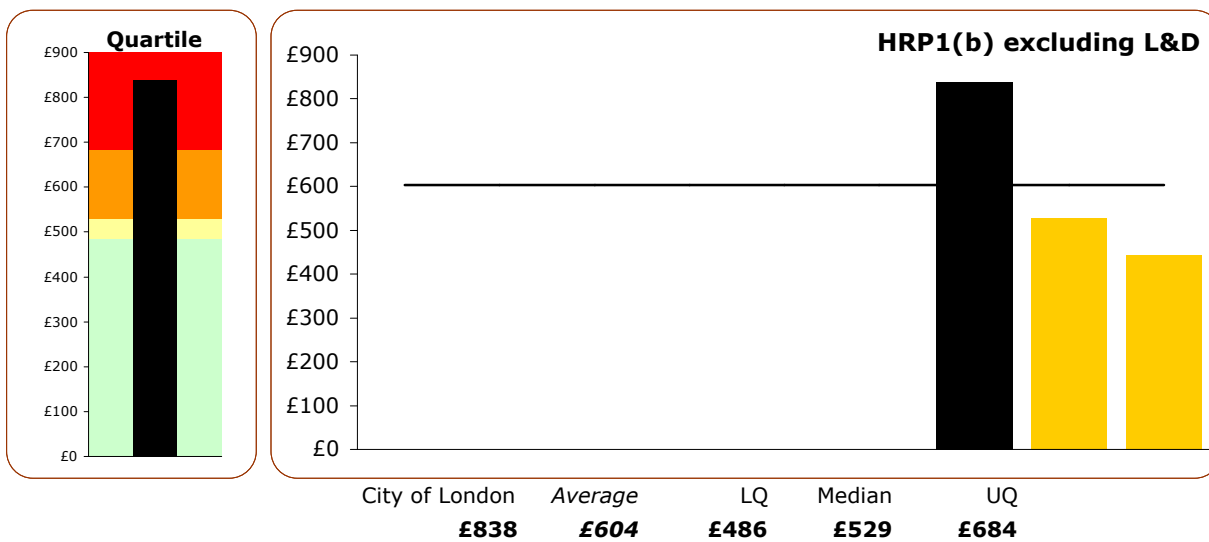
2011/12 Actuals



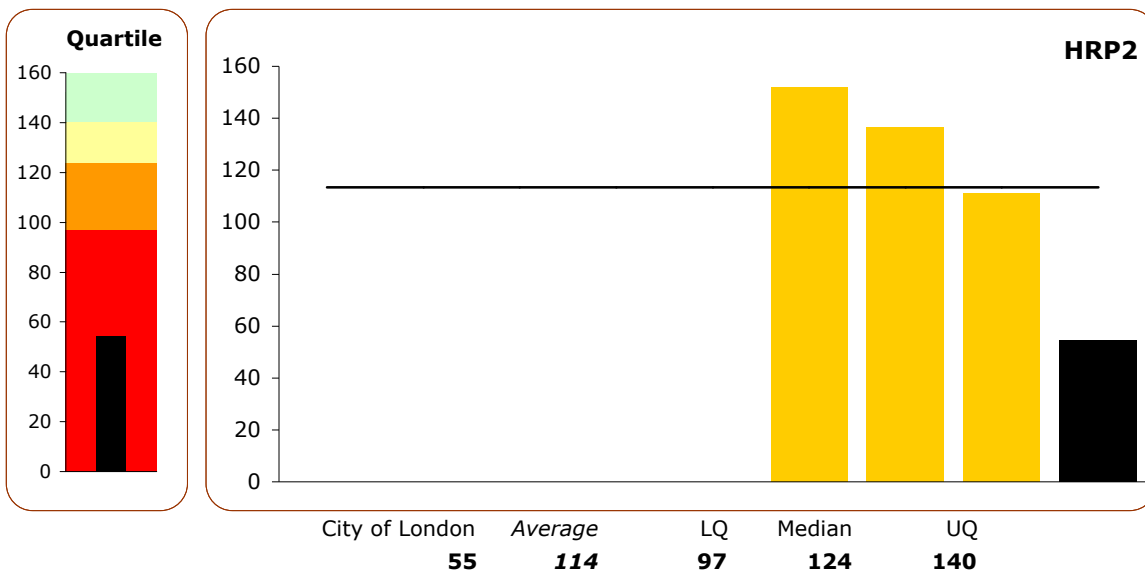
HRP1(aii) HR Cost as a percentage of organisational running costs (excluding L&D)



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



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

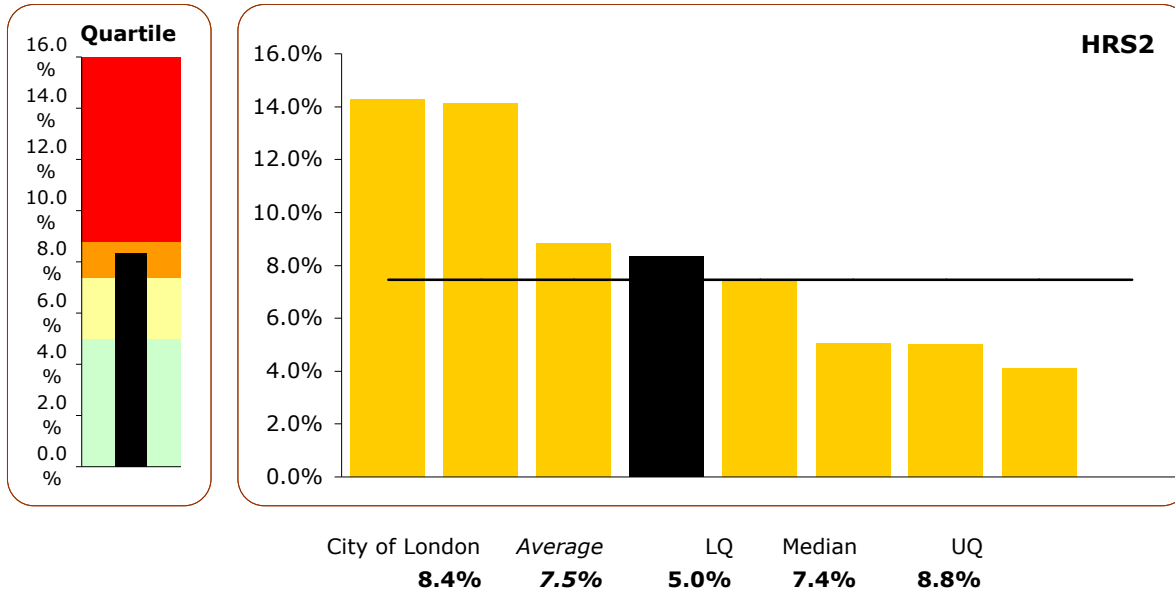


Secondary Indicators

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

Rationale and expected impact on behaviour

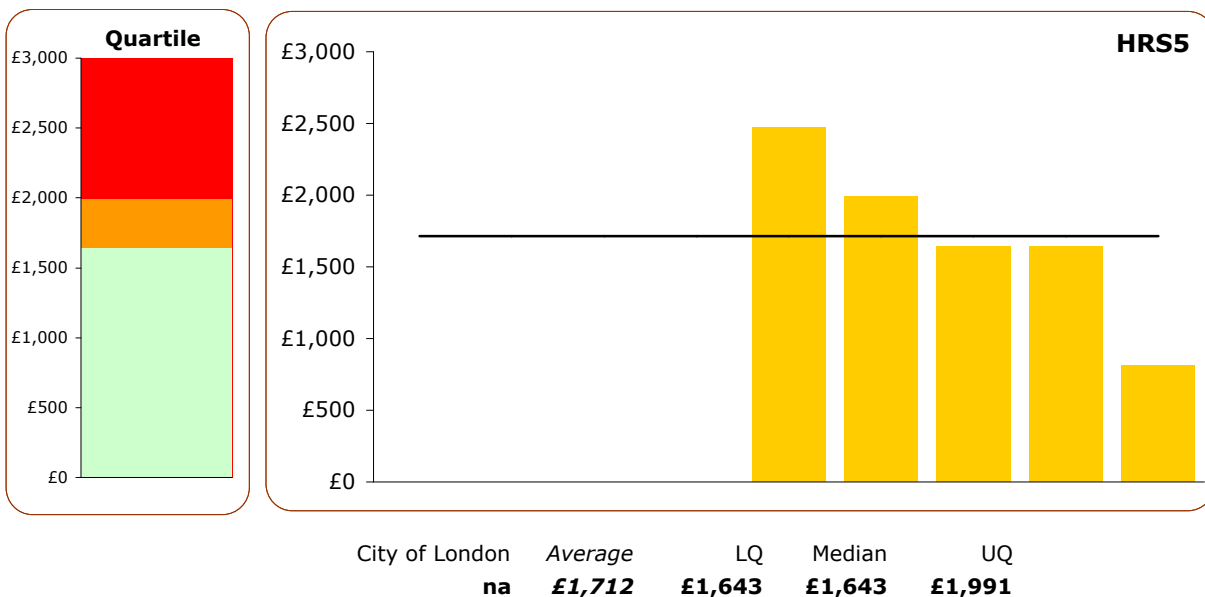
Reliance on agency staff can increase costs significantly and not necessarily represent value for money. Most organisations would therefore aim to reduce the proportion of their pay-bill spent on agency staff although they may (of course) need to use agency staff to good effect to manage variability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



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.

