Public Accounts Committee

Report on Account NI: Review of a Public Sector Financial Shared Service Centre

Together with the Minutes of Proceedings of the Committee Relating to the Report and the Minutes of Evidence

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Report: NIA 173/11-15 (Public Accounts Committee)

REPORT EMBARGOED UNTIL
00:01 am on 14 May 2014

Mandate 2011/15 Twenty-Second Report

Membership and Powers

The Public Accounts Committee is a Standing Committee established in accordance with Standing Orders under Section 60(3) of the Northern Ireland Act 1998. It is the statutory function of the Public Accounts Committee to consider the accounts, and reports on accounts laid before the Assembly.

The Public Accounts Committee is appointed under Assembly Standing Order No. 56 of the Standing Orders for the Northern Ireland Assembly. It has the power to send for persons, papers and records and to report from time to time. Neither the Chairperson nor Deputy Chairperson of the Committee shall be a member of the same political party as the Minister of Finance and Personnel or of any junior minister appointed to the Department of Finance and Personnel.

The Committee has 11 members including a Chairperson and Deputy Chairperson and a quorum of 5.

The membership of the Committee since 23 May 2011 has been as follows:

- Ms Michaela Boyle[3] (Chairperson)
- Mr John Dallat (Deputy Chairperson)[5]
- Mr Trevor Clarke[8]
- Mr Michael Copeland
- Mr Alex Easton[12]
- Mr Paul Girvan
- Mr Chris Hazzard[10]
- Mr Ross Hussey
- Mr Daithí McKay[7]
- Mr Adrian McQuillan[1]
- Mr Seán Rogers[6]

1 With effect from 24 October 2011 Mr Adrian McQuillan replaced Mr Paul Frew
2 With effect from 23 January 2012 Mr Conor Murphy replaced Ms Jennifer McCann
3 With effect from 02 July 2012 Ms Michaela Boyle replaced Mr Paul Maskey as Chairperson
4 With effect from 02 July 2012 Mr Conor Murphy is no longer a Member of the Committee.
5 With effect from 07 September 2012 Mr John Dallat replaced Mr Joe Byrne as Deputy Chairperson.
6 With effect from 10 September 2012 Mr Seán Rogers was appointed as a Member
7 With effect from 10 September 2012 Mr Daithí McKay was appointed as a Member
8 With effect from 01 October 2012 Mr Trevor Clarke replaced Mr Alex Easton
9 With effect from 11 February 2013 Mr Sammy Douglas replaced Mr Sydney Anderson
10 With effect from 15 April 2013 Mr Chris Hazzard replaced Mr Mitchel McLaughlin
11 With effect from 07 May 2013 Mr David McIlveen replaced Mr Sammy Douglas
12 With effect from 16 September 2013 Mr Alex Easton replaced Mr David McIlveen

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List of Abbreviations

the Committee	Public Accounts Committee (PAC)
C&AG	Comptroller and Auditor General
the Department	Department of Finance and Personnel
DFP	Department of Finance and Personnel
ESS	Enterprise Shared Services
NDPBs	Non-departmental public bodies
KPIs	Key Performance Indicators
ALBs	Arms Length Bodies
BT	British Telecom
NICS	Northern Ireland Civil Service

Executive Summary

1. Account NI is a financial shared service centre serving all Northern Ireland government departments and 18 other public bodies. The primary purpose of a shared service centre is to generate efficiency savings by reducing duplication, automating and standardising processes, and introducing economies of scale.

2. It costs Account NI £9.73 to process and pay an invoice. The Department of Finance and Personnel (the Department) argued that only £2.05 of this amount is directly related to staff costs and this is broadly in line with other public bodies. This ignores the fact that elements of the remaining overhead figure are extraordinarily high, including the £2.39 per transaction paid to the IT contractor (25% of the total). It is clear to the Committee that the Department is in denial about the extent to which Account NI is a very high cost operation. The Audit Office has estimated that if Account NI could reduce its costs to the level of the average international performer it could save £3.4 million a year. In our view, the factors contributing to the high level of costs must be subject to a detailed analysis, with a focus on identifying potential cost savings.

3. The Committee finds it unacceptable that Account NI has operated for five years without putting in place a basic performance measure which would allow it to monitor the cost of the service it provides. The Committee is also concerned to find Account NI failed to benchmark its performance against other shared service centres.

4. There has been an enormous increase in the estimated cost of developing and operating Account NI since the first substantive estimate of £113.6 million in 2003. The Audit Office calculates that the total project cost, from inception in 2001 to the end of the contract with the IT provider in 2018, will be at least £213 million. Given this huge investment of public funds, the Committee expected to see clear evidence that the project has delivered value for money. Instead, we found that there is considerable uncertainty as to whether the project has achieved either the £43.1 million in savings or the wider non-financial benefits on which the business case for the project was based. It is not acceptable that the public purse is committed to spending millions more on this project without clear evidence that it has delivered, or will in future deliver, value for money.

5. The Committee considers that the picture emerging from its evidence session is not wholly discouraging. There have been achievements, most notably Account NI's world class performance against the Executive's 10-day prompt payment target. The introduction of a common accounting system across the departments is a significant advance on the fragmented and outdated financial systems previously in place. But there is much more to be done to ensure that Account NI represents the best and most cost effective option for potential new customers and that it maximises the benefits from the public's considerable financial investment in the project.

6. The Committee considers that Account NI has prioritised the prompt payment requirement at the expense of working with existing customers to reduce costs and improve financial management. In our view, Account NI must now reconsider and rebalance its priorities, and refocus on delivering efficiency savings and releasing resources to front line services.

Summary of Recommendations

Recommendation 1

The Committee recommends that the Department undertakes a detailed review of Account NI costs, both direct staff costs and overheads, with a view to significantly reducing those costs.

Recommendation 2

The Committee recommends that the Department urgently progresses work on developing cost related performance measures and identifying suitable benchmarking comparators for Account NI. The Committee wants the Department to report back on progress in this area in six months.

Recommendation 3

The Committee recommends that the Department undertakes a review of staffing levels within Account NI. Also, in conjunction with the departments, it should review the level of processing staff retained by departments. The departmental review should identify and eliminate any unnecessary checking or duplication of work performed by Account NI. The outcome of these reviews should be a plan to rationalise staffing and maximise staff efficiencies.

Recommendation 4

The Committee recommends that the number of non-financial benefits linked to a full business case should be restricted to a manageable number of core benefits, directly related to the key objectives of the project. These benefits must be capable of objective measurement and the mechanism by which they are to be measured (i.e. against baselines) should be established at the outset. The Committee also recommends that where non-financial benefits are claimed as achieved, this must be documented and supported by evidence of a standard capable of withstanding independent scrutiny.

Recommendation 5

The Committee recommends that the Department takes the necessary steps to improve customer satisfaction rates and to address the specific needs of finance directors as an important client group. The Committee wants the Department to report back on progress made in these areas in one year.

Recommendation 6

In order to ensure that the lessons learned from this inquiry are also applied to HR Connect and the four other NICS shared services, the Committee recommends that the Department completes an assessment of the extent to which the recommendations in this report are applicable to each shared service. We want to see a copy of the Department's assessment and of its plans to take the appropriate recommendations forward.

Introduction

1. The Public Accounts Committee (the Committee) met on 22 January 2014 to consider the Comptroller and Auditor General's report on 'Account NI: Review of a Public Sector Financial Shared Service Centre'. The witnesses were:

   - **Mr Stephen Peover**, *Permanent Secretary, Department for Finance and Personnel (the Department or DFP);*
   - **Mr Paul Wickens**, *Chief Executive, Enterprise Shared Services (ESS), Department of Finance and Personnel;*
   - **Mr John Crosby**, *Director of ESS Finance Shared Services (Account NI), Department of Finance and Personnel;*
   - **Mr Kieran Donnelly**, *Comptroller and Auditor General (C&AG); and*
   - **Ms Fiona Hamill**, *Treasury Officer of Accounts, Department of Finance and Personnel.*

   The Department provided the Committee with further information on 4 March 2014.

