



Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

HR Connect — Full Business Case Review:
DFP Officials

25 March 2015

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)

Ms Michaela Boyle

Mrs Judith Cochrane

Mr Leslie Cree

Mr Paul Girvan

Mr John McCallister

Mr Ian McCrea

Mr Peter Weir

Witnesses:

Mr Colm Doran

Department of Finance and Personnel

Mr Paul Wickens

Department of Finance and Personnel

The Chairperson (Mr McKay): We move on to the HR Connect full business case review. Do you want to give us a brief outline of the paper, and then we will go straight to questions?

Mr Paul Wickens (Department of Finance and Personnel): I will give a very brief synopsis; you have the paper in front of you. The overall e-HR programme, of which HR Connect is but one part, was a very complex transformation programme. The 15-year contract that we have in place — certainly at the stage of signing the contract — was one of the most challenging and innovative contracts in the public sector anywhere that I have come across, and you know that we had some early-stage difficulties that we have talked to the Committee about before. Sitting at this point in 2015 and going back to the full business case, we are at 0·62% of our tolerance limit of expenditure on that full business case. I hope that the Committee will take some considerable comfort in that and welcome the fact that we are so close to that. For an overall programme that was £465 million over 15 years to be 0·62% above that target nine years in, I have not come across a performance like that.

The Chairperson (Mr McKay): Is that the most up-to-date figure that we have?

Mr Wickens: Yes, it is. The one that you have in the letter is the most up-to-date figure. In fact, we had just completed it. When we were last scrutinised by the Committee and gave evidence, we said that, when we conducted the full business case review, we would come back. This is as a result of that, and we have written to you and given you that information.

The Chairperson (Mr McKay): In terms of the variance on page 44 — large increase in the cost related to HR functions, £14·5 million and overheads of £4·5 million — that appears to be offset by the service charges that are a result of the contractual protections in the event of delayed implementation. So, whilst the contractual protections appear to have saved the day in terms of direct costs in the

graph, can you outline what the impact has been on the delayed implementation on the wider benefits — the qualitative effect — for all the Departments; for example, improved human resource data leading to better decision-making, efficiencies etc and how that has been factored in to the calculations presented?

Mr Wickens: I will make a general statement first of all. Many of the full business cases for the shared services projects programmes that we have in place were quite woolly and had probably too many things to measure, and probably had some things that were not capable of being measured. One of the things that we have tried to do with HR Connect is to reduce the number of measures. I think that there were three key benefits. From 2009 onwards, we got to the point where we said, "There are too many factors — too many variables; what are we going to focus on?". The first was to reduce and contain the costs from a Northern Ireland Civil Service (NICS) perspective; the second was to improve the management information at departmental level; and the third was to increase the satisfaction with HR services. I think that, with some of those other ones, where we, perhaps, would have hoped for a cause and effect, looking back, if you were to start again, you might not have put those down as particular benefits that you would want to have in a full business case.

The Chairperson (Mr McKay): Aside from the implementation delays from Fujitsu, what else contributed to the variance of the £14.5 million HR functions and the notional overheads of £4.5 million, or was it all down to the delays?

Mr Wickens: That is the 6.6% of £14.45 million costs?

The Chairperson (Mr McKay): Yes, and the 10.3%.

Mr Wickens: There were two aspects to that. One was the delay in contractual difficulties that we had in the early stages; again, we have given some fairly considerable evidence over years on that one. That caused a delay, and it caused us to take money away from the contractor, which obviously saved the money that we were paying. We have since reused that money to allow us to recycle it inside the overall programme. The other side of that was that we needed to put more retained HR staff in place for longer, and Departments chose to have those people for longer. Therefore, that £14.45 million was a direct result of the increase of having more people — retained HR and our service management division — and recycling some of that money into change control. So, rather than charging Departments for significant chunks of work, we recycled some of that. We have moved it from one line into another but stayed within the tolerance of the business case. That is probably the easiest way to explain it.

