

DEVOLUTION

How should local government integrate with strategic partners? Is the time now ripe for 'super councils'?

1. Background

It is often quoted that the United Kingdom is one of the most centralised states in the world. However, it is also recognised that civic leaders are best placed to know and understand their local issues and needs and develop their own solutions accordingly. Indeed, the overriding principle is that national prosperity can be enhanced with a vibrant local democracy as set out in Chancellor George Osborne's keynote "Northern Powerhouse" speech (14/5/2015). The aim is to have an economic recovery that benefits the whole country.

Perhaps the reason for such centralisation is the unwritten rule that size matters - George Osborne's speech makes this point explicit. English devolution is a way of combining the ability of taking decisions much closer to the people together with economies of scale as the issues of economic growth and transport affect areas across local authority boundaries. This has always been known, but work has been achieved in a more informal way. As Northern Powerhouse Minister James Wharton states, "what we are setting in place is a change to the way we do local government in this country and that's very exciting".

Devolution isn't new. In the late 1990s, the UK Parliament devolved powers to the legislatures of Scotland, Wales and Northern Ireland. There has already been devolution in the form of City Deals and Growth Deals and the Government's first devolution agreement with Greater Manchester was made back in November 2014. It is clear the Government is committed to devolution and they want all councils to have "proposals for devolution of powers and funding to deliver more balanced growth and better services. These should be backed up by strong governance arrangements and have buy-in from all local partners".

Essentially devolution moves power from the centre to Cities to give greater control over local transport, housing, skills and healthcare and give the levers needed to grow local economies with the aim of ensuring local people keep the rewards. Central to this agreement is a reformed governance system.

Devolution deals appear to be the only show in town, and rather than being developed over time and looking for the odd quick win, there is an expectation that they get up and running very quickly. Three independent commissions have all come to the same conclusion that devolution is the best way to create jobs, build homes, strengthen communities and protect the vulnerable. However, there is a question around who funds these commissions, and how much is down to the halo effect.

This report focuses the potential impact of the 'radical transformational change' envisioned for local authorities and what should the Human Resources (HR) function now be doing to achieve these strategic ambitions.

2. Current Devolution Models

In the bids received so far there are a number of difference models being considered. Half of the bids currently being submitted are proposing a combined authority model - a corporate body which enables local authorities to work jointly to deliver improvements in economic development, regeneration and transport across a functional economic area. Approval requires both the Secretary of State and Parliament to be satisfied that its creation will improve the efficiency and effectiveness of transport and economic development in the area. The models include:

- Combined Authorities – A more formal “super council”
- Statutory Joint Committees – a more informal “super council”
- Public Service Boards - a more informal “super council”
- Enhanced Health & Wellbeing Boards - a more informal “super council”

For each model, the government are looking for stronger governance arrangements with clear accountability and robust scrutiny.

However, it is more likely as devolution progresses authorities will need to move away from the idea of structures and models. Work in the development of shared services shows that concentrating on structural changes such as TUPE can often deflect from looking at real transformative change. Devolution will no doubt follow a similar path, with formal and informal working changes being supported by more rigid governance and scrutiny.

3. The Political Dimension

Devolution brings with it significant political challenges and could lead to a fundamental re-drawing of the local authority map. Announcements on proposed powers are coming thick and fast and this will no doubt lead to concern at the local level. As the Local Government Chronicle (LGC) stated in December 2015;

- 4th December - “County Councils could be stripped of their powers in breakaway districts that decide to join a combined authority outside the county, under new powers proposed by the Communities Secretary”.
- 8th December: “If the bill is passed in its current form, the new power will give councils wanting to reorganise until the end of March 2019 to put forward proposals and will force all of the authorities in an area to discuss the matter”.

Undoubtedly there will be political disagreements, the most recent of which was reported in LGC on 15th March with the Leader of Hampshire Cllr Roy Perry standing firm to protect the

County by refusing to join the devolution deal that is proposed for the more urban south; the councils in Cumbria are also in disagreement over endorsing government proposals. In a recent article a leading figure described the process of achieving the partnership between the 37 organisations in Greater Manchester to deliver health and social care as ‘a torturous but worthy cause’ (Municipal Journal (MJ) 23/3/16).