2. Shared service centres were developed in the public sector in the wake of the 2004 Gershon Review of Public Sector Efficiency[1]. Their primary purpose is to generate efficiency savings by reducing duplication, automating and standardising processes, and introducing economies of scale.

3. Account NI provides a financial processing shared service for Northern Ireland government departments and 18 other public bodies. It processes more than one million transactions a year worth over £10 billion. The services provided to Account NI customers include: checking and paying supplier invoices; making grant payments; reconciling bank accounts; maintaining accounting records; reimbursing staff travel and expenses claims; and asset management.

4. Account NI is one of six shared services provided by Enterprise Shared Services, part of the Department of Finance and Personnel. Account NI's 207 staff (191 processing staff and 16 managers) are all civil servants, but the technology supporting its operation is provided under a £54 million, 12 year contract with BT. The original cost estimate for the project was £63 million which, over time, rose to £169 million. However, the Audit Office estimates that the total cost of the Account NI project will be at least £213.1 million (from inception to the end of the contract in 2018).

5. Increasing the number of customers for a shared service centre provides greater potential for economies of scale and for cost reduction. The June 2006 Account NI contract with BT did not allow for expansion beyond NI departments, their agencies and arms length bodies. While the NICS departments were required to use Account NI, this was not the case for non-departmental public bodies (NDPBs). There are currently 30 public bodies using the Account NI Shared Service Centre. However, there are a further 45 NDPBs that could have joined but have chosen not to do so.

6. In his report on "Account NI: Review of a Public Sector Financial Shared Service Centre" the C&AG found that Account NI:

   - did not formally benchmark its performance against comparable organisations;
   - had the highest cost per transaction, locally and internationally, in a benchmarking exercise commissioned by the Audit Office. Account NI did, however, perform to a very high standard on the timeliness and quality of invoice processing;
   - did not fully achieve the planned financial benefit of £43.1 million in staff savings; and

1 "Releasing Resources to the Front Line", Sir Peter Gershon, July 2004

- lacked sufficient evidence to support its claim that most of the project's 21 non-financial benefits had been delivered.

7. In taking evidence, the Committee focused on three main areas:
   - benchmarking performance;
   - project costs and the extent to which planned benefits were achieved; and
   - the future development of Account NI.

Benchmarking performance

Account NI's prompt payment performance is world class

8. In 2011-12 Account NI paid invoices in an average of 7 days against a 10 day prompt payment target. This performance is significantly ahead of local and international comparators and it enables government to support the Northern Ireland economy by delivering £2·8 billion of public money quickly and directly to suppliers. The Committee commends Account NI for this considerable achievement.

Account NI's costs are high and there is the potential to make significant savings

9. Account NI has developed a range of Key Performance Indicators (KPIs) which allow it to evaluate its performance on the quality and timeliness of its service. However, Account NI has no KPIs which would allow it to monitor its performance on cost, such as the average cost of processing each invoice. The Committee finds it unacceptable that Account NI has operated for five years without such a basic measure of the cost of the service it provides. The Committee notes the Department's belated recognition that it should have had proper KPIs on cost, and wants to see it implement the undertaking given to introduce suitable measures very quickly.

10. The Committee was concerned to find that Account NI had failed to benchmark its performance against other shared service centres. The Audit Office commissioned a benchmarking exercise which found that it costs Account NI £9.73 to pay each invoice. This is significantly more[2] than all other financial shared service centres on the international database used in the exercise. The Audit Office estimated that if Account NI could reduce its costs to the level of the average international performer, it could save £3.4 million a year. The Department claimed that only £2.05 of the cost per invoice is directly related to staff costs and this is broadly in line with other public bodies. This ignores the fact that elements of the remaining overhead figure are extraordinarily high, including the £2.39 per transaction paid to the IT contractor (25% of the total). It is clear to the Committee that the Department is in denial about the extent to which Account NI is a very high cost operation. In our view, the factors contributing to the high level of costs must be subject to a detailed analysis, with a focus on identifying potential cost savings.

Recommendation 1

The Committee recommends that the Department undertakes a detailed review of Account NI costs, both direct staff costs and overheads, with a view to significantly reducing those costs.

11. The failure to benchmark performance demonstrates a worrying lack of focus on achieving efficiency savings. We note that, in evidence, the Department showed a long overdue appreciation of the value of benchmarking and it undertook to address this deficiency promptly. However, the Committee is concerned by the Department's emphasis on obtaining "a directly analogous comparator" against which to benchmark. With only four years left to run on a twelve year contract, our view is that a prolonged search for a non-existent perfect match would be a futile exercise and a pragmatic approach should be taken.

2 In 2011-12, the cost per invoice of the worst performing organisation was £9.40, for the top performing organisation the cost was just £2.75.

12. The Committee has identified a considerable degree of complacency in the Department's view of the performance of Account NI. The Department emphasised that its staff are now processing over 11,000 payments a year each – a 47% increase in three years. However, the Audit Office found that staff in the best performing shared service centres are processing over 16,000 payments a year. In this context, it is very clear to the Committee that, as the Accounting Officer admitted, there is considerable scope for Account NI to "up its game".

13. The Committee cannot accept Departmental assurances that performance is likely to be satisfactory when Account NI can provide no evidence to support that opinion. The Accounting Officer's admission that "we may be performing very badly; the problem is we do not have the information to draw those sorts of comparisons" should trouble him as much as it does us. It is unacceptable that, eight years into a contract, the Department has no understanding or information on whether Account NI is performing well or badly on cost, and has no means of providing that evidence.

Recommendation 2

The Committee recommends that the Department urgently progresses work on developing cost related performance measures and identifying suitable benchmarking comparators for Account NI. The Committee wants the Department to report back on progress in this area in six months.

The Department questioned the validity of the Audit Office benchmarking exercise

14. The Department told the Committee that it was not aware of the make-up of the benchmarking figures used by the Audit Office and indicated that it could not accept the validity of those figures, despite having agreed the Audit Office report with the C&AG. It seems to the Committee that the Department has missed the point of the Audit Office exercise. What it demonstrates is how far Account NI lies outside the range of possible outcomes derived from thousands of other organisations in the same line of business. For the Committee, the key point is that, in the absence of any benchmarking by Account NI or ESS, the figures provided by the Audit Office provide a constructive starting point.

15. Witnesses also questioned the benchmarking figures provided to the Audit Office by four public bodies in Northern Ireland. These figures had again shown that the Account NI's costs are significantly higher than any other organisation processing transactions.[3] The Department rejected the validity of this comparison on the basis of additional discussions with the four local bodies which it did not initiate until after it had agreed the findings of the Audit Office report. The Committee should not have to remind witnesses that there is a clear protocol[4] for the submission of additional evidence to the Committee. This requires a written submission to the Committee, in advance of an evidence session, following consultation with the C&AG. It is not acceptable for witnesses to introduce at an evidence session material which it has not previously brought to the attention of the C&AG and which he has not had the opportunity to critically assess.

3 The Audit Office reported that, in 2011-12, it cost the Housing Executive £2.94 to pay each invoice, the cost to NI Water was £3.91, Belfast City Council transactions cost £4.82 and the cost to Invest NI was £7.76.

4 "The Provision of Supplementary Written Evidence to the Public Accounts Committee", DAO 27 June 2007

Project Costs and Benefits

Significant public funds have been invested in developing and operating Account NI

16. The Committee first reported on the Account NI project in January 2009.[5] We found significant delays and escalating costs during the early planning and procurement phases of the project. The Committee accepts that the project has been more successfully managed during the subsequent implementation and operational phases. Account NI became fully operational in July 2009, only eight months later than planned in the 2006 full business case. The Department estimates the total project cost over the 12 year contract period will be £187 million, within 10 per cent of the 2006 estimate.

17. However, the Committee remains concerned by the enormous cost increases since the first substantive estimate of £113.6 million in 2003. The Committee does not accept the Department's assertion that 2006 was the "real start" of this project, given that the Executive gave its approval to proceed in 2001 and a preferred bidder was appointed in 2004. By starting the clock at 2006, the Department has omitted from its estimate the significant costs incurred in procuring and developing the project. The Audit Office calculates that the total project cost, from inception, will be at least £213 million. Given this huge investment of public funds, the Committee expects to see clear evidence that the project has delivered value for money.