Mr Colm Doran (Department of Finance and Personnel): We got savings from the contractual renegotiations. This was a major change programme. It was a Cabinet Office pathfinder programme that had never been done before. Because of some nervousness they had about being able to operate the new operating model, HR directors made the choice to put additional retained staff into their retained units. That, obviously, is what happened in 2009-10. Overall, we have been able to contain the costs of the delivery of HR within the original envelope of £26.4 million. That is the retained HR function and the service charges to Departments. The whole area of the retained HR function is an area that we are looking at again under the direction of the director of corporate HR. I have commissioned a programme of work. It is looking at the level of retained HR in all Departments. It also includes some things that were not in the original scope of the HR programme, such as issues in training and occupational health. So, we are now looking at how HR, in its totality, has delivered for the NICS. That work is ongoing, and we will be reporting to the permanent secretaries' group in May or June, probably. I expect that that will potentially change the shape and, necessarily, the size of HR units. That work is still in development.

The Chairperson (Mr McKay): On page 46, there is reference to the assumption that there would be 368 staff, but it states that it has been necessary to fund an additional 46 posts. That led to a total of 414 staff. Why has it been necessary to fund those additional posts? What are the costs of the posts? How can we reduce that going forward?

Mr Doran: Again, it is back to the original point. It was due to the savings that we got out of the contract. Because the Department had not operated the new operating model, the HR directors took the decision to fund an additional 46 posts. That is now part of the retained HR model. It was affordable within the £26.4 million that we had to deliver HR services. It must also be remembered that, during all of that time, we had contained inflation costs. Basically, Departments have been able

to contain their own smoke in delivering within that agreed number at 2008-09. It is also worth remembering that, before the e-HR programme, something like 900 FTEs were in retained HRs. That has been more than halved to just over 400 — 410, in fact. As I said, the work that we are doing now on the retained HR function across the NICS could, potentially, reduce that further.

The Chairperson (Mr McKay): I want to raise one point before I bring in Paul. Will the voluntary exit scheme and the financial pressures within the Department impact on the total staff complement?

Mr Wickens: I think it is inevitable that they will. I think it provides an opportunity to look at a better or alternative delivery model. It goes back to good timings, sometimes, in these things; never waste a good crisis. This gives a good impetus to looking at what an alternative delivery model might look like in order to reduce, even further, the number of retained HR staff.

Mr Girvan: I want to come in on your last point. There were 900 delivering it on a fragmented basis, to use that term, as opposed to the centralised HR Connect. Has a study been done to identify where those 900 disappeared to? Or, have they been circulated back into the greater NICS? I am a bean counter, and I get frustrated when I hear someone say that they made a wee bit of a saving, so they decided to employ an extra 40-odd people because they had the money to do it. It is not an employment agency. It is there to deliver a function. If the function is being delivered with 10 people, that is fine; it does not mean that, because we have budgeted for so much money, we will spend that money and, as a consequence, bring it up and create employment. I can understand some of the 900 being relocated back to HR. Where have they disappeared to? I do not appreciate that there has been a drop-off within the whole NICS. Yes, they might get the opportunity now under a voluntary exit scheme, but a lot of those people actually probably ended up doing some other function. Has any work been done to identify where they went?

Mr Wickens: I do not think we have measured it specifically, but I will take you through the history of it.

Mr Girvan: On the business case that was put forward, should there not have been a very clear indication of what would happen —

Mr Wickens: We took the money away from the Departments. We took away the money that they would have used to pay the people, so, in the sense —

Mr Girvan: No, no. That is all very well. You might well have taken money away from those Departments, but they will have ring-fenced, protected and done whatever they have to, and they will have cut off other functions that they were doing. Let us be honest: within their budget, that is what they will have done. They will have prioritised their budget. I am not so sure that those disappeared. You might well have cut their money, but they have actually cut the delivery of the service to create the employment agency that we now call the NICS.

Mr Wickens: Departments will have to answer for what they have done with individual people. We do not have a measure of that, but the £26.4 million that it previously cost — that is the figure that has been inflation-proofed throughout the period of the contract — is what we have taken, which was about 400 or 450 posts, if I recall correctly. That is used to fund the service that we now provide. Given the natural wastage in a system of 25,000 people, reabsorbing 450 — into what posts, I do not know — is a relatively small number. Four hundred and fifty people would not have just disappeared from the system, but I cannot give you any evidence of what Departments have done with those people.