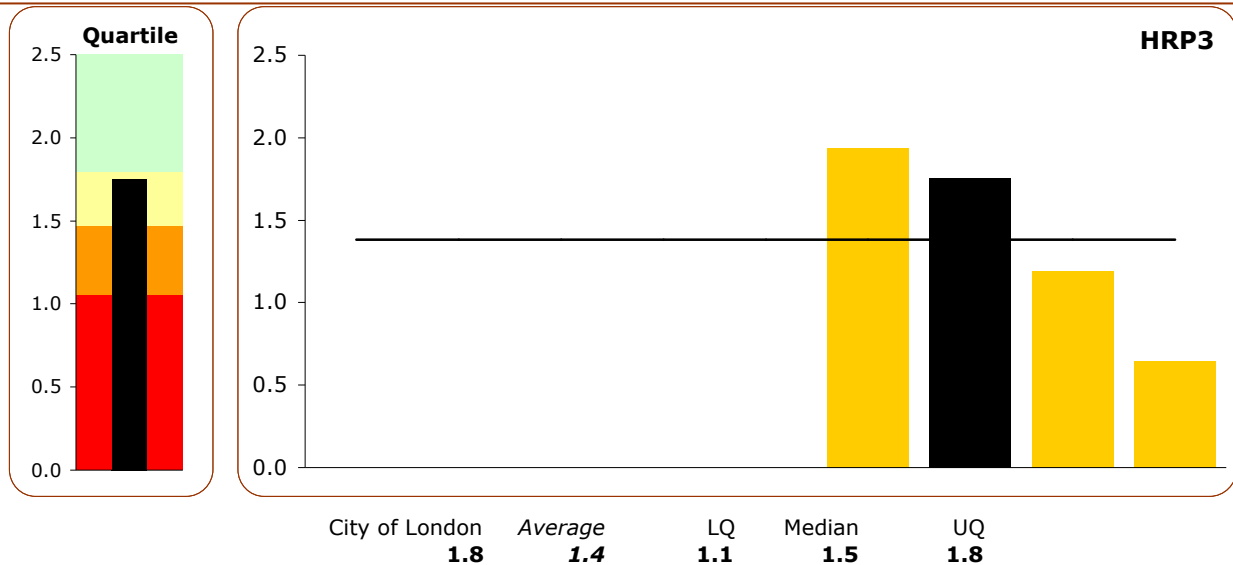


Section 2 - IMPACT

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

Rationale and expected impact on behaviour

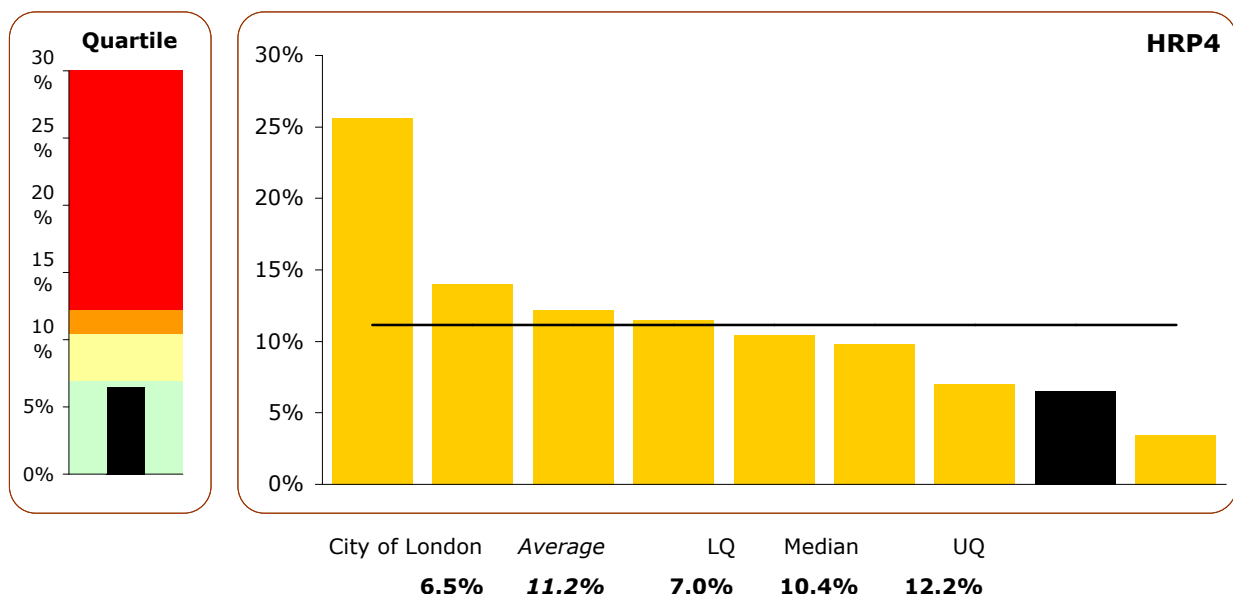
The investment in learning and development indicates the organisation's commitment to enhancing its capacity to deliver and improve. Organisations should compare their result for this indicator with their peers, investigating the reasons for any significant differences, taking into account factors such 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).



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

Rationale and expected impact on behaviour

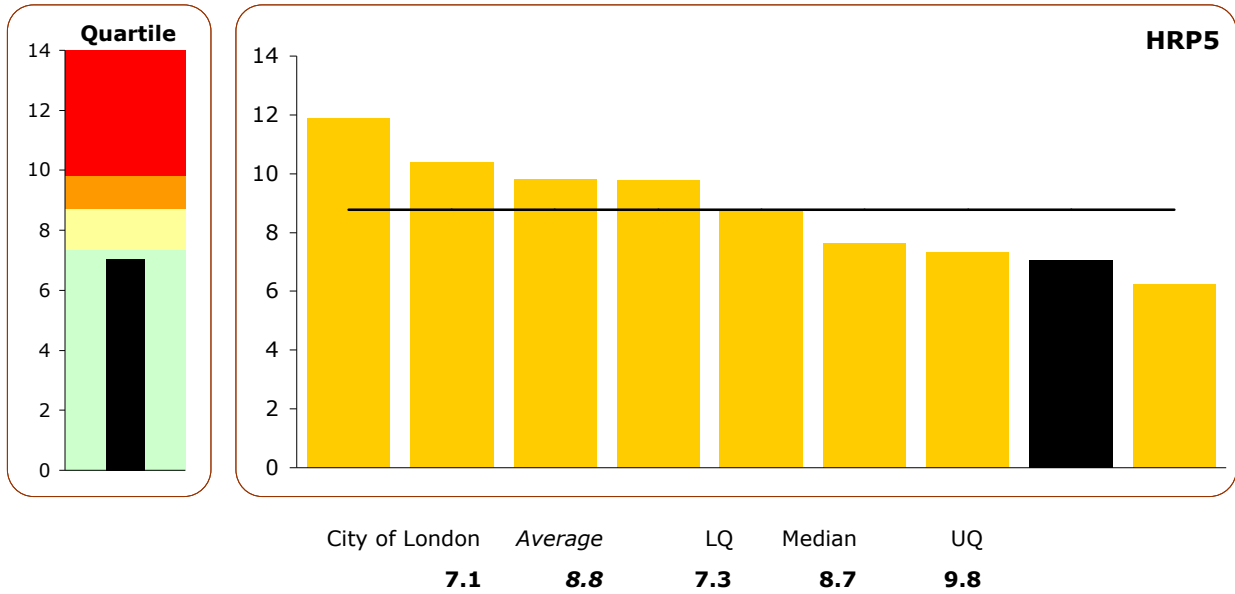
This indicator aims to look at the stability of the workforce. Some turnover in an organisation is accepted as healthy but a high level of turnover can indicate problems in organisational leadership, culture and management and can impact on organisational performance (for example through loss of capacity, 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 over time.



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.