There is considerable uncertainty around the achievement of the financial savings on which the value for money case for the project was based

18. The value for money of any project can be assessed against delivery of the financial and non-financial benefits set out in the approved business case. The Department considers Account NI has delivered value for money because "we are delivering against the business case and the savings that we were tasked to make". The 2006 full business case was based on the achievement of staff efficiencies of £43.1 million which were to come both from Account NI and the departments.

19. The 2006 full business case was approved on the basis that Account NI would contribute £10.6 million in efficiency savings by reducing its processing staff from 198 to 158. Currently, Account NI has 191 staff involved in processing. Despite this, the Department claims that Account NI has exceeded the planned staff savings, if the figures are adjusted to allow for an increased workload. The Department told us that 18 additional staff were needed to implement the Executive's 10-day prompt payment target and 41 extra staff are processing payments on behalf of Account NI's nine new customers.[6] The Committee accepts these may be valid reasons for increasing staff levels. However, we are not convinced that the extra work fully justifies this level of staffing.

20. The case for Account NI was also justified by the planned £32.5 million in staff savings within the departments. Most departmental processing staff transferred to Account NI and only 29 staff were to be retained on a temporary basis. The Audit Office was told by the departments that 113 members of staff are currently involved in processing transactions. The Department claims the figure is closer to 50. Whatever the correct figure, the key point is the Department's evidence that "there should be no transaction processing staff outside Account NI". On this basis, the Committee can only conclude that the departmental staff efficiencies, a component of the value for money case for Account NI, have not been achieved. It is not acceptable that the public purse is committed to spending millions more on this project, without clear evidence that it has delivered, or will in future deliver, value for money.

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5 'Shared Services for Efficiency – a Progress Report', Public Accounts Committee, January 2009

6 The Driver and Vehicle Agency joined Account NI in April 2011; the Public Prosecution Service joined in July 2012; and the Department of Justice and its arms length bodies joined between July 2012 and April 2013.

21. A January 2011 review of Account NI's performance found improvements in staff efficiency had been negated by laborious manual verifying and matching in Account NI (because departments had not followed standardised processes) and by departments re-checking work performed by Account NI. The Department accepts there is work required to rationalise processes and eliminate duplication of effort and outdated working practices, and intends to take this work forward *via* agreement with departments. The Committee understands the Department's desire for a collaborative approach, but it should not be afraid to challenge and confront those departments who are holding back efficiency savings in this way.

22. The Committee considers that Account NI has prioritised the prompt payment requirement at the expense of working with existing customers to reduce costs and improve financial management. In our view, Account NI must now reconsider and rebalance its priorities, and refocus on delivering efficiency savings and releasing resources to front line services.

Recommendation 3

The Committee recommends that the Department undertakes a review of staffing levels within Account NI. Also, in conjunction with the departments, it should review the level of processing staff retained by departments. The departmental review should identify and eliminate any unnecessary checking or duplication of work performed by Account NI. The outcome of these reviews should be a plan to rationalise staffing and maximise staff efficiencies.

There is little evidence that the project's planned non-financial benefits have been achieved

23. The business case for a major public project is often dependant on the achievement of non-financial, as well as financial, benefits. The 2006 full business case for Account NI required delivery of 21 non-financial benefits, including "better staff morale" and "improved decision-making". The Audit Office found there was insufficient evidence to support Account NI's claim that most of the planned non-financial benefits had been achieved. The Department has admitted to deficiencies in the design and monitoring of the planned benefits; it has also accepted that the number of planned benefits was excessive and that not all benefits were capable of being measured.

24. There is a degree of complacency in the Department's assumption that, despite the lack of evidence, the planned benefits have been achieved. As the Committee made clear in its 2009 report on shared services, there simply must be evidence to support such claims. Despite this, the Committee recognises that the introduction of Account NI has resulted in tangible improvements in financial processing. It is unlikely that the 10 day prompt payment target could have been achieved without it. The Committee is also aware that the introduction of a common accounting system across the departments is a significant advance on the fragmented and outdated financial systems previously in place.

Recommendation 4

The Committee recommends that the number of non-financial benefits linked to a full business case should be restricted to a manageable number of core benefits, directly related to the key objectives of the project. These benefits must be capable of objective measurement and the mechanism by which they are to be measured (i.e. against baselines) should be established at the outset. The Committee also recommends that where non-financial benefits are claimed as achieved, this must be documented and supported by evidence of a standard capable of withstanding independent scrutiny.

The Future Development of Account NI

The debate around hard charging for Account NI services must move forward

25. Account NI does not currently charge customers for the services provided. The Committee notes that the Audit Office supports 'hard charging' as a means of ensuring customers are fully aware of the cost of services used and that they are motivated to challenge service providers to improve efficiency. The Committee appreciates there may be administrative difficulties associated with such an approach. However, given the potential benefits, the Committee wants to see the debate around hard charging move forward quickly. As a minimum, Account NI has to be much more open and transparent with customers on its costs and performance. Full disclosure of the results of future benchmarking exercises will be an essential first step in this process.

Account NI must improve its service delivery and efficiency if it is to widen its customer base

26. Account NI customer satisfaction surveys show there is much work to be done to fully meet users' needs. It is a concern to the Committee that, in 2012, only 55% of Account NI's customers thought it was providing a 'good' or 'very good' service. There must be action to improve this performance if Account NI is to attract more customers from those public bodies not mandated to use the system.

27. An Audit Office survey of a key group of users – departmental finance directors – highlighted where further work is needed to ensure that the maximum benefit is derived from Account NI. This group asked for better management information and a closer alignment to the budget and estimate setting process. They also wanted to see Account NI supporting wider corporate benefits across NICS, such as collaborative procurement. The Department indicated that some steps have been taken to address finance directors' concerns on these points; the Committee wants to see significant progress on all these points without further delay.

28. The Department could not expand access to Account NI beyond the NI departments and their Arms Length Bodies (ALBs). However, Account NI has successfully brought onto the system one new department (the Department of Justice) and eight ALBs. A number of these new customers are relatively large organisations with complex requirements and their successful introduction is a significant achievement. There are now 30 organisations using Account NI but there are a further 45 NDPBs that could join Account NI, but have not done so. The Committee was encouraged by the Department's positive attitude towards building a wider customer base but it needs to take appropriate action to ensure that Account NI represents the best and most cost effective option for potential new customers. The Committee also considers that it will be important that, when the current Account NI contract ends in 2018, the new contract arrangements remove any barriers to public bodies joining Account NI and that the service provided continues to attract new customers.

The Department must take the lead in securing the wider benefits which Account NI has the potential to deliver

29. The Committee appreciates that the DFP Accounting Officer must face some difficulty in answering for the performance of Account NI when, to an extent, its efficient operation depends on each of the departmental customers. All departmental accounting officers have a role to play in delivering improvements in efficiency. Despite this, the Committee's view is that the Department could have done more to challenge others to improve their performance; not least by establishing reliable cost and performance benchmarks. The Committee considers that the unique status of the DFP Accounting Officer gives him a leadership role in improving efficiency and promoting best practice in financial management. We would encourage him to employ his considerable influence to ensure the full potential of Account NI is realised.

Recommendation 5

The Committee recommends that the Department takes the necessary steps to improve customer satisfaction rates and to address the specific needs of finance directors as an important client group. The Committee wants the Department to report back on progress made in these areas in one year.

30. The Committee considers that the picture emerging from its evidence session is not wholly discouraging. There have been achievements, most notably Account NI's success in delivering against the 10 day prompt payment target. But there is much more to be done to ensure that the maximum benefit is derived from the public's considerable financial investment in the project. It is encouraging that the Department appears to recognise this and that it is willing to take the steps needed to drive improved performance, such as introducing benchmarking. What is needed now is action.