Mr Girvan: Of the 450 who are now working through HR, how many of those were new to NICS or were completely brought across?

Mr Wickens: That is another number that we could not get you evidence on.

Mr Girvan: Why not?

Mr Wickens: The Department is an employer in its own right. It employs people —

Mr Girvan: But I employ people myself, and I know where they came from. I could tell you where they come from. We are not dealing with millions of people. We are dealing with a few hundred. We should be able to tell where they came from and what they were doing before.

Mr Doran: The majority of those people will probably have worked in retained HR prior to HR Connect and will have been in those retained units. I think the points you make are very valid. The work that we are doing to establish what the HR units should look like now will drive further efficiencies and, because of the voluntary exit scheme, should actually reduce the numbers, not only of those working in HR units but of the NICS overall. Some of those people will have been redeployed into Departments to do other things, but it is for Departments to decide how they allocate their overall budgets and how they deal with their overall workforce.

Mr Girvan: Is there a possibility that some Departments are attempting to duplicate what you are doing?

Mr Doran: Yes.

Mr Wickens: There was certainly evidence, especially at an early stage in it, when we had duplicate systems and duplicate processes running and when people did not trust HR Connect. I think the days of that have mostly disappeared. I could not put my hand on my heart and say that they have all gone. I suspect that they are still people running some shadow spreadsheet somewhere in the system, but I do not know how you get to those.

Mr Doran: I can give a specific example. We are doing work at the moment to implement business intelligence on HR Connect, which will provide compliance reporting and other business information to line managers, some of which we talked about earlier, on compliance with performance agreements and absence measures, such as return to work, certification and opening and closing of absences. Anecdotally — well, more than anecdotally — Departments have told us that they have a number of staff in their retained HR units who currently have to do that and have to police that compliance. If we put a solution in place, which has been subject to a separate business case, that has the potential to release 36 staff from those retained HR units from doing that particular function.

Absolutely, we need to drive out any duplication of what retained HR units are doing, and that could be done. We are paying for a service that is provided by an external contractor, so we should make sure that anything that they can do is being done. We also need to look at any other functions that could be done in a similar way to drive out as much of that duplication and inefficiency as possible. That is what we are focused on.

Mr Wickens: Can I come at it in a different way? You might touch on this slightly later in terms of benchmarking work that we have done. What does good look like in respect of that? To some extent, that is the only bit that I can control. For me, what good looks like is the proportion of HR staff to ordinary staff. We set out with a target in the full business case of one HR person for every 80 members of staff. Whether that was a good or bad target does not really matter. Benchmarking has evidenced that best in class is 1:78, so our target was to get more or less to what best in class was perceived as being at the time that the full business case was put together. Within ESS, we are currently sitting at 1:65, which means that we —

Mr Doran: Within NICS.

Mr Wickens: Sorry, I had that written down wrongly. It is 1:65, so we are not yet at the target. I have a target that I am aiming for that will say, when we get there, that we know that that is absolutely best in class right across the public sector in the UK, because that is the set of comparators that we have. As for what Departments will have done to reabsorb staff, deploy staff or let staff go through voluntary exit, Departments will have to account for that themselves.

Mr Girvan: You might have some difficulty getting this information, but has there ever been any benchmarking done against what is going on in the private sector on a similar basis?

Mr Doran: As part of the work that we are doing on the retained HR function, we will be looking at best practice across both the public and private sectors. We will be looking at other organisations, such as the Home Office and the Scottish Executive, that have done this. The 1:65 measure varies across Departments, as does the implementation of the business partnering model that was supposed

to come on the back of the implementation of the HR programme. This work will actually unearth all of that. However, again, it has to be remembered that Departments are their own employers and that corporate HR is responsible for policy. HR Connect is the delivery arm here, if you like. Whilst we can provide the information and the level of service that people are looking for, there needs to be a corporate view as to how HR needs to be delivered right across the NICS. That is exactly what this piece of work is aiming to do.