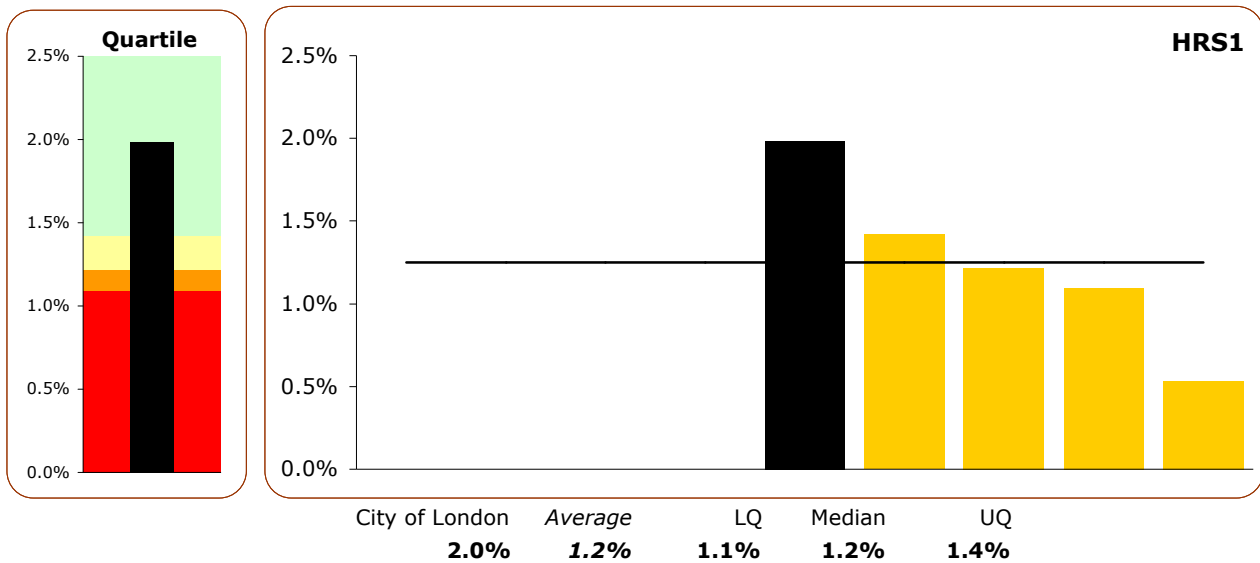


Secondary Indicators

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

Rationale and expected impact on behaviour

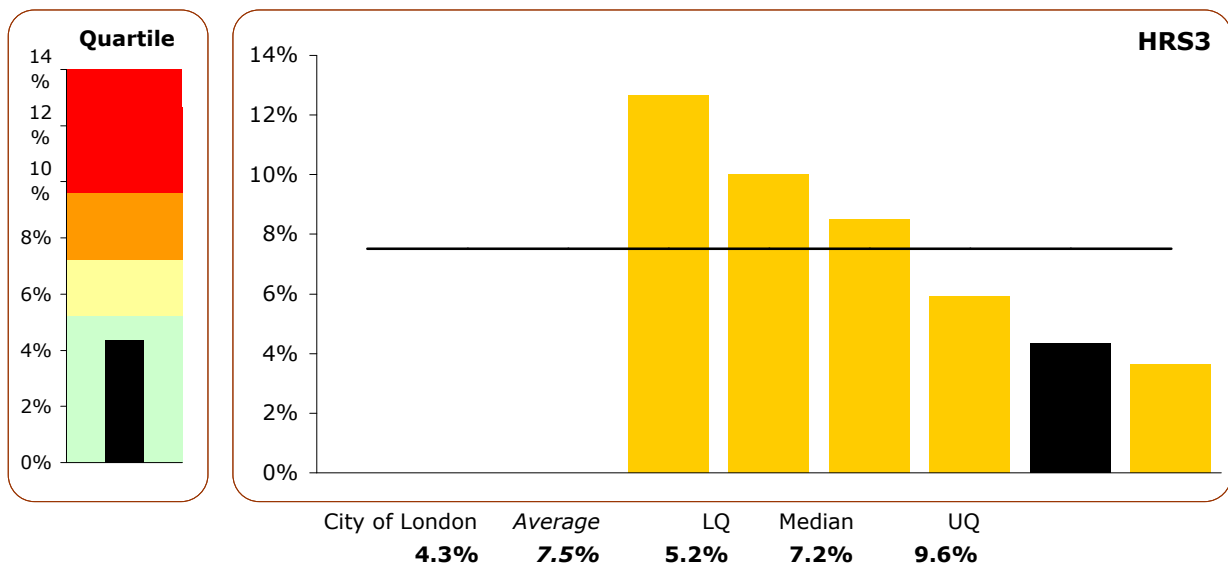
The level of expenditure on learning and development indicates the organisation's commitment to enhancing its capacity to deliver and improve. This complements primary indicator 3 (average days invested in learning and development per employee). In both cases organisations should compare their results 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.



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

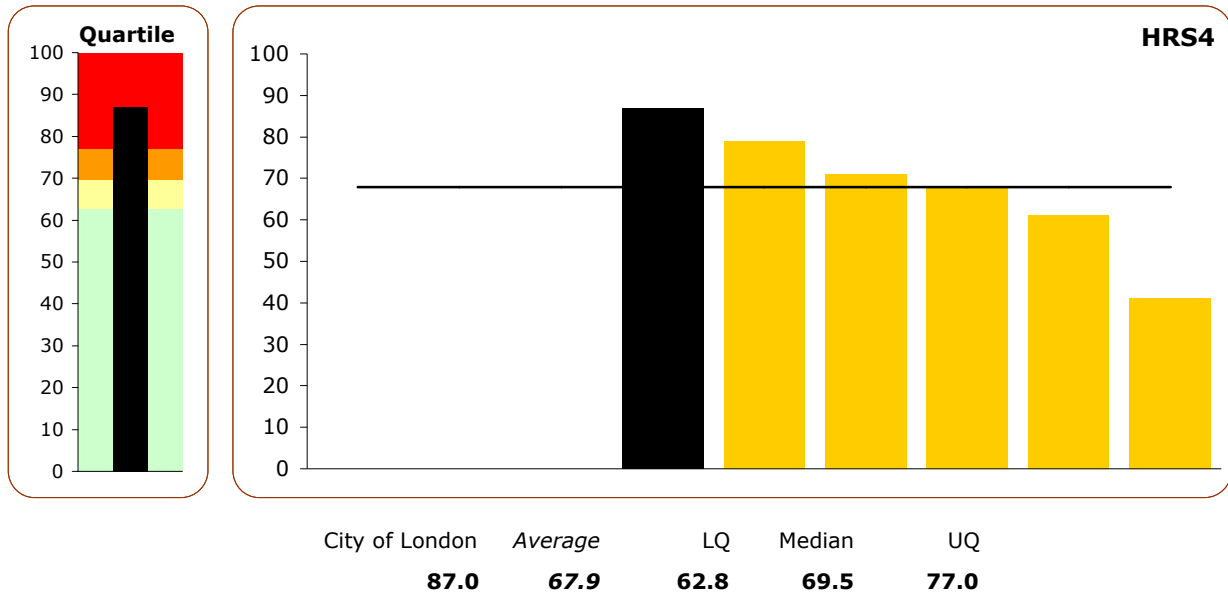
The degree of stability of the leadership of an organisation is a critical feature in terms of organisational performance and culture. Organisations performing at a sub-optimal level tend to have a significant proportion of non-permanent staff in leadership positions. In most cases organisations would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



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

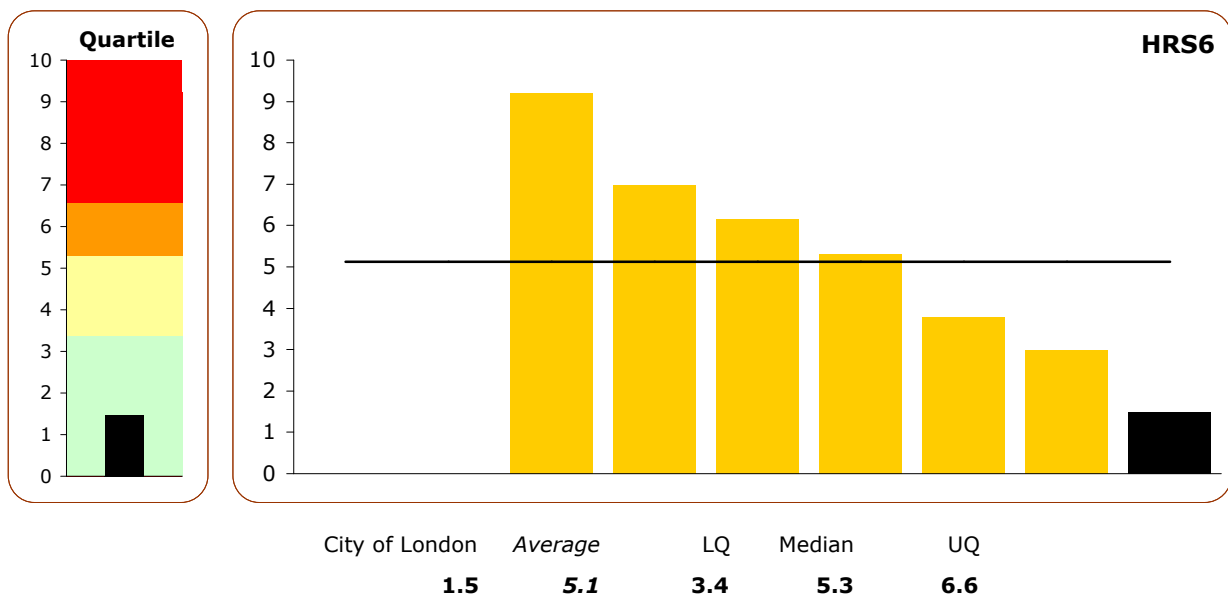
This is an indicator of efficiency for a key HR process – recruitment to fill vacant posts. Organisations should generally aim to reduce the number of working days needed to fill vacant posts. This indicator complements secondary indicator 5.