31. We are grateful to the Finance and Personnel Committee for providing us with correspondence from the Department in relation to the Northern Ireland Civil Service's HR shared service, HR Connect. This correspondence strongly suggests that many of the concerns we found in relation to Account NI also apply to HR Connect. There is evidence of:

- planned project benefits proving difficult to substantiate, mainly because of limited baseline data against which service improvements could be measured;
- mediocre customer satisfaction rates; and
- uncertainty as to whether planned reductions in departmental staff numbers have been achieved and whether individual transactions are processed more efficiently than before.

Recommendation 6

In order to ensure that the lessons learned from this inquiry are also applied to HR Connect and the four other NICS shared services, the Committee recommends that the Department completes an assessment of the extent to which the recommendations in this report are applicable to each shared service. We want to see a copy of the Department's assessment and of its plans to take the appropriate recommendations forward.

Northern Ireland Assembly

Appendix 1

Minutes of Proceedings of the Committee Relating to the Report

Wednesday, 15 January 2014
Senate Chamber, Parliament Buildings

Present: Ms Michaela Boyle (Chairperson)
Mr John Dallat (Deputy Chairperson)
Mr Trevor Clarke
Mr Michael Copeland
Mr Alex Easton
Mr Paul Girvan
Mr Chris Hazzard
Mr Ross Hussey
Mr Adrian McQuillan
Mr Seán Rogers

In Attendance: Miss Aoibhinn Treanor (Assembly Clerk)
Ms Lucia Wilson (Assembly Clerk)
Mr Trevor Allen (Assistant Assembly Clerk)
Mrs Danielle Saunders (Clerical Supervisor)
Mr Darren Weir (Clerical Officer) Miss Clare Rice (Bursary Student)

Apologies: Mr Daithí McKay

2.06pm The meeting opened in public session

2.07pm Mr Girvan joined the meeting

2.09pm Mr Girvan left the meeting

2.12pm Mr Easton joined the meeting

2.20pm The meeting moved to closed session

2.21pm Mr Hazzard left the meeting

2.32pm Mr Girvan re-joined the meeting

2.35pm Mr Clarke joined the meeting

3.01pm Mr Rogers joined the meeting

3.06pm Mr Hussey left the meeting

3.08pm Mr Copeland left the meeting

3.13pm An Assembly Legal Advisor joined the meeting; NIAO officials left the meeting

3.15pm Mr Copeland re-joined the meeting

3.50pm Mr Rogers left the meeting

3.53pm Mr Copeland left the meeting

3.55pm Mr Rogers re-joined the meeting

3.55pm Mr Easton left the meeting

3.57pm the Assembly Legal Advisor left the meeting

3.59pm the meeting suspended

4.09 pm the meeting resumed with the following Members present:

Ms Michaela Boyle (Chairperson)
Mr Dallat (Deputy Chairperson)
Mr Clarke
Mr Alex Easton
Mr Paul Girvan
Mr McQuillan
Mr Rogers

Audit Office officials re-joined the meeting.

8. Account NI: Review of Public Sector Financial Shared Service Centre – Briefing Session & Preparation Session

4.13pm Mr Clarke left the meeting

4.15pm Mr Mcquillan left the meeting

4.15pm Mr Clarke re-joined the meeting

4.16pm Mr McQuilllan re-joined the meeting

4.25pm Mr Clarke left the meeting

4.28pm Mr Clarke re-joined the meeting

The Committee received briefing from the C&AG, Jacqueline O'Brien, Karen Armstrong and Richard Emerson on the Audit Office's report 'Account NI: Review of Public Sector Financial Shared Service Centre'.

The Committee identified and developed core issues arising from the report in preparation for its forthcoming evidence session on 22 January 2014.

[EXTRACT]

Wednesday, 22 January 2014
Senate Chamber, Parliament Buildings

Present: Ms Michaela Boyle (Chairperson)
Mr John Dallat (Deputy Chairperson)
Mr Trevor Clarke
Mr Michael Copeland
Mr Alex Easton
Mr Paul Girvan
Mr Ross Hussey
Mr Daithí McKay
Mr Adrian McQuillan
Mr Seán Rogers

In Attendance: Miss Aoibhinn Treanor (Assembly Clerk)
Mr Trevor Allen (Assistant Assembly Clerk)
Mrs Danielle Saunders (Clerical Supervisor)
Mr Darren Weir (Clerical Officer) Miss Clare Rice (Bursary Student)

Apologies: Mr Chris Hazzard

2.02pm The meeting opened in public session

2.06pm Mr McKay joined the meeting

4. Inquiry into Account NI: Review of a Public Sector Financial Shared Service Centre – Evidence Session

The Committee took oral evidence on the above inquiry from:

- Mr Stephen Peover, Accounting Officer, Department of Finance & Personnel (DFP)
- Paul Wickens, Chief Executive of Enterprise Shared Services (ESS), DFP
- Mr John Crosby, Director of ESS Finance Shared Services (Account NI), DFP

2.23pm Mr Clarke left the meeting

2.25pm Mr Hussey left the meeting

2.28pm Mr Hussey re-joined the meeting

2.33pm Mr Clarke re-joined the meeting

2.35pm Mr McKay left the meeting

2.39pm Mr Hussey left the meeting

2.43pm Mr McQuillan left the meeting

2.46pm Mr McKay re-joined the meeting

2.53pm Mr Hussey re-joined the meeting

2.56pm Mr Copeland left the meeting

3.02pm Mr Copeland re-joined the meeting

3.15pm Mr McKay left the meeting

3.16pm Mr Clarke left the meeting

3.19pm Mr Copeland left the meeting

3.25pm Mr Copeland re-joined the meeting

3.28pm Mr Hussey left the meeting

3.29pm Mr Dallat left the meeting

3.30pm Mr Dallat re-joined the meeting

3.31pm Mr Rogers left the meeting

3.33pm Mr Rogers re-joined the meeting

3.37pm Mr Hussey re-joined the meeting

3.50pm Mr Girvan left the meeting

4.02pm Mr Girvan re-joined the meeting

The witnesses answered a number of questions put by the Committee and agreed to provide additional information in writing.

4.27pm Mr Copeland left the meeting

4.27pm the meeting moved to closed session

5. Inquiry into Account NI: Review of a Public Sector Financial Shared Service Centre – Discussion on evidence session

The Committee discussed the issues arising from the evidence session on the above inquiry to inform the drafting of an issues paper for consideration at the meeting of 29 January 2014.

4.37pm Mr Dallat left the meeting

[EXTRACT]

Wednesday, 29 January 2014
Room 29, Parliament Buildings

Present:	Ms Michaela Boyle (Chairperson) Mr John Dallat (Deputy Chairperson) Mr Trevor Clarke Mr Michael Copeland Mr Alex Easton Mr Paul Girvan Mr Chris Hazzard Mr Ross Hussey Mr Daithí McKay
In Attendance:	Miss Aoibhinn Treanor (Assembly Clerk) Ms Lucia Wilson (Assembly Clerk) Mr Trevor Allen (Assistant Assembly Clerk) Mrs Danielle Saunders (Clerical Supervisor) Mr Darren Weir (Clerical Officer)
Apologies:	Mr Adrian McQuillan Mr Seán Rogers

2.28pm The meeting opened in public session

2.30pm Mr Clarke left the meeting

2.50pm Mr Hazzard joined the meeting

3.06pm Mr Copeland left the meeting

3.07pm The meeting moved to closed session

NIAO officials left the meeting.

3.10pm Mr Clarke re-joined the meeting

3.14pm Mr Dallat left the meeting

3.16pm Mr Copeland re-joined the meeting

3.29pm Mr McKay left the meeting

3.30pm Mr Girvan left the meeting

3.31pm Mr Hussey left the meeting

NIAO officials returned to the meeting.

6. **Inquiry into Account NI: Review of a Public Sector Financial Shared Service Centre – Issues Paper**

The Committee received briefing from the C&AG, Jacqueline O'Brien, Karen Armstrong and Richard Emerson on the inquiry's issues paper.

3.39pm Mr Girvan re-joined the meeting

Agreed: The Committee noted the issues paper and agreed that the report on the inquiry be drafted on this basis.