4. Human Resources – the Current Picture

Partnership, collaboration and shared services are not new to the public sector, the increasing need for efficiently, innovation, better customer experience and financial savings have necessitated this approach over the last decade. However, much of the existing practice of collaboration and partnerships has been described as more tactical than strategic. Devolution will require a more strategic, long term focus and the question is; *what should HR be doing to support this?*

An LGA report “Investigating and Improving the HR & OD Capability in Shared Management Councils” detailed the findings from a major study into the HR and OD functions in 10 partnerships, covering 23 councils. Key findings confirmed that ‘partnering’ is a continuous journey presenting ambiguity, shifting relationships/stakeholders, lack of traditional structures and a moving feast in terms of the right skills and behaviours required.

The study showed that many of the HR and OD leads are still focused on the more traditional approach to change management, partly as this is where they felt most comfortable and partly due to lack of input at the strategic level and no seat at the top table. There was little evidence of joint strategic HR and OD approach across the partnerships or of HR and OD teams leading the way. Anecdotal evidence also suggests that where partnerships are forming during the devolution bidding process no HR or workforce discussions are taking place and HR are nowhere to be seen.

The LGA study showed that successful partnering, that is those that are actually achieving the desired outcomes, and integration often depends more on individual management skills and the ability to build productive relationships with stakeholders than formal arrangements. There were also a wide range of delivery models in play; commissioning, selling, ALMO and the more traditional direct services.

In the Greater Manchester area 37 organisations (NHS, Commissioning Groups and local authorities) have been given the go ahead by the Government to take charge of health and social care spending and in April 2016 the £6billion budget will be devolved to this group. To achieve their aims they are committed to “radical change” and recognise that this will mean a radically different approach to workforce planning, particularly in terms of the skill sets required.

5. The 21st Century Public Servant

The current picture confirms that there is little strategic Human Resources input into Devolution deals. The question is whether any HR input is needed at the moment? Taking the research undertaken from Birmingham University¹ and considering their view of the 21st Century Public Servant, it could be argued that devolution creates a greater need for workforces to change and work in very different ways.

The core value of being a public servant must be doing what’s best for the citizen, that is, making a positive difference to people’s lives. Will devolution deliver this? Before an answer to this can be attempted, devolution deals need to consider whether a super council can foster empathy, respect and trust at a local level? Can local authorities move from models based on hierarchical power to networked authority in which community is at the heart? What are the key skills, attributes and values needed in the workforce to deliver devolution?

To consider this, it would be prudent to consider the key skills, attributes and values the research believe is needed of the 21st Century public servant.

<p>Engage with the citizen</p> <ul style="list-style-type: none"> - enable via technology - whole person approach - challenge professional silos 	<p>Generic skills</p> <ul style="list-style-type: none"> - not specialised - soft skills : interpersonal, collaboration, communication 	<p>A portfolio career</p> <ul style="list-style-type: none"> - broader experiences - secondments - shadowing - sabbaticals
<p>Combine ‘publicness’ with commerciality</p> <ul style="list-style-type: none"> - serve the public - value for money 	<p>Entrepreneurial</p> <ul style="list-style-type: none"> - less rigid - organic - agile 	<p>Fluid</p> <ul style="list-style-type: none"> - reduce hierarchy - increase flexibility
<p>Locality, loyalty, identity</p> <ul style="list-style-type: none"> - role of place - neighbourhood and organisation 	<p>Learn from others</p> <ul style="list-style-type: none"> - reflect - coach - mentor 	<p>Collaborative leadership</p> <ul style="list-style-type: none"> - different skills set - non-macho - engage - emotionally intelligent

Currently there is a culture clash between public, private and third sectors where local government is seen as ‘centralised’ and ‘controlling’; private sector as ‘profit making’ and third sector as ‘too narrow’. Don’t under-sell or underestimate local government - partnering and merging is becoming the norm although it continues to be unique and complex in a highly political environment where local identities want to be maintained. Partnerships will fail when there is cultural divergence and this can be exaggerated in the public sector where the choice of partner relies more on geographical considerations. This leads to conflicting goals for an organisation to manage:

- Cultural integration vs separate identities
- Strategic transformation vs effective day to day support/administration

The research points to the future of working in the public sector being:

- Fragmented in structure
- Where citizens demand authentic interactions
- People control self-managed careers
- Commercial awareness is highly valued
- Publicness is highly valued
- There is an expectation of leaders that they listen and are honest, that they help people make the best of the situation and create teams in which people can survive.

Studies have shown HR teams need to be engaged at both strategic and operational level when organisations undertake large scale change. Current HR practices are typically too rigid to enable a flexible and agile workforce or provide organisations with the skills they need when they need them. Often HR continues to concentrate on narrow operational issues rather than wider workforce planning. But leaders need to translate the strategic picture into something HR can work with. Organisations are not looking for a new “how too” HR toolkit, rather a tailored “best fit” for each individual circumstance. This is a big ask where the needs and motivations of a wide range of stakeholders need to be taken into account.