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

Rationale and expected impact on behaviour

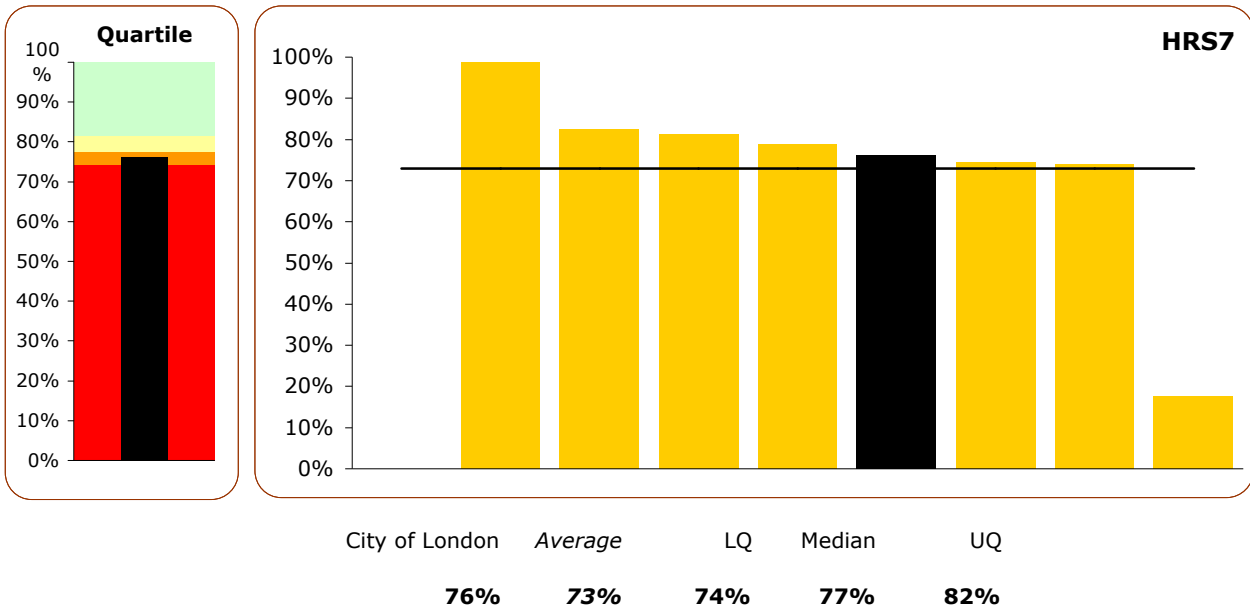
This measures the effectiveness of the organisation's health and safety procedures. Organisations would expect to achieve a period-on-period reduction in the number of incidents although organisations reporting extremely low figures compared to their peers may wish to consider whether all relevant occurrences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



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

Rationale and expected impact on behaviour

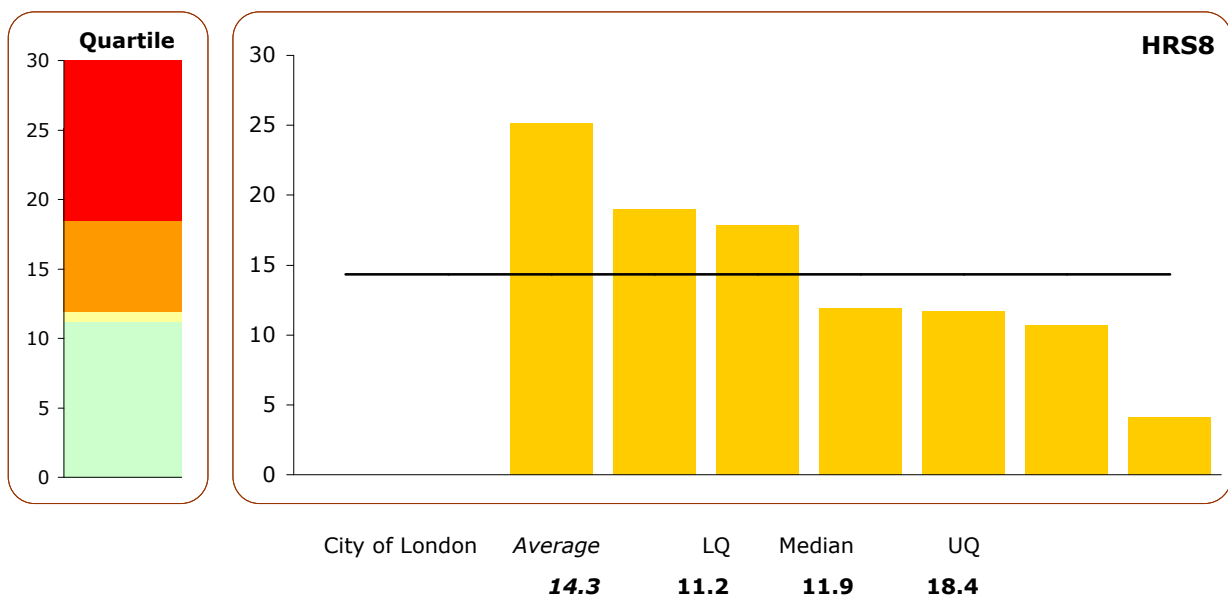
The level of turnover in the first year is an indicator of the effectiveness of the organisation's recruitment and induction processes. This is closely linked to primary indicator 4 (leavers as a proportion of total staff). Organisations would expect to achieve a period-on-period increase in the number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



HRS8 Cases of disciplinary action per 1,000 employees

Rationale and expected impact on behaviour

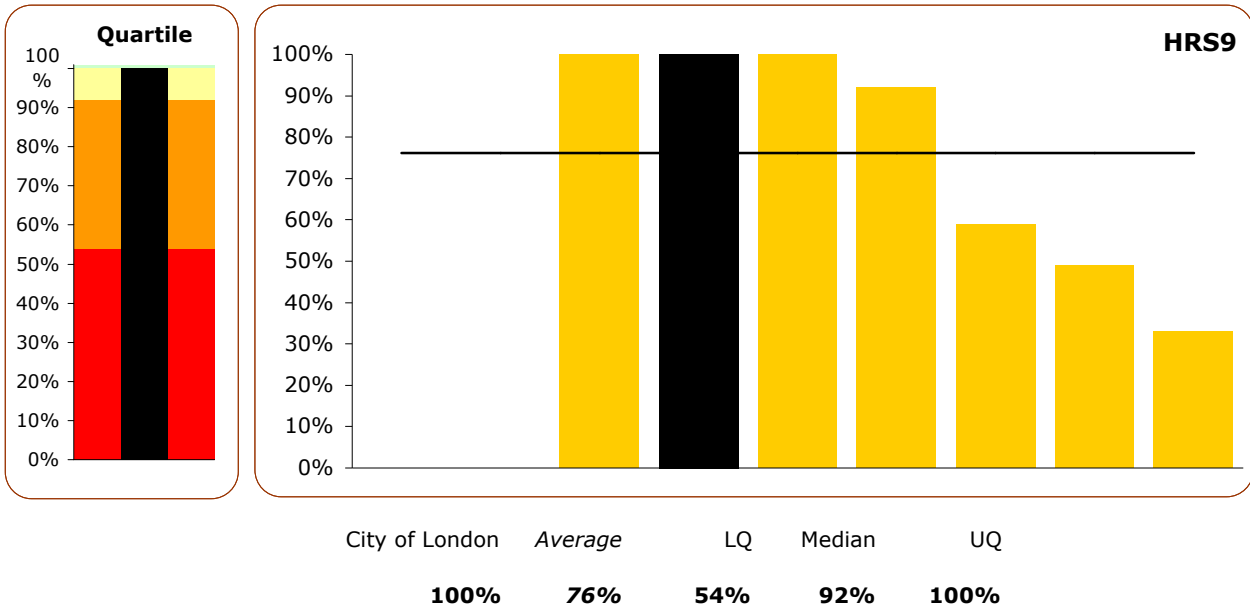
To measure the extent to which capability/performance and conduct are actively managed. Organisations would usually expect to achieve a period-on-period reduction in the number of cases. However where no cases are actioned or where the number is considerably less than for peers with no apparent plausible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