[EXTRACT]

Wednesday, 9 April 2014
Northern Ireland Audit Office,
106 University Street, Belfast

Present:	Ms Michaela Boyle (Chairperson) Mr John Dallat (Deputy Chairperson) Mr Trevor Clarke Mr Michael Copeland Mr Paul Girvan Mr Chris Hazzard Mr Ross Hussey Mr Adrian McQuillan Mr Seán Rogers
In Attendance:	Ms Lucia Wilson (Assembly Clerk) Mr Trevor Allen (Assistant Assembly Clerk) Mrs Danielle Saunders (Clerical Supervisor) Mr Darren Weir (Clerical Officer) Miss Clare Rice (Bursary Student)
Apologies:	Mr Alex Easton Mr Daithí McKay

The Committee undertook a visit to the Northern Ireland Audit Office, 106 University Street, Belfast and, after meeting staff in their offices, Members were briefed on the NIAO's Value for Money Work Programme.

3.29pm The meeting opened in closed session

3.58pm Mr McQuillan left the meeting

4.00pm Mr McQuillan re-joined the meeting

4.02pm Mr Hazzard left the meeting

4.04pm Mr Hazzard re-joined the meeting

4.10pm Mr Dallat left the meeting

5. Inquiry into Account NI

The Committee considered the draft report on the above inquiry.

4.13pm Mr Dallat re-joined the meeting

Members noted correspondence from the Accounting Officer for the Department of Finance and Personnel, clarifying issues raised during the evidence session on 22 January 2014.

Introduction

Paragraphs 1 to 7 read and agreed

Benchmarking Performance

Paragraphs 8 to 10 read and agreed
Recommendation 1 read and agreed
Paragraphs 11 to 13 read and agreed
Recommendation 2 read and agreed
Paragraphs 14 and 15 read and agreed

Project Costs and Benefits

Paragraphs 16 to 22 read and agreed
Recommendation 3 read and agreed
Paragraphs 23 and 24 read and agreed
Recommendation 4 read and agreed

The Future Development of Account NI

Paragraphs 25 to 29 read and agreed
Recommendation 5 read and agreed
Paragraphs 30 and 31 read and agreed
Recommendation 6 read and agreed

Consideration of Executive Summary

Executive Summary read, amended and agreed

Consideration of Summary of Recommendations

Summary of Recommendations read and agreed

Agreed: The Committee agreed the minutes, minutes of evidence and correspondence to be included as appendices to the report.

Agreed: The Committee ordered the report to be printed.

4.25pm Mr McQuillan left the meeting

[EXTRACT]

Northern Ireland Assembly

Appendix 2

Minutes of Evidence

22 January 2014

Members present for all or part of the proceedings:

Ms Michaela Boyle (Chairperson)
Mr John Dallat (Deputy Chairperson)
Mr Trevor Clarke
Mr Michael Copeland
Mr Alex Easton
Mr Paul Girvan
Mr Ross Hussey
Mr Daithí McKay
Mr Adrian McQuillan
Mr Seán Rogers

Witnesses:

Mr Kieran Donnelly	*Comptroller and Auditor General*
Mr John Crosby Ms Fiona Hamill Mr Stephen Peover Mr Paul Wickens	*Department of Finance and Personnel*

1. **The Chairperson**: Mr Stephen Peover, you are very welcome to our meeting today. When you are ready, will you introduce your team?

2. **Mr Stephen Peover (Department of Finance and Personnel)**: OK. To my right is Paul Wickens, the chief executive of Enterprise Shared Services, and to my left John Crosby, who heads up the Account NI element.

3. **The Chairperson**: Thank you for taking the time to come here today. It is much appreciated. You have been here for some of our other witness sessions. It is encouraging that the implementation phase of the project was delivered only eight months later than planned. That was in direct contrast to what happened in the earlier project stages, when there were very lengthy delays. What improvements did you make to the management of the project to achieve that?

4. **Mr Peover**: I am not sure where to start with that. We view this as not being a single project. There was a stage where the accounting service view was undertaken to look at the best way forward for Northern Ireland Departments, particularly in the light of devolution, and how we would best secure services to the 11 Departments, as it was then, and make sure that the accounting platform would work in the future. It was at the point of creaking and collapsing.

5. There was a review, which went on for a couple of years. There was then an outline business case. The real starting point for the project was the full business case in 2006. That is when we regard the project as starting. The decision to go with the solution that we now have was taken in 2006 and delivered in 2009. That is the success story; it is, by and large, a good story. There are things that we would improve; we will come back to that in the Committee discussion. Once the decision was made, it proceeded well. The Audit Office acknowledged in the report that there was a delay, but it was not a significant delay given the size of the project — £170 million, £180 million or £200 million, depending on what way you want to count the numbers. We can come back to that, too. It was a well-delivered, well-managed project. It has delivered the results we wanted it to deliver.

6. **The Chairperson**: At this stage, I commend you for the prompt payment and timeliness of it. The report is not all bad.

7. **Mr Peover**: No, it is not. Thank you.

8. **The Chairperson**: That has to be acknowledged.

9. **Mr Peover**: I do not often hear that in Public Accounts Committee meetings. I usually hear Mr Dallat telling me that this is the worst report he has ever read. Thank you for that. *[Laughter.]*

10. **Mr Clarke**: Do not get carried away.

11. **Mr Peover**: Is that coming?

12. **The Chairperson**: It is early stages yet. I suppose I want to soften the blow.

13. For the benefit of the public, who might not be aware of the finer details of Account NI, can you give a background as to why the decision was taken to create the Account NI shared service centre?

14. **Mr Peover**: There were two pieces to the rationale, one of which I have just described to you: we had a new situation where we were having 11 Departments and we needed to ensure the provision of accounting services to all those Departments. We were also at a stage where our systems were creaking and getting to the point of collapse.

15. Secondly, as you know, we had a wider Civil Service reform programme, which this became wrapped up in. We have HR Connect, the IT Assist system and a whole range of areas where we are modernising and revising our back-office systems to try to give us the capacity to deliver a modern service. So, it became part of a wider reform stream. It needed to be done anyway, but it became part of a broader programme.

16. It has largely achieved its objectives. It has replaced and modernised our financial processes and provided a common accounting system across the Northern Ireland Civil Service and beyond. We now have 30 bodies on Account NI, which manages 35 bank accounts. If not unique, it is fairly unusual in providing a shared service to a range of bodies rather than to a single organisation. Most centralised systems provide for one organisation or one small family of organisations, whereas we are providing for quite a wide range — 30 different organisations. That has its own challenges.

17. You mentioned prompt payment. The 10-day prompt payment was not envisaged when Account NI was being planned: 30 days was the standard. We have managed to accommodate 10-day prompt payment and are doing about 91% of our payments on time. The point that Paul reminds me of occasionally is that that is cycling £2·8 billion through the Northern Ireland system. That is money that is going to businesses — our suppliers — and it is supporting the economy by delivering public money quickly and directly to suppliers through our systems. There is no way we could have achieved 10-day prompt payment with the old systems. So, it is a success story.

18. There are things that we would do differently if we were doing them again. There are messages in the Audit Office report that are well taken, but, by and large, I agree with you that there are good things in this report. It is a good project overall.

19. **The Chairperson**: Before I ask my next question, I have a message from Hansard: could members point their mikes towards them? Could members' devices also be moved aside from the microphones? Hansard is having difficulty in picking up the sound today.

20. Stephen, the Audit Office estimates that the implementation of Account NI has cost at least £213 million. DFP cites the lower figure of £186·7 million, but could a transaction service like Account NI not have been provided for much less?

21. **Mr Peover**: We do not think so. The full business case quoted £167·4 million, and our job was to deliver the proposed system for that cost, and we by and large did that. I will come back to the costings in a minute.

22. This is quite complicated. You referred in your introductory remarks to the earlier stages of the project — the accounting services review and so on. The £213·1 million in the report refers to the implementation costs, as in the full business case, the cost that went before that in the accounting services review, and the subsequent costs involved in bringing new organisations into our systems, such as the Department of Justice, that did not exist when we were designing the system.