HR have the skills and knowledge to contribute to the partnership agenda whether that be devolution or any other partnership models but the constant theme is HR is absent at the partnering table. Organisations need to accept HR can enable the much needed transformation and therefore HR need to demonstrate that they have the ‘business savvy’ strategic capacity to do this, and they are not solely operational and transactional.

The key to partnering is managing multiple relationships, flexibility and developing the right skill and behaviours, where staff involvement is crucial. The personal and human element is vital and shouldn’t be underestimated. Transformation at this scale needs to engage with people.....to answer the earlier question; is any HR input needed at the moment? How can the HR function not be a vital partner to enable organisational transformation and employee engagement?

6. The HR Contribution

With devolution deals being made quickly, and likely having to move into implementation mode very quickly after, it is without doubt that workforces in the partner organisations need to be agile and flexible to start working in new ways, with different governance and finance structures and using differing practices and procedures.

Strategic Focus - In terms of HR's contribution to the transformation agenda, it's about changing cultures and behaviours. Human Resources professionals and leaders need to make sure they are fully aligned with the business agenda, adopt a business partnering approach rather than an exclusively transactional approach. The HR and OD teams within partnerships should be working together developing a common language and a strategic approach to workforce planning; change management, stakeholder management, management and leadership development, staff engagement and developing the commercial skills around delivery options and procurement.

Performance Management - Traditional performance management schemes may not work. HR should look to develop reward and recognition schemes within their own organisations but that are broadly in sync across the partnerships so as to develop and promote a shared culture of performance. HR teams will need to be comfortable with dealing with multiple terms and conditions across partnerships; this presents significant challenges around current systems that are often rigid. Involving the unions in these discussions is essential. Within the LGA study in shared management councils there was no evidence of big bang changes such as dismiss and reengage, or efforts to harmonise terms and conditions, more successful was the evolutionary approach.

Talent Management - Allan Boroughs, from Orion Partnersⁱⁱ carried out a study of 40 organisations and found that although there are clear benefits with Ulrich's HR business partnering model, these benefits do not flow through to all of the organisation, with the key neglected area being talent management. With talent management arguably being one of the main areas that HR can add commercial value, this is concerning. With devolution being a reality for many councils, a high proportion of these who have probably restructured their HR teams based on Ulrich's BP model, it is imperative that talent management is thought about now. This is furthered by Ulrich's recent thoughts that capability building for the future should be started now. The very recently proposed Eastern Powerhouse devolution deal involves 22 partner councils and it is only a matter of time before key personnel will be seconded or moved into project roles to help to successfully implement it. This will cause gaps in the current establishments. Therefore HR professionals need to start planning now, both to enable key personnel to move into the new 'super council' structure, whatever guise this may take, and to ensure existing and unaffected services are sustainable once roles are departed by these key personnel.

Workforce Planning - Numerous reports state that Generation Y and C are proving to be a more transient workforce looking for less for long term commitment and more useful and career building 'gigs'. Some have described it as a 'talent ecosystem' which is technology-enabled and more collaborative in its approach. This generation may well be more at ease with the ambiguous, project based work that Devolution will bring where the ability to manage multiple, and at times conflicting objectives, will be the norm.

Strategic Planning - Bersin by Deloitteⁱⁱⁱ carried out extensive research into what makes an HR team high performing, and found that only 20% of HR teams feel that they are adequately planning for the company's future needs. Worrying, given the speed that devolution deals need to move once they are agreed.