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

Rationale and expected impact on behaviour

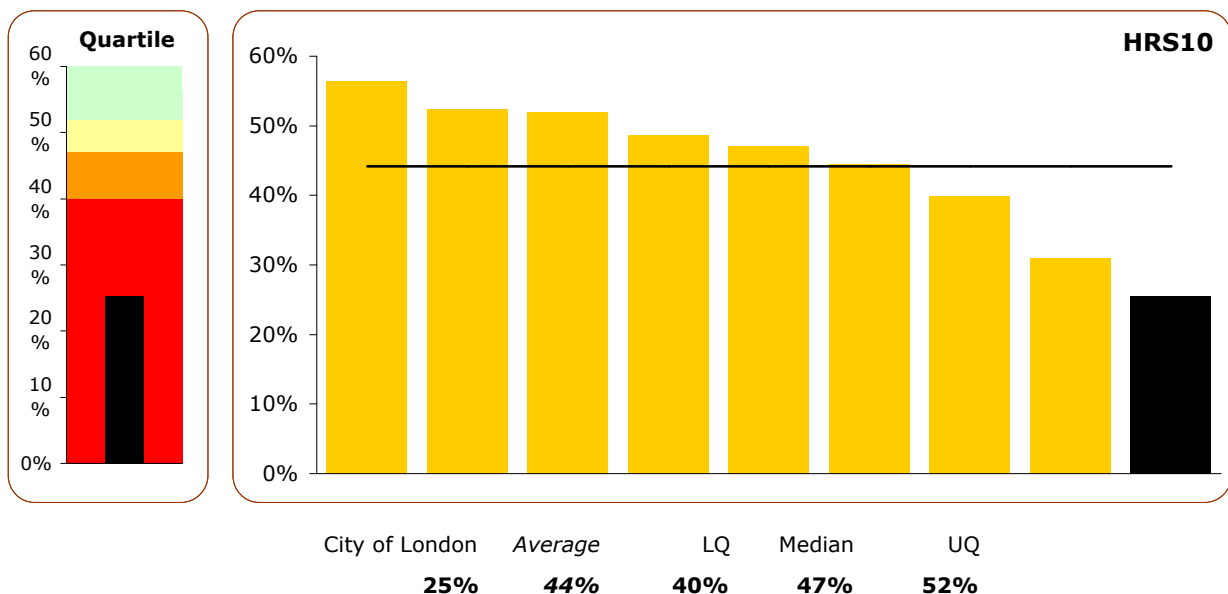
To measure the coverage of individual performance management processes across the organisation. Organisations should aim to move towards achieving 100 per cent for this indicator (particularly in respect of their permanent staff).



HRS10 Percentage of leadership posts occupied by women

Rationale and expected impact on behaviour

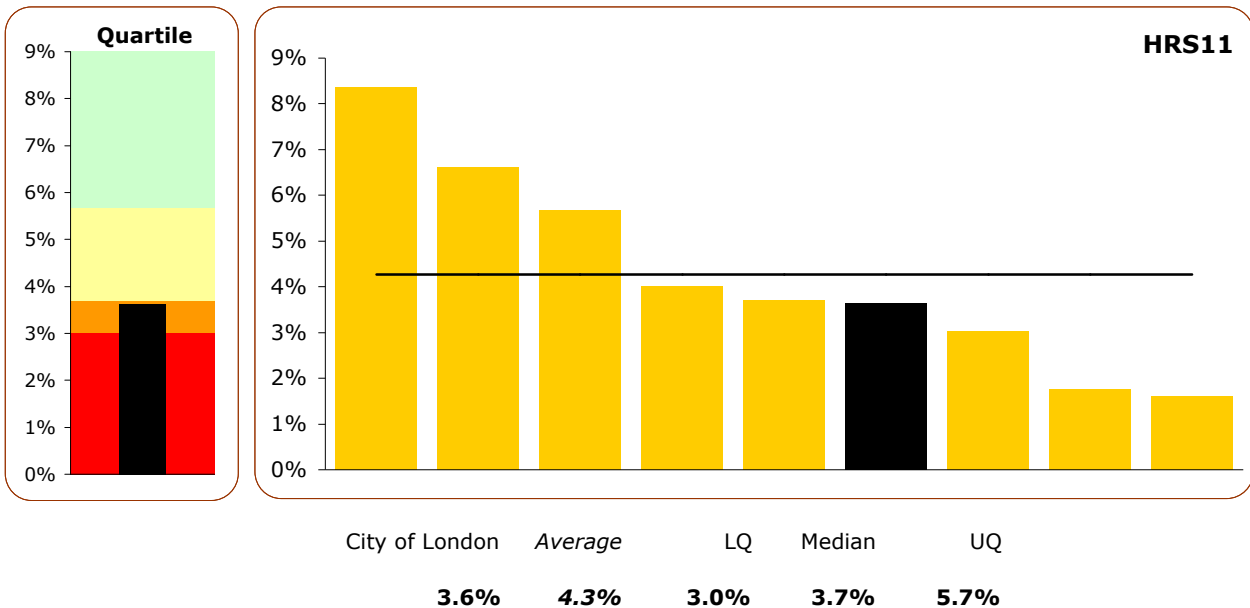
To monitor progress in the achievement of equality of opportunity in employment for leadership posts. Organisations should compare their achievement against this indicator with their peers and, in most cases, should seek to secure a period-on-period increase in respect of this indicator.



HRS11 Percentage of employees who consider themselves to have a disability

Rationale and expected impact on behaviour

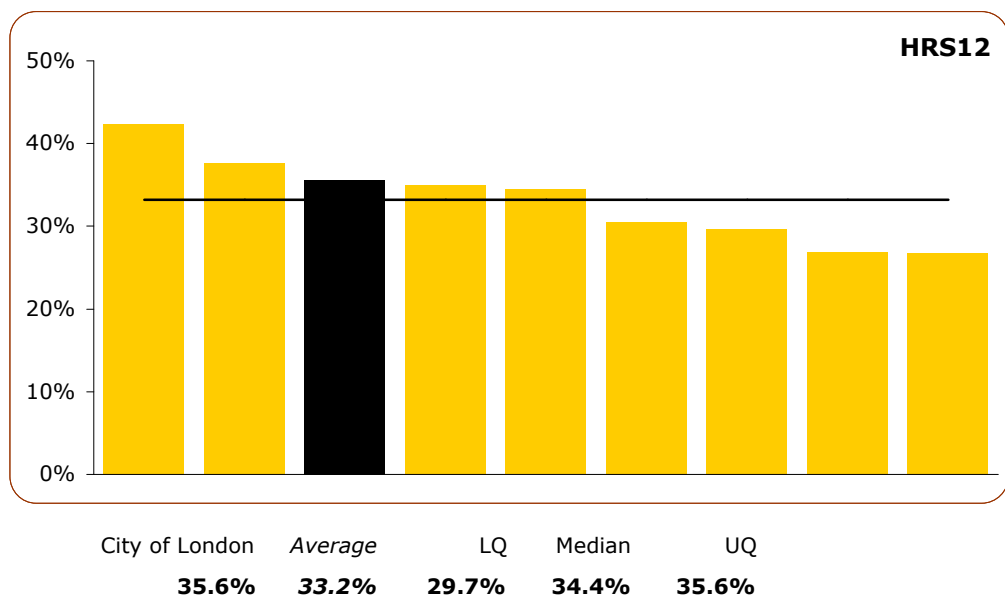
To monitor progress in the achievement of equality of opportunity in employment. Organisations should compare their achievement against this indicator with that of their peers and consider how the composition of their workforce might move towards a position that, for example, is more representative of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



HRS12 Percentage of employees aged 50 or over

Rationale and expected impact on behaviour

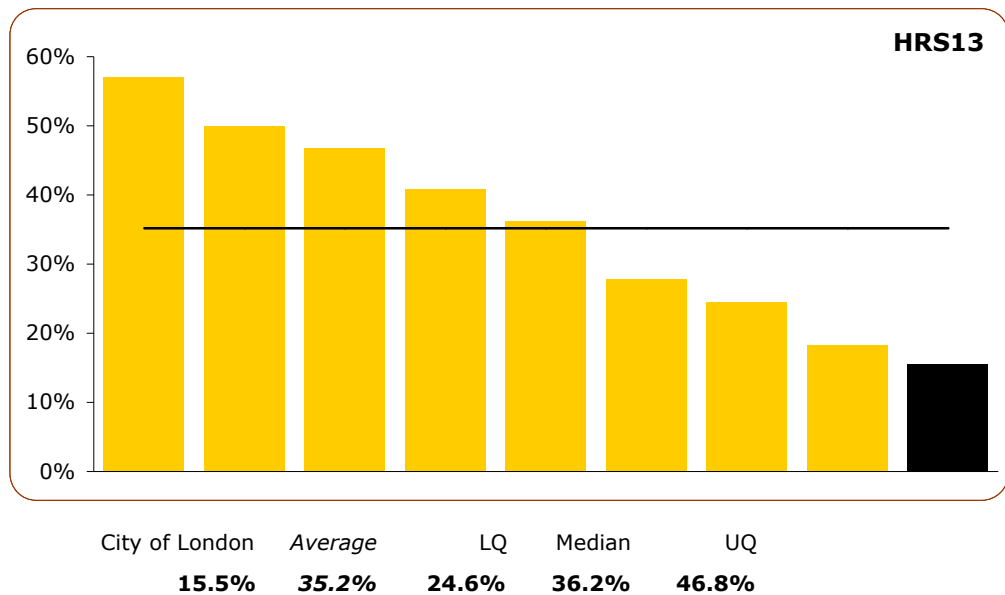
To monitor progress in the achievement of equality of opportunity in employment. Organisations should compare their achievement against this indicator with that of their peers and consider how the composition of their workforce might move towards a position that, for example, is more representative of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



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.