23. In a sense, it does not really matter what figure you quote as long as you

compare consistently across the period of time in question. The right figure to use is the full business case cost, because that is what we were given, that was our budget, that is what was approved for the project and that is what we delivered. There was a cost overrun, but it was not that large: we net it off at 8·4%, which is within the 10% tolerance that is normally allowed in business cases. So, we think that it is right.

24. I do not want to give the impression that I am disputing the figures: there are different figures. My colleague used the example of buying a car. If I decide to buy a car, I might do a lot of work before I get to the point of making a decision, such as going round car dealers for hours, reading brochures and looking online. Then, I negotiate with the salesman and get a car for £10,000, £20,000 or whatever it is. To me, the cost of the car is the £20,000 that I pay for it, but the time that I invested up front in making the decision about the sort of car that I wanted and where I wanted to buy it and so on comes at some cost. Up to the point when I shake hands with the salesman, I can walk away from that transaction and say that I have changed my mind and I am not going to do it.

25. The decision point is the point of the full business case being approved by Ministers and then moving onwards. For us, the real cost is the cost from that point on — from the point of decision. If you do not make the decision, the only costs are sunk costs; they have been incurred and they are, in a sense, past costs, but in implementing the project the real costs are the costs from that point forward.

26. At the other end, when the project is up and running fully, as it was in 2011-12, and you start taking on other bodies such as the Public Prosecution Service (PPS), the DOJ, the Driver and Vehicle Agency (DVA) and so on, those are additional costs. They were justified by their own business cases and, from our point of view, they are cost-neutral because they cost us money, but we get money from the Departments that supply the services to cover those costs. Those are additional and extra; if I go back to the car dealer and ask him to put go-faster stripes down the side of the car or fit alloy wheels, those are additional costs after the event and I have to justify them in their own right.

27. If you look at it one way, £213·1 million is a final cost that covers the whole lot, but given what we are being asked to do and given the performance of the Department against its full business case, we think that we have delivered within cost and with only a slight cost overrun.

28. **Mr Paul Wickens (Department of Finance and Personnel)**: May I add a couple of things? There is a perception that Account NI is primarily a payments system, and that is a big chunk of it, but if you go back to what Account NI was trying to replace, which was a whole set of accounting systems, the primary rationale in the first place was to replace, modernise and provide a common system and then to improve and standardise the service beyond that. It underpins the financial management and accountability across the Northern Ireland Civil Service (NICS).

29. To put payments into context, it is worth taking a second to go through some of the other things that it does. It deals with procurement, travel and subsistence, invoicing, cash and debt management, bank reconciliation, general ledger (GL) reporting, asset management and stores inventory, as well as managing the whole system itself — including the service desk that supports it and all the rest of it. Then you can see the 750,000-odd payments that we paid last year in the overall context of the wider Account NI. It is important to recognise that overall context.

30. **The Chairperson**: Before I let members in, I want to go back to what Mr Peover was saying. Would it have been possible to provide what is, basically, a transaction processing service for a much lower figure? Going back to your

day at the garage or the showroom, did we pay for a Rolls-Royce system?

31. **Mr Peover**: It is one of those things. Do you take the opportunity, when you are putting a new system in, to look at the full range of services that Paul described? The decision was taken at the time to do that. It might have been possible to buy a cheaper system but it would not have done the things that Account NI does. The system has 21,500 online users and every payment that is made now, with minor exceptions, comes through Account NI in the NICS. We are, as I mentioned, cycling £2·8 billion through the economy, and we are doing it in an effective and efficient way. We are also providing other services to the Departments and agencies.

32. **Mr Girvan**: I just want to go back to Paul's point about how the organisation was set up and what it was there to deal with. Probably it is Stephen who needs to answer this. In relation to the Departments that have bought in and are using Account NI, there should have been a definite audit trail to show the reduction or the lack of requirement in areas where that resource was being used previously and where they were dealing with it on their own. Have you been able to identify that those savings are measurable in the first place, and that the Departments are not duplicating? There is evidence that some are definitely duplicating what Account NI is doing. That is, perhaps, not something that Account NI has to answer for but it is something that, as Northern Ireland plc, we should be looking at to ensure that we are not duplicating, double-checking or bean-counting twice.

33. **Mr Peover**: That is quite a complicated question, and I will try to answer it as cleanly and clearly as I can. The justification of the project in the full business case included a calculation that there were 293 people doing transaction processing in the Departments. The aim was that 198 of those posts would be created in Account NI — my friends can keep me right on the numbers — 29 would remain in Departments to act as backup but might be reduced over time, and 66 posts would be saved. This is where it gets quite complicated, and I wrote this out for my own benefit. The 198 transferred across to Account NI and, as of 31 March 2013, there were 191·43 staff in Account NI. It was projected that, with the 198 that we started off with, we would save another 40 posts through efficiencies over time. So, that would have got us down to 158. So we have 191·43 at March last year, but within that there are 18 who are on there because of the 10-day prompt payment requirement, which was not the original part of the calculations, and 41 are there because we took on the Department of Justice, PPS and DVA. Our reckoning is that if you leave aside those things that changed during the past couple of years, against the 198 that we started with and the 158 that was our target for reductions, we have 132·43. So, we reckon that we have overachieved on our savings target in Account NI against the target that we were set as part of the full business case. It is hard to disentangle those figures because things are added on and taken away, but we are quite clear that we have overachieved on the savings target for Account NI.

34. Your second point was about Departments and the 29 staff. In the report, there is a table that quotes figures of 50 and, in the case of the Audit Office, 113. Let us start with the 50. The 29 was on the assumption that a thing called project accounting would be included as a module in Account NI. It turned out that that was not needed or appropriate. So, 15 posts could have been saved by Departments but were not saved.

35. **Mr Girvan**: Was that in the original business case to get the spend of £167 million for the set-up?

36. **Mr Peover**: No, they were not crucial to that business case.

37. The difficulty is getting people to tell you how many staff they have doing things. If we are going to be purist about

this, as far as we are concerned in DFP and Account NI, nobody can process a transaction outside Account NI. We do the processing; it is the staff in our organisation who do that. There may be people outside who regard themselves as doing transaction processing, but they cannot actually make a payment and handle the transactions in the way that our staff do. The table in the report shows that DFP has been one of the outliers in the Audit Office figures, having many more than we are supposed to have. My finance division tells me that we have 5·75 staff in what you might loosely call transaction processing. They are not processing transactions but are chasing things up, overseeing things and sorting out problems, and there will always be a need in a Department for somebody to relate to Account NI and provide those sort of backup services.

38. If we had a completely distributed system and every one of the 21,500 staff was doing, from time to time, a requisition to buy whatever it might be, pay for a service or organise a conference, those staff will spend a few minutes a day or a week inputting, and if you want to count the time, you have to count their time. In some parts of my organisation, they have centralised that so that a group of people do that on a regular basis and, therefore, do it more effectively and efficiently, in their view. I am not trying to throw dust in your eyes, but it is very difficult. Our view is that nobody outside Account NI is doing transaction processing in the strict sense of the term. There are people employed in finance divisions doing associated work, which is probably necessary and valuable work. We counted 50 of those: the 29, plus the 15 for the project accounting module and a shortfall of six. So, according to our calculations, there are six too many against the business case. The Audit Office says that there are 113 rather than 50. The numbers are so out of line for two Departments — my Department and DARD — that I think that there is something wrong with the way our Departments have returned their figures to the Audit Office. I have spoken to my finance director about that and she has given me a breakdown of all the staff in the Department who are loosely described as transaction processing. Of course, Enterprise Shared Services (ESS) did not exist, so there are staff in ESS who have been added to the system from the start.