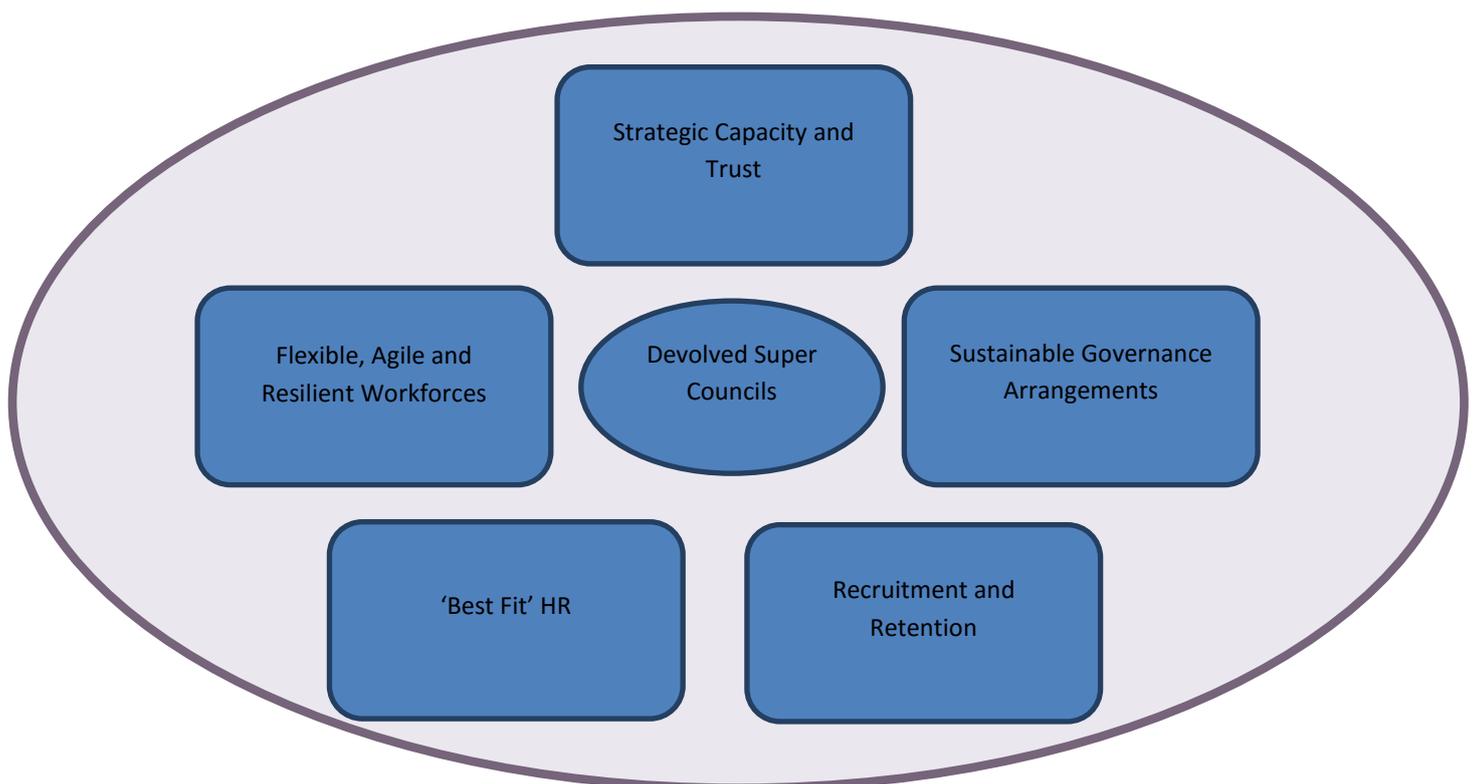
The CIPD have embraced the term business^{iv} savvy as a key skill that they feel HR Business Partners need to demonstrate. Recent CIPD research talks about putting the business at the heart of all that HR do. The first step in being able to do this, is knowing the business in depth, and planning for the future – developing the strategic capacity within the HR team to help build this at an organisational level.

Leadership - The CIPD HR market outlook survey 2013^v outlined that HR leaders are not seen as the same calibre of other leaders, particularly because HR do not understand the business well enough. Rhyan Anderson (Aspire Course lead, CIPD) outlined that HR professionals should be building relationships *ahead* of needing them. Arguably the very fact that HR have predominantly not been involved in the devolution deals to date shows that there is some work to do to ensure that HR become 'business savvy' and gain some credibility to add real value to the devolution deals.

7. Proposed HR Model for Devolution

The research outlined above, in conjunction with additional primary research has led to the development of a model outlining 5 key areas that HR can play an enabling role in supporting the delivery of devolution deals.

Human Resources – The Enabler



Strategic Capacity and Trust. HR can mediate between senior managers, providing direction through joint workforce plans, combined organisational development and facilitating and encouraging a culture of trust. A larger workforce allows greater delegation of operational activities to second tier managers, allowing leaders to focus on building the strategic capacity and developing trust between them and across the partners. A huge shift in culture is needed to ensure that this happens, and HR can enable this through the joint workforce strategies and high levels of employee engagement

Any devolution deal or super council needs a workforce that can work in a new devolved way. Helping create **flexible, agile and resilient workforces** through organisational design and talent management is a key requirement for HR professionals. Workforce strategies should utilise the benefits of the economies of scale to create specialist and technical roles that cannot be afforded in a smaller leaner organisation. Larger workforces often mean more locations, more flexibility and ultimately more capacity to provide services where needed, when needed. Job evaluation and design needs to be considered across partners and joint recruitment and workforce strategies should span councils. This is a long term commitment, and HR need to ensure that this is considered early to add maximum value.