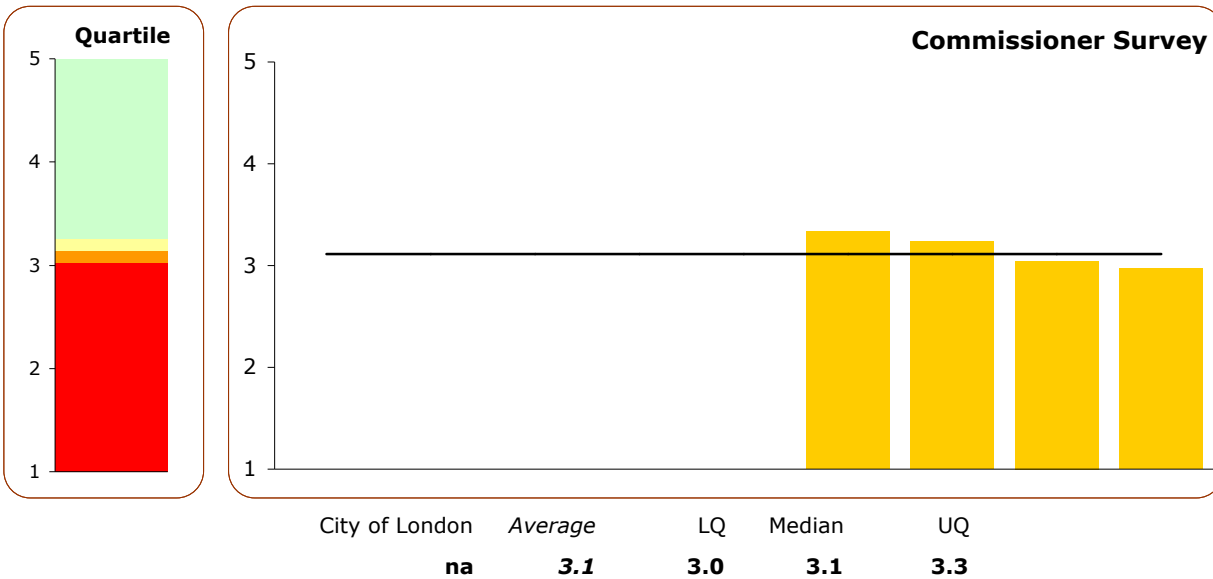
Section 3 - SATISFACTION

Rationale and expected impact on behaviour

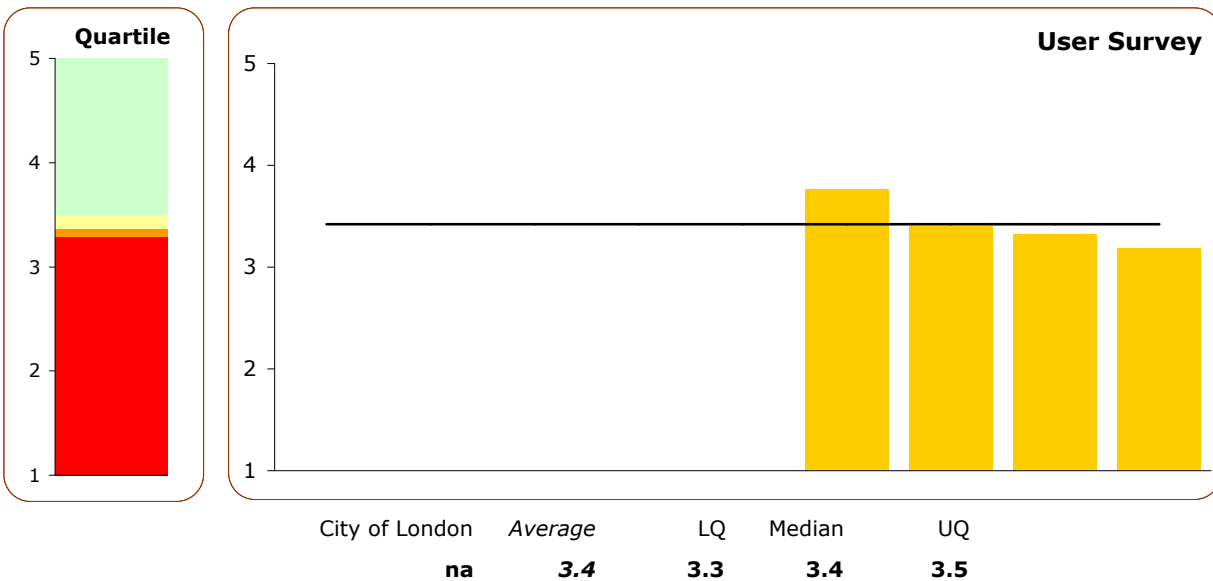
This indicator examines the effectiveness of the HR function by assessing the perceptions of its commissioners and users. The indicators have been identified because they are considered to indicate whether the function communicates effectively with its commissioners and users, and is responsive to the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



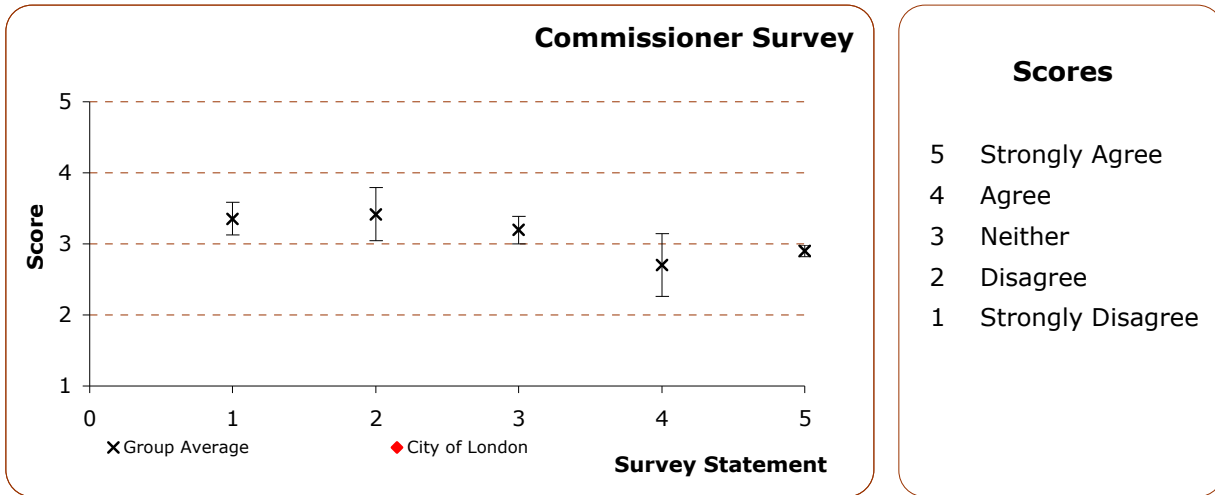
HRP6(b) User satisfaction average score



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.