39. That is an attempt to explain it. I am not sure that it is as clear as it could be, but it is as much as I can do.

40. **Mr Girvan**: I am going to move back to the mention you made of 18 additional staff who were brought in to achieve the 10-day payment window that was set. I agree that it has been a great help to get money through to people quickly. It helps their cash flow and keeps businesses flowing. My understanding — I look at things from a business perspective — is that you make an initial investment to catch up so that you are dealing with payments in that window, but once you have achieved that you will be paying the same number of invoices as you were when you were meeting the 30-day target, because you are paying them earlier. Were those 18 additional staff permanent, or were they only there to meet the requirement? You will find that I see things from a background of running a business, so I know that every penny counts. You are saying that we will make the investment now to catch up, but once we achieve that, we should be paying the same number of invoices, no matter whether it is within 10 days or 30 days.

41. **Mr Peover**: It is a good question. There are a couple of things. To use the car analogy again, if you are driving a bit faster, you use more petrol, so if you are churning things through in 10 days rather than 30 days, you need more staff in order to support that.

42. Secondly, it is not just a static position. It is not just that we have 500,000 invoices year on year. Our numbers have been rising significantly. In 2013-14, we will process around 30% or 40% more invoices than in previous years, and we have increased the staff to do that, but

by only half of that percentage increase in invoices. There are a number of factors to explain the staffing. It is not just the investment to get the 10-day prompt payment; we need to maintain it. John may be closer to that.

43. **Mr John Crosby (Department of Finance and Personnel)**: I take the point that you are making. I remember, back in my days at the Driver and Vehicle Testing Agency, when MOT test times fell behind, it took the same amount of resource to carry out the same amount of tests going forward, but we are looking at a new turnover every day. The best analogy to use is probably that of a post office counter or supermarket: if you want to get through a till at a supermarket quickly, you need more operators on, and you need those operators on all of the time. If you clear a backlog, say in the post office or the supermarket one Friday night, that backlog will be there again tomorrow if you do not have extra operators and extra staff. Prompt payment is inherent —

44. **Mr Girvan**: I do not necessarily agree with that, but I will come back to you on that.

45. **Mr Crosby**: Processing quickly is inherently less efficient than processing in slower time.

46. **Mr Wickens**: You asked about the overall cost benefit at the very start of the project. The numbers on the departmental side were not part of the cost benefit, so the opportunity to pursue those benefits —

47. **Mr Girvan**: They are savings to the Departments.

48. **Mr Wickens**: They are savings to the Departments, so they were not part of our business case. That is correct. If you then look at the 18 staff that we have doing prompt payments, a simple answer is that, if we did not have to pay within 10 days, we could have 18 fewer staff. That is the very simplistic view of the thing. The whole system, which is inherently complex — I have gone through some of the areas that it covers — was designed and built around a 30-day statutory obligation that we have. We measure that as one of our key performance indicators and have a very high performance against it. It is an extra cost and it means that we have to incur extra staff. I suppose that the debate from an economic perspective is whether that is a cost worth having to be able to pay the money out into the economy in the way that we have described. That is a matter for discussion, perhaps.

49. **Mr Girvan**: There was one wee point, and that was on the use of consultants. I do not know whether they were brought in on a temporary basis to achieve certain things or whatever, but there seemed to be quite a high use of consultants to deal with some areas.

50. **Mr Peover**: We have not used consultants since 2009. They were used at a point when we could not get staff from Departments deployed to the project to get the project to the point of delivery.

51. Sorry, I missed the second point. I am not trying to avoid it. You asked whether there should be commonality in Departments and whether we should be pressing Departments. I will speak for a second in a personal capacity rather than as DFP permanent secretary and accounting officer. When the issue was raised originally with the permanent secretaries' group, I was and still am a strong advocate of common retained systems. It ought to be possible to evolve a model that says that, with x amount of business, you need y staff. We should try to achieve a common model. That was not the view of Departments. Departments are very different: you have everything from DCAL, with 400 staff, to DSD, with 8,000 staff. Their accounting officers, quite naturally, want to be able to determine the structure of their Department and satisfy themselves that their structures will deliver the business that they are responsible for. Having somebody like me or one of my predecessors coming to you and saying, "You don't need six staff; you need only two" is hard. At the end of the day, I am

not accountable for their business; they are accountable for their own business.

52. We think that there is scope for rationalisation. A working group has been set up to look at how we might do it. We would do it via agreement with Departments because it is their business, and they have to satisfy themselves that they can stand over what they are doing and how they are doing it. There should not be duplication of systems, and they should not be running parallel systems. They certainly cannot make payments, but people are cautions and like to run their own system sometimes.

53. **Mr Wickens**: I will give you an idea of how that is governed: in enterprise shared services, we have a strategy board chaired by the permanent secretary of DETI. On that board, we have a number of deputy secretaries. One of those chairs a finance shared services board, which helps us to shape and influence what goes on in Departments. Two of the big areas that we have been looking at recently through that board are collaborative procurement, which will be the subject of another discussion on another day, and integrated reporting. The discussion has been moving more and more towards the concept of what we can learn from how one Department does things and whether there is such a thing as best practice that could be shared, rather than enforced, on a basis that could help to create improvement and achieve even more efficiencies.

54. **Mr Clarke**: I am glad that I came back in before Paul Girvan asked all my questions. Just as I was coming in, Paul Wickens was responding to his question about cost invoices. I think that you justified your cost by saying that the 10-day turnaround makes your cost much higher. I appreciate the point that you are making. However, the report compares the top performer at £2·75 with Account NI at £9·73, albeit that you justified that by having more staff. The top performer turns around invoices in 17 days and not 10, whereas others take, as you said, the statutory 30 days. Some take 29 days. Given that the difference is only seven days, what accounts for the variance between £2·75 and £9·73?

55. **Mr Peover**: This is a complicated one. The figures quoted are taken from a benchmarking exercise that the Audit Office commissioned by getting figures through consultants from the American Productivity and Quality Center (APQC) and by contacting some organisations. We do not know the make-up of those figures. We know the make-up of our £9·73: it is made up for the purposes of the notional costing of Account NI's services. The direct staff costs on transaction processes in the accounts payable side is £2·05, and that is quoted in the report. In addition, we have —

56. **Mr Clarke**: May I just stop you, Stephen?

57. **Mr Peover**: Sure.

58. **Mr Clarke**: What you said poses a very good question. You say that you do not know how the Audit Office made up its figures, but did anybody ask?

59. **Mr Peover**: Yes.

60. **Mr Clarke**: Did you get an answer?

61. **Mr Peover**: We were told that the consultant contacted APQC. We contacted APQC, but it could not or would not tell us what figures it gave or how it gave them. We also contacted the local organisations quoted, such as Belfast City Council, and asked them for figures.

62. This is not a criticism of the Audit Office. First, it is inherently difficult to benchmark shared services. Not many shared services are like ours, which cover 30 organisations. Most shared services are for a single organisation. Secondly, some of them are private sector; others are public sector. The private sector, by and large, tends to pay over long timescales — sometimes two months and maybe longer. They also work for a single organisation. What about the counting of overheads? How do you count the cost of your shared service? Our £9·73 includes senior management salaries, running

costs, system costs, licence costs, depreciation —

63. **Mr Clarke**: Are you suggesting that they are all paid too much?

64. **Mr Peover**: No.

65. **Mr Clarke**: What you are saying is —

66. **Mr Peover**: There is a DFP overhead of £1·13, an ESS overhead of 35p and a depreciation of £2·01. There are lots of factors in that £9·73. I am not saying that that figure is wrong. That is the figure —

67. **Mr Clarke**: It is also three and a half times more than the top performer in the report. I presume that you accepted the report.

68. **Mr Peover**: I do not know what the top performers cost.

69. **Mr Clarke**: I presume that you accepted the report, Stephen.

70. **Mr Peover**: No. We commented — if you read the report, you will see that, in that paragraph, we refer to our costs of £2·05 as being the direct cost of our services. How could we accept a report when we do not know the make-up of the benchmarks? The report acknowledges that benchmarking is inherently difficult.

71. **The Chairperson**: Mr Peover, you mentioned that it was incredibly difficult to benchmark, but the Audit Office seemed to be able to do so easily. It took the information off a shelf.

72. **Mr Peover**: It depends whether it is useful. You can take things off a shelf, but do they give you hard information that you can benchmark your services against? I do not know whether they do.