Sustainable governance arrangements are essential. Governance arrangements should be clear and activity planned. Leaders need to have confidence to make new decisions in a quicker way and HR can help provide strategies and challenge to enable this to happen. Having a clear organisation design and organisational development plan at the start of the devolution deal will assist with decision making and governance arrangements.

When speaking with Senior Managers, **Recruitment and retention** was as a strong concern of potential issues with any partnership. Managers stated that they need the right people with the right skills and do not want the HR policies around recruitment to cause unnecessary barriers. If managed well, the super councils can create opportunities for career progression and development. More specialist roles and opportunities can appeal to a wider employee market. Recruitment policies and practices can span all councils to allow maximum talent pool. HR will play a keen role in developing these.

A super council also needs an HR function that fits the needs of the business. The opportunities to learn and share knowledge amongst partners is greater in a super council. This allows the best practice from all partners to be utilised but this must then be aligned to the direction of travel of the super council to ensure **best fit**, rather than best practice.

In the current times of austerity, the above model demonstrates that there are some key non-financial benefits that can arise from devolution deals and the super council models. Therefore, it is imperative that HR are around the table when these discussions are taking place so key leaders can appreciate that although finance may be a big driver for the devolution deals, HR are a key enabler. Now is the time for HR Directors to look at their own

teams, building strategic capacity within and ensuring that they are prepared for a significant change in working.

8. Conclusion

The benefits of strategic working are clear and HR are the enablers. It is clear that devolution has not yet touched the majority of HR professionals but the signs are the light-bulb moment has happened for some – that there are workforce implications to delivering this change, especially at the pace we are witnessing. However unless we act now the disconnect between those making the big decisions on services and those delivering them will continue to grow. HR is best placed to help avoid that operational disconnect and so a key enabler to success.

To address the issue of ‘super councils’, is this where we are heading? Possibly, but it really is too early to tell. What happens over the course of the next few years will have a profound impact on how local government goes about its business for decades to come. There is still uncertainty about what this will look like and what the impacts will be with many currently seeing devolution as Local Government reorganisation by another name.

There will need to be genuine partnerships within the local government family and also with other public sector partners, such as the police and health and the private sector.

Can this really happen? During our research we continued to hear stories of authorities clinging to individual identities; thinking wide and acting local. It is clear organisational cultures will need to change.

The message to HR Leaders should be - look at your teams now. Think about how you can build capacity and ensure you are prepared for significant changes in working practices. We need to demonstrate skills in organisational design and talent management and look to work with partners to ensure we are not competing for talent. We need Political and business savvy HR professionals. We need to demonstrate that we have the skills to facilitate bringing strategic partners together. We need the skills to transform workforces to become flexible and adaptable. We need to coach senior managers in developing key relationships with partners. We need to support leaders on understanding workforce capacity and while doing so develop a leadership framework to develop our leaders of the future. We need to think about how to develop consistent measures to recognise and reward employees.

Where is the point of entry for HR in all of this? Firstly and foremost HR needs to define a role for the profession working alongside and within the current political ambitions and then explain this to others. By doing this we know that HR can earn a credible place in the devolution discussion. We can then take a lead on:-

- developing joint approaches to workforce planning alongside organisation design and development across partners; and
- we can ensure employment relations issues are recognised and that there is access for the trade unions to the political leaders.

HR can provide the architecture to ensure we have the right people with the right skills and behaviours at the right time.

We further suggest that the LGA, PPMA, CIPD work together to have a more coordinated response to the workforce issues in the sector nationwide as we believe a number of issues that can only be addressed nationally.

Finally what has been clear to us throughout our research is that people are the key to success.

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ⁱ <http://www.birmingham.ac.uk/Documents/college-social-sciences/public-service-academy/21-century-report-28-10-14.pdf>

ⁱⁱ <http://www.orion-partners.com/author/allan-boroughs/>

ⁱⁱⁱ <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/gx-hc-high-impact-hr-pov.pdf>

^{iv} http://www.cipd.co.uk/binaries/business-savvy_2012-giving-hr-the-edge-sop.pdf

^v <http://www.cipd.co.uk/hr-resources/survey-reports/labour-market-outlook-winter-2013-14.aspx>