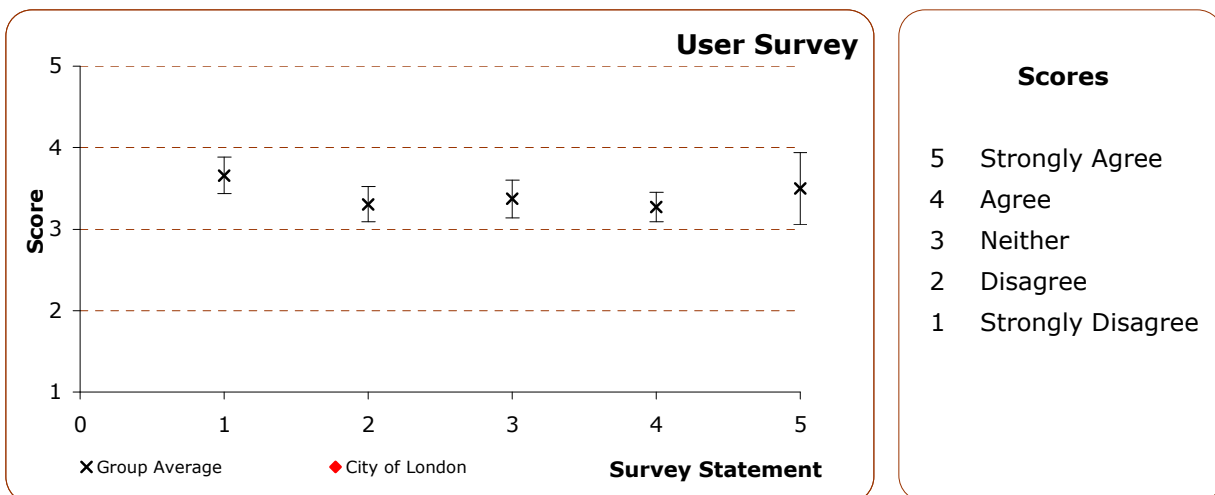
Commissioner Survey



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

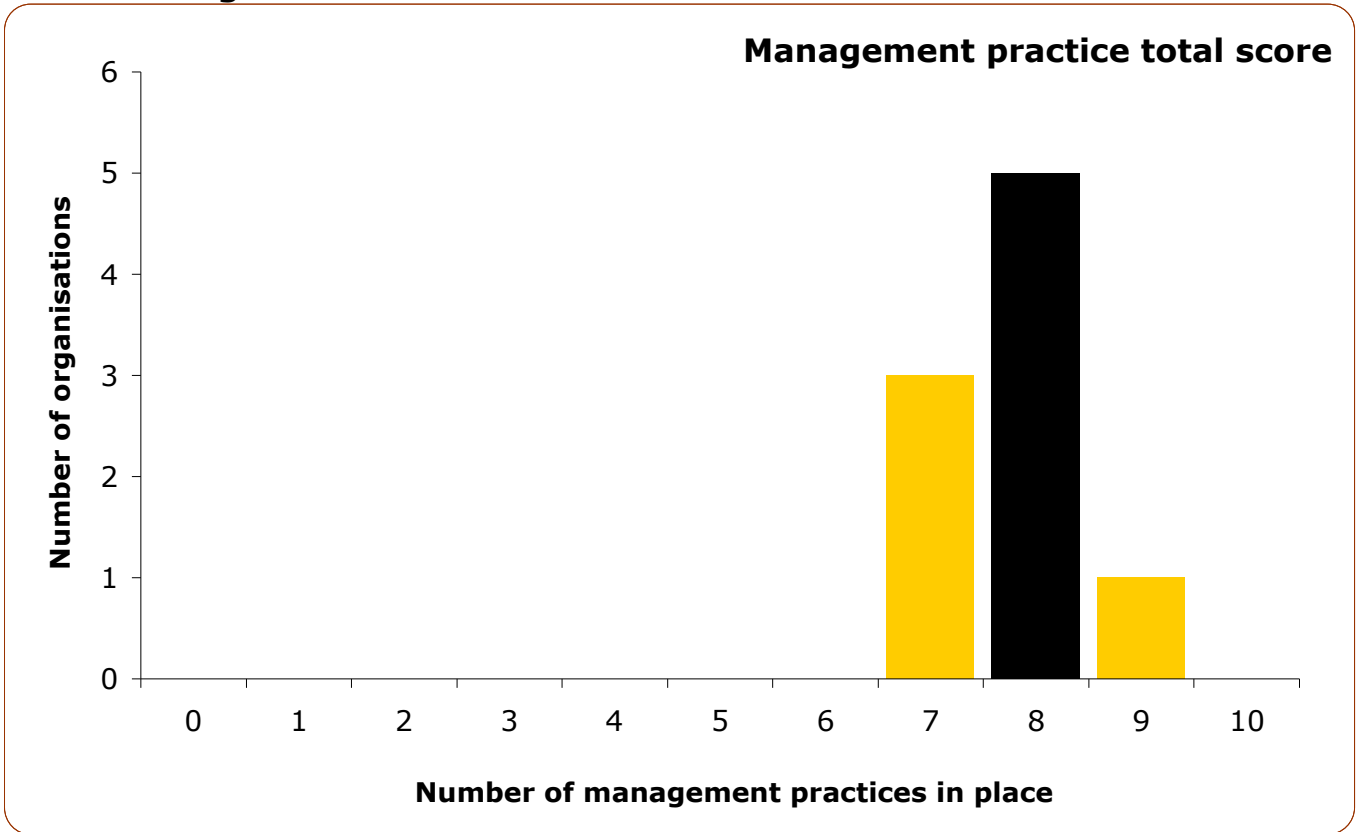


Survey Statements

- 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

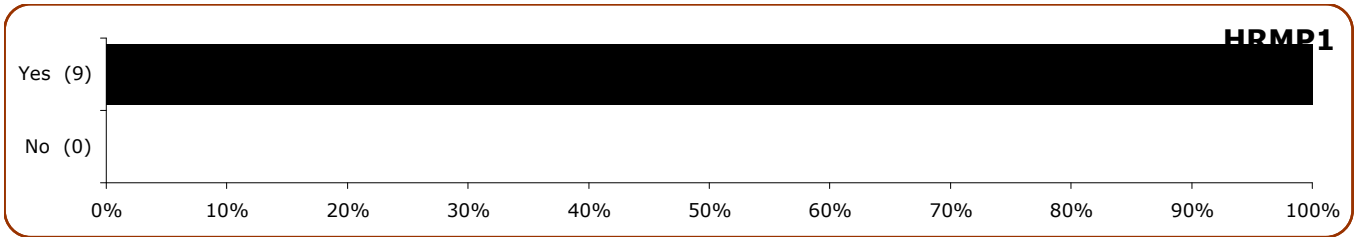


City of London *Average* LQ Median UQ
8.00 7.78 7.00 8.00 8.00

		Yes	No	% Yes	% No
HRMP1	Yes	9	0	100.0%	0.0%
HRMP2	Yes	7	2	77.8%	22.2%
HRMP3	Yes	7	2	77.8%	22.2%
HRMP4	Yes	8	1	88.9%	11.1%
HRMP5	Yes	8	1	88.9%	11.1%
HRMP6	Yes	9	0	100.0%	0.0%
HRMP7	No	3	6	33.3%	66.7%
HRMP8	Yes	7	2	77.8%	22.2%
HRMP9	No	3	6	33.3%	66.7%
HRMP10	Yes	9	0	100.0%	0.0%