73. We contacted the education and library boards, the health sector and Belfast City Council, and the figures that they gave us were very different. The direct cost of their services is more or less the same as our £2·05.

74. **Mr Wickens**: I again want to try to give a bit of background information. I have been liaising with shared services chief executives in the Whitehall Departments in Great Britain for a number of years. On a number of occasions, they have tried to work out how to benchmark between them. The National Audit Office has also given a commentary on the issue and made certain statements. Benchmarking is inherently difficult. We brought over an organisation called The Hackett Group to talk to us. It is recognised as the world leader in shared services benchmarking, and it has access to a much larger database than the APQC would have.

75. You do not get much for a benchmarking exercise that lasts 10 days. That gives you only a very rough skim off the top. That is not an overt criticism of the way that the benchmarking exercise was done. It was useful as it allows us to see where the areas are that we need to dig into to really understand how we should benchmark in the future.

76. At this point, based on the data that has been generated, the only thing that we can compare is the £2·05 of direct cost. At the level that the benchmarking has been made available to us, it is almost like using apples, cucumbers and chestnuts as comparators. We need to work out how to get the apples to apples comparison. We accept that there is a need for us to benchmark much more effectively and drive towards a good cost benchmark to provide transparency of costs and allow a proper and robust challenge. I think that the £9·73 figure hides some of the detail underneath that.

77. **The Chairperson**: The Comptroller and Auditor General may want to come in.

78. **Mr Kieran Donnelly (Comptroller and Auditor General)**: Mr Wickens makes the very valid point that it is important to benchmark. When we came on the scene, there was no benchmarking, so it is very pleasing that there is an acknowledgment of its value. In the absence of anything, we had to make some sort of initial stab at it.

79. It is worth saying that, for the other organisations that we benchmarked against, overheads are included in the

mix. Irrespective of that, the bottom line for performance metrics is that there should, we think, be a target for the average cost of processing an invoice — that is basic. The fact is that it was not there. That is a very simple measure to assess efficiency. Going forward, I think that it would make sense to have a target for the average cost of processing an invoice and a consideration of how to bring that cost down over a period of years, irrespective of what overheads are in there or not.

80. **Mr Peover**: We entirely agree with that. As far as a consideration of how things would have been done differently is concerned, a more rigorous and earlier approach to benchmarking would have been good. It needs to be proper benchmarking in which we are entirely sure that we are comparing like with like.

81. Mr Donnelly is also right in saying that some sort of key performance indicator for the cost of processing an invoice would be good, and I think that it is desirable. All that we can say is that we can demonstrate efficiency improvements year on year, and the number of invoices turned over per member of staff is increasing significantly. In that sense, we are comfortable that we are improving.

82. On Mr Clarke's point, we want to satisfy ourselves that we were doing as well as we could and that we were absolutely sure that we were comparing with, if not the best in class, at least the median or better.

83. **Mr Clarke**: You were not benchmarking. You did so only on the back of the report, not prior to it.

84. **Mr Peover**: No, we were not. That was recommended in the gateway 5 report. The Audit Office then undertook benchmarking. We did not do that but waited to see what the outcome of its work would be. However, we agree with the Audit Office that we should be benchmarking.

85. **Mr Wickens**: We should be benchmarking against other shared services, which the report does not do. It compares a shared service with, effectively, an accounting department. There is a radical difference. Albeit both have overheads, they will be different.

86. The key point is that we need to do more on that. Doing proper benchmarking will cost us money, but it will also be difficult given that Whitehall shared services have not been able to agree on how they should do it. We contacted them very recently to establish what progress had been made, and they are still struggling with exactly what should be there.

87. **Mr Peover**: None of that detracts from the point that we want to benchmark. We want to prove that it is a good system — as good as it can be — and keep the pressure on. We are a service organisation that serves 30 organisations — 29 others and ourselves. They are entitled to expect a high-quality and cost-effective service. If we can demonstrate that to them, so much the better.

88. **Mr Clarke**: I am interested in what you did differently to improve efficiency. You say that the ratio is up, so something must have changed. To my mind — the suspicious mind that I have sometimes — Departments said that there were no efficiencies to be made there. Stephen, it is interesting to note that you said that your processing is better than it was. Something must have changed to cause that, and that would have had a knock-on effect on the cost of processing an invoice anyway.

89. **Mr Peover**: I want to quote some figures. The number of payments made per full-time equivalent member of staff in 2010-11 was 7,513. In 2012-13, it was 8,818, and, this year, we project that it will be 11,066. That is a 47% improvement in the number of invoices processed.

90. I will let John talk about what was done. He is close to the specifics of how we made those efficiencies.

91. **The Chairperson**: Before we move on, two members want to come in on Mr Clarke's previous point.

92. **Mr Dallat**: We seem to be going all over the place. The analogy of the car came up a few times. It was a bit of an old banger, was it not?

93. **Mr Peover**: No. It was a very effective car.

94. **Mr Dallat**: Do you think so? The key performance indicators do not seem to suggest that she was top of the range.

95. **Mr Peover**: That depends on whether you accept those key performance indicators.

96. **Mr Dallat**: Maybe I should ask a question about that. The report seems to have been very professionally prepared — it is one of the best that I have read. The Account NI content is not necessarily the best, but it is a very professional report. Why do you not accept it?

97. **Mr Peover**: We do not know the basis on which the benchmarking figures were calculated.

98. **Mr Dallat**: Do you not think that that smacks of a level of arrogance well beyond what you should be doing?

99. **Mr Peover**: No.

100. **Mr Dallat**: Perhaps we should move away from the car analogy because I do not think that it was a good idea.

101. Account NI is top-heavy with grade 7 civil servants doing what I would have thought required only supermarket check-out skills.

102. **Mr Peover**: I do not think that it is.

103. **Mr Dallat**: This was a right old cash cow for you at the top end, was it not?

104. **Mr Peover**: No. John will keep you right with the figures. We have 180-odd or 190-odd processing staff and 16 management staff. Bear in mind that we have not engaged any consultancy since 2009, despite the fact that we have taken on substantial new organisations. Part of the reason for the senior management overhead is to avoid the need for consultancy. We are criticised sometimes for not learning lessons and not being able to acquire the skills.

105. **Mr Dallat**: You would never be criticised for employing consultants if you needed them. You do get criticised when consultants' contracts start off at £0·97 million and spiral to £9·6 million. Do you accept that that is a valid criticism?

106. **Mr Peover**: No, I do not. We have discussed this before, and you know my views on it.

107. **Mr Dallat**: Mr Peover, I am not sure that you should have bothered coming here. It looks like you will not accept anything.

108. **Mr Peover**: It is acknowledged in the report that the consultancy was well managed and approved in accordance with the procedures with the Minister, and so on, and with business cases. We have been over that topic before, and you know my views on it.

109. **Mr Dallat**: I am so sorry for boring you, but it is my job to ask you the question.

110. **Mr Peover**: No, you are not boring me, but you know that we have been over the topic before, and I do not accept the point that it was uncontrolled expenditure. The point that I am making to you now is that since 2009 we have not had to engage any other consultancy. Part of that is because we have a reasonable number of senior management.

111. **Mr Dallat**: There are so many senior civil servants that you do not need consultants. It is six of one; half a dozen of the other, is it not?

112. **Mr Peover**: No, it is a lot cheaper.

113. **Mr Dallat**: I am not so sure about that.

114. Let us look to the future. Where do we go from here? If the ordinary man in the street were to be told that every cheque that he wrote would cost him £9·60, he would say that that was not right. What is wrong with all these other Departments that have not been brought into this wonderful circle of friends?

115. **Mr Peover**: All the Departments are on the system, as are a number of their agencies and some non-departmental public bodies.

116. **Mr Dallat**: A pile of them are not.

117. **Mr Peover**: Forty-five of them are not.

118. **Mr Dallat**: Is that not a failure?

119. **Mr Peover**: No, I do not think that it is. Each organisation has to decide for itself what systems it wants. Organisations in that group of 45 have varying numbers of staff, from 30 to hundreds and, perhaps, thousands of staff. A system that is appropriate for a Department may be too sophisticated for a