



**INTERNATIONAL SCHOOL  
OF  
HUMAN CAPITAL MANAGEMENT**

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## PRESS RELEASE

VaLUENTiS, the professional services firm and The International School of Human Capital Management today announce the release of Human Capital Composite Index (HCCI™) for Local Government.

### Key commentary and findings of the 'HCCI' Volume II – Local Government

#### Commentary

1. Councils place a high reliance on people to deliver their services (and achieve their objectives) with people typically accounting for over half of a council's operating costs. Additionally, they depend on effective contribution from a workforce drawn from a wide range of professions and backgrounds. This places a significant onus on councils to ensure consistent approaches towards managing people, and in evaluating how effectively these approaches are implemented. Given the back-drop of the efficiency drive taking place within local government, evaluation of performance from a people perspective grows in importance.
2. We acknowledge that the current measurement regime within the local government operating environment provides constraints and issues when looking to evaluate people contribution and performance. Whilst the current suite of Best Value Performance Indicators (BVPIs) covers all aspects of a council's service delivery, the current evaluation has at best a tenuous linkage with human capital management practice and effectiveness, with a focus on inputs rather than outputs.
3. Given the heavy reliance on a disparate workforce to deliver council services, the HCCI™ provides a ranking that complements existing assessment, through evaluation of human capital performance, human capital management practice and human capital reporting. This can potentially counter any 'default focus' within councils on cost reduction (particularly relating to employees, as the majority of the council's cost base) as opposed to enhancing service delivery or management thereof.
4. The HCCI™ combines all relevant, available measures to provide much more sophistication than reviewing one single measure of performance in isolation. It contains nine categories with an importance/balance weighting, taking into account multiple facets of human capital management, human capital performance (in both financial and non-financial terms), external assessment through the Audit Commission, and reporting. It incorporates multiple stakeholder perspectives including council tax payers, staff, management and central government. The performance of councils is assessed in relation to their peer group to provide a meaningful benchmark against comparable organisations.
5. The range of BVPIs across all aspects of council service delivery and the mixture of input, throughput and output measures makes it difficult to evaluate human capital contribution to council performance across the overall indicators. However, the wealth of public data on BVPI achievement makes it relatively easy to compare performance and rank councils, if some form of index can be constructed which creates the availability of 'performance betas', i.e. relativity against the norm across the council populations. The HCCI™ includes a BVPI category which utilises 56 appropriate BVPIs into 5 sub-categories relating to human capital management, human capital performance and human capital management efficiency to assess the relative performance of each council assessed.
6. As set out in our previous work, we advocate that measures of revenue or income should be adjusted for 'human capital intensity' (the proportion of organisation's costs relating to people) to provide certain meaningful performance comparisons across organisations. For local government, it is therefore possible to calculate 'human capital intensity income' (HCI), which demonstrates the level of income generated by a council attributable to people. This then forms one of the components of our index to reflect one aspect of council performance.

#### Findings

7. Our overall ranking shows that certain councils are demonstrating strong performance across income-generation, BVPIs and the CPA score. This consistency across measures is slightly less marked for District Councils than for other types of authority.

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*'Innovation is seeing what everybody has seen but thinking what nobody has thought'*



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8. The highest-placed District Councils, with the most consistent scores across the measures are Guildford, Basingstoke & Dean, Colchester and Exeter, with the lowest performers across the measures being Stratford-on-Avon and Rossendale. For non-District councils, Westminster, Camden, Brighton & Hove and Kensington & Chelsea were ranked as highest performing, with West Berkshire and Cumbria as lowest performing.
9. There are significant differences across council performance which cannot be simply explained by relative size, geography or remit. However, performance across the various composite categories does 'norm' suggesting a homogenous relationship. Questions are raised about the relative effectiveness/performance of the differing operating models for local government delivery, with certain types of council displaying particular constraints in performance and income generation.
10. By analysing HCII against human capital costs (spend on people), we have demonstrated the existence of the Human Capital Curve®, or 'efficiency frontier', which shows that there is a normal level of income for councils at any given level of spend on people. Councils can then be assessed according to whether they are above or below this curve and by how much, i.e. are they generating income above or below their peers.
11. We acknowledge the incorporation of external survey feedback on BVPIs to evaluate delivery outcomes, mandated in the three-yearly Best Value User Satisfaction Survey (covering 11 satisfaction indicators). Additionally, we observe a growing trend within councils for the application of external satisfaction surveys on an annual basis (relating to consultation as well as specific feedback on council performance and service delivery outcomes).
12. It would seem likely that future assessment of council performance would benefit strongly from additional surveying of this nature, to identify potential 'over-delivery' as much as underperformance. Whilst this would eventually result in the use of a standardised survey approach conducted on an annual or more frequent basis, reflecting the core similarities of council service delivery (potentially with additional questions representing local differentials or areas of specific concern), it is likely that more sophisticated councils will adopt this approach as a matter of course and identify linkages between user feedback and BVPI/CPA assessment.
13. Our GHCRS2006 assessment and ranking of council related documents/reporting with regard to human capital, unfortunately reflects a gap in reporting standards (from the perspective of human capital management). Our key findings were: (i) No organisation reaches the 'Standard' level as defined; (ii). Current approaches are typically unstructured or display high variation; (iii) Current approaches are predominantly narrative (except in the provision of specific statistics); and, (iv) a very narrow focus exists, with a strong compliance perspective (e.g. workforce ethnicity).
14. Further, more advanced insight into council performance relating to the HCCI™ or the latest on VB-HR™ Rating application in local government is available by contacting VaLUENTiS directly.

VaLUENTiS ([www.valuentis.com](http://www.valuentis.com)) is a leading global professional services firm providing clients with human capital management, human capital measurement, organisational effectiveness and organisational measurement solutions to enhance performance. Clients include FTSE100, Euro300, and S&P500 companies, as well as a variety of public sector organisations.

In 2005, VaLUENTiS launched the groundbreaking VB-HR™ Rating – the most sophisticated assessment tool of human capital management.

In January 2006, the company launched 'open-source' Human Capital Reporting Standards and Operating Principles (GHCRS2006) which have begun to be adopted across industry. September 2006 saw the first of the HCR workshops taking place as part of the developing infrastructure.

## ADVISORY

## AUDIT

## ASSURANCE

## ANALYTICS

VaLUENTiS International School of Human Capital Management ([www.ISHCM.com](http://www.ISHCM.com)) is a pre-eminent business school offering structured course programmes to HR and management professionals.

The School currently offers four main types of practical-based programmes containing over 60 course electives with various accreditation-based options. These can be delivered in standard open format or customised to be delivered to clients on-site.

The programmes deliver exceptional learning experiences that are designed for practical implementation, and impact. They are considered unique in their combination of applied research, material and case studies based on real issues and actual scenarios from VaLUENTiS client work.