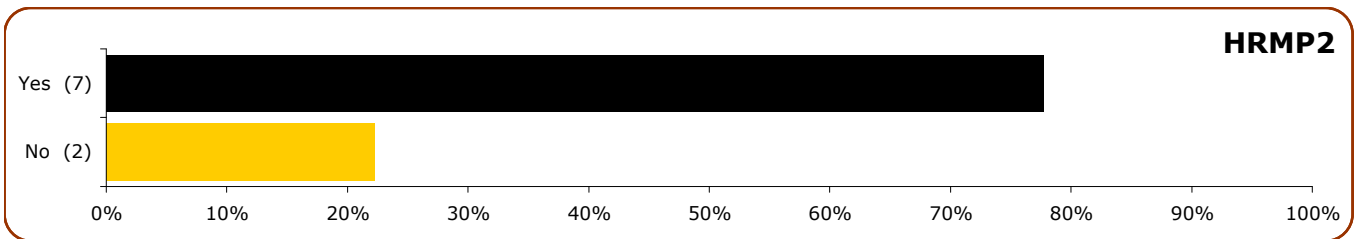
HRMP1

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%



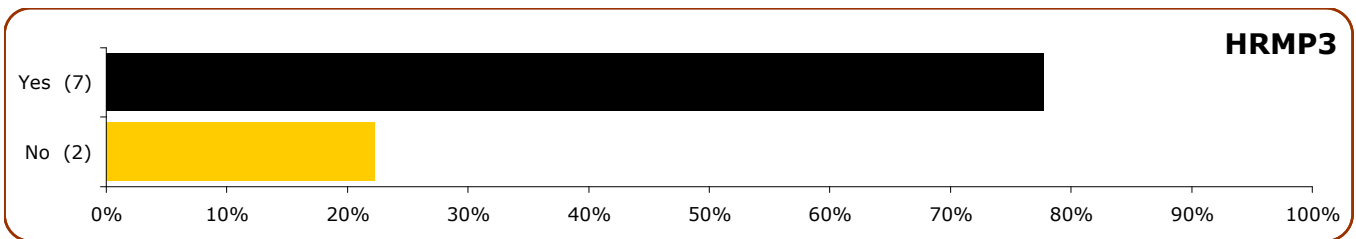
HRMP2

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



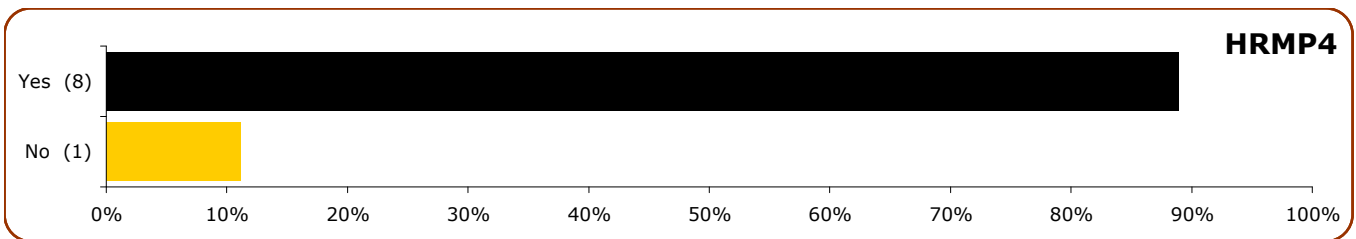
HRMP3

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



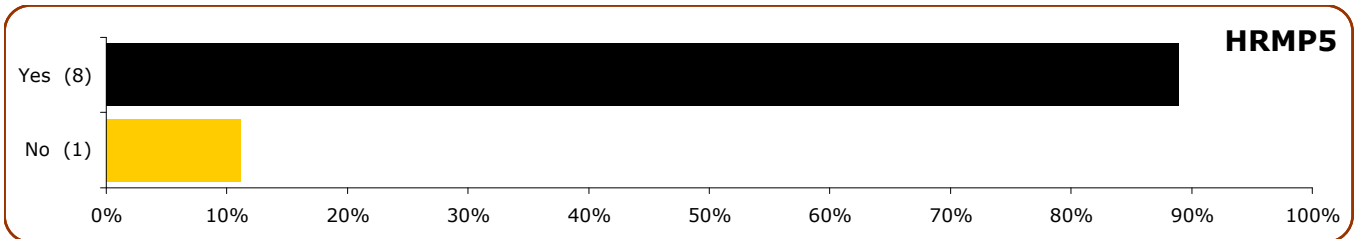
HRMP4

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



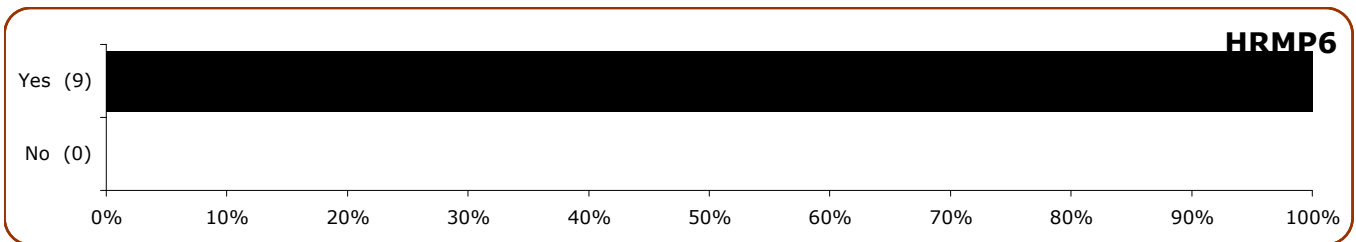
HRMP5

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



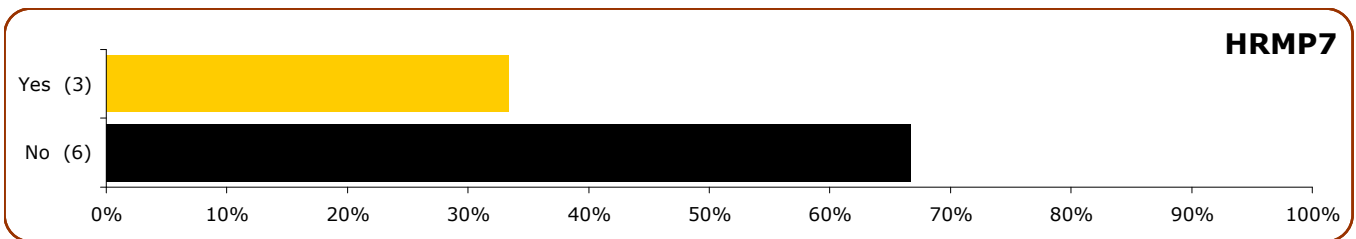
HRMP6

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



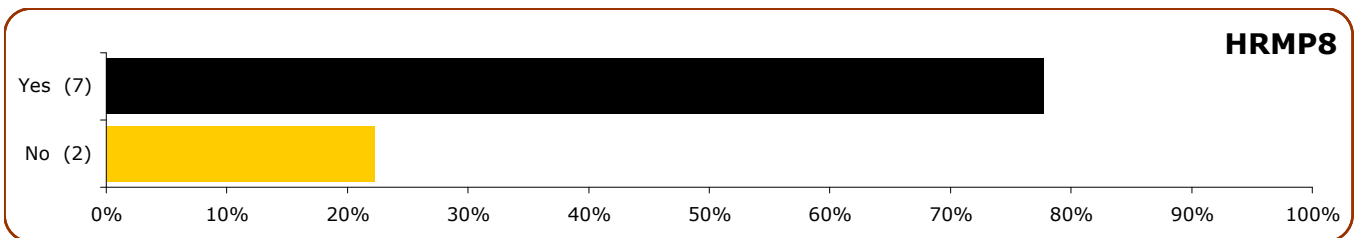
HRMP7

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



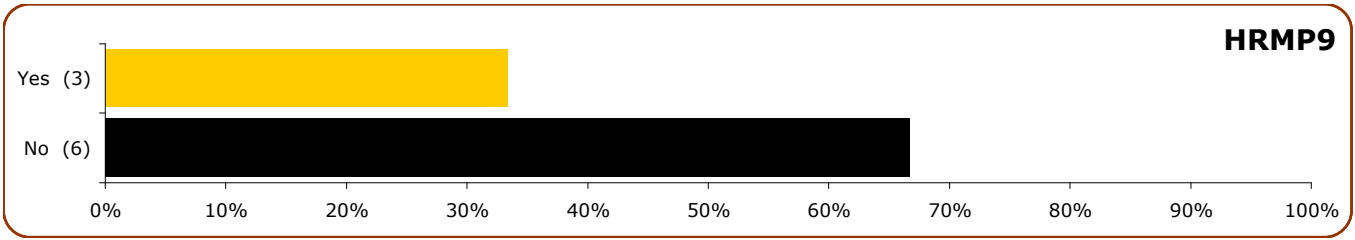
HRMP8

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



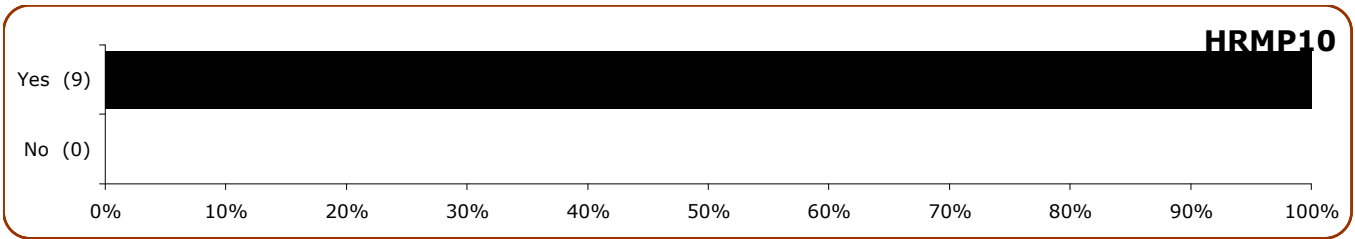
HRMP9

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 annum



HRMP10

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



Section 5 - TABULAR DATA

	City of London	Average	Lower Quartile	Median	Upper Quartile	
Primary Indicators						
HRP1(ai)	Cost of the HR function as a % organisational running costs (including L&D)	0.74%	0.87%	0.63%	0.76%	1.17%
HRP1(aii)	Cost of the HR function as a % organisational running costs (excluding L&D)	0.50%	0.44%	0.36%	0.43%	0.52%
HRP1(b)	Cost of the HR function per fte (including L&D)	£1,247	£1,032	£851	£932	£1,161
HRP1(b)	Cost of the HR function per fte (excluding L&D)	£838	£604	£486	£529	£684
HRP2	Ratio of employees to HR staff (including L&D)	52	100	87	122	125
HRP2	Ratio of employees to HR staff (excluding L&D)	55	114	97	124	140
HRP2	Ratio of employees to L&D staff	1001	979	896	1001	1073
HRP3	Average days per full-time equivalent employee per year invested in learning and development	1.8	1.4	1.1	1.5	1.8
HRP4	Leavers in the last year as a % of the average total staff	6.5%	11.2%	7.0%	10.4%	12.2%
HRP5	Average working days per employee per year lost through sickness absence	7.1	8.8	7.3	8.7	9.8
Secondary Indicators						
HRS1	Cost of learning and development activity as % total pay-bill	2.0%	1.2%	1.1%	1.2%	1.4%
HRS2	Cost of agency staff as a % total paybill	8.4%	7.5%	5.0%	7.4%	8.8%
HRS3	% posts in the leadership which are filled by people who are not permanent in that position	4.3%	7.5%	5.2%	7.2%	9.6%
HRS4	Average elapsed time (days) from a vacancy occurring to the acceptance of an offer for the same post	87.0	67.9	62.8	69.5	77.0
HRS5	Cost of recruitment per post filled	na	£1,712	£1,643	£1,643	£1,991
HRS6	Reported injuries, diseases and dangerous occurrences per 1,000 employees	1.5	5.1	3.4	5.3	6.6
HRS7	% people that are still in post after 12 months service	76%	73%	74%	77%	82%
HRS8	Cases of disciplinary action per 1,000 employees		14.3	11.2	11.9	18.4
HRS9	% staff who receive (at least) an annual face to face performance appraisal	100%	76%	54%	92%	100%
HRS10	% leadership posts occupied by women	25%	44%	40%	47%	52%
HRS11	% employees who consider themselves to have a disability	3.6%	4.3%	3.0%	3.7%	5.7%
HRS12	% employees aged 50 or over	36%	33%	30%	34%	36%
HRS13	% Black and Minority Ethnic (BME) employees in the workforce	15.5%	35.2%	24.6%	36.2%	46.8%