Mr Wickens: Anecdotally, 1:80 is pretty good in the private sector as well. From the interactions that we have with the private sector shared services, I know that there are many private sector organisations that would like to get to that. However, a very detailed benchmark with private sector comparators would be needed to give us the detail.

Mr Girvan: That is difficult to find.

Mr Wickens: Yes, so I can only talk anecdotally on that.

The Chairperson (Mr McKay): Could the Committee be briefed on the review of HR arrangements including HR services outside the scope of HR Connect? Could you give us a sense of where that now sits?

Mr Doran: That is the work that I have referred to on a number of occasions. That work is ongoing. We are due to report to the permanent secretaries' group in May. The senior responsible owner (SRO) for that project is the director of corporate HR, and I am working closely with him. I do not see why we could not share that work with the Committee once it has come to its conclusion.

The Chairperson (Mr McKay): The Committee was previously told that the service improvement plan was put in place to identify and address areas of dissatisfaction. Could you give us an up-to-date position of where that sits? How does the level of user satisfaction compare to the previous position?

Mr Wickens: I will let Colm talk about some of the details of that, but, going back, we talked about the service level agreements (SLAs) and key performance indicators (KPIs). There were 74 SLAs in the contract, although it might vary slightly from that now. Customer satisfaction was always one that we had a concern about, especially in the early stages of take-up of HR Connect. Before Colm comes on to some of the specific numbers, I will describe the way that we used to measure versus the way that we measure now.

The way that surveys were done previously was that a survey was sent out randomly to a subset of civil servants who could then score against various things, including their perceived satisfaction with HR Connect. It was not necessarily people who had even used HR Connect in the last week, month or year — it was everybody. We have strong suspicions, but no more than that, that people were giving it a low score at that point in time based on a general malaise and low perception. What we have done over the last period is to try to get a more accurate sense of what we are doing. IT Assist was the one that we started with. Every month, we ask a subset of people who have actually used the system or service in the last month what their perception was of it. We do that consistently now. Now, this is very much what the private sector does. If it is on telephone calls or web usage, something will pop up on your screen asking, "Would you like to fill this in?". Most times, you will just say no. We get a statistically significant survey of those people who have actually used the service in the last month. That is what we are measuring now, and we have had that in place for some time. Colm, I will hand over to you to give some specific examples.

Mr Doran: On HR Connect specifically, as Paul said, we had 74 SLAs. We have renegotiated those contracts and now have 61 SLAs. We got rid of some of the ones that were not really of any benefit to either us or the contractor. Importantly, we have implemented some new SLAs, including on customer satisfaction levels, and there will be abatements applied where those are not met.

Before we started doing it in this way and surveying the people who have used the service in the month, the omnibus surveys that Paul talked about had given us very low satisfaction ratings, both 30-something per cent. In 2011 and 2012, the level of satisfaction with the HR Connect service was 30%. Encouragingly, since we have implemented the new SLAs and surveyed those people who have used the service, the level of satisfaction has been much better than that. The people who have shown dissatisfaction with the service, those who either strongly disagree or disagree that they are getting a good service, represent about 10%. We have gone from a place where fewer than three in 10 people

thought that the service was good to a place where only one in 10 people thinks that the service is bad. As well as that, the number of complaints that we have had over the period has dropped quite significantly. In 2013-14, for instance, we had over 700 complaints. This year, to the end of February, we have had fewer than 400 complaints. When we do the analysis of those complaints, we find that they are not always directly as a result of what HR Connect has done. It could be something that a line manager in a Department has done. It might be a disgruntled member of staff who just does not like the outcome of a particular decision.

Mr Wickens: Or it might be policy.

Mr Doran: Or it might be policy-related. Effectively, the satisfaction levels with the service are on the increase, and the number of complaints about the service is on the decrease. Both of those are pretty encouraging.

The Chairperson (Mr McKay): Do members have any final questions or are you all happy enough?
Colm and Paul, thank you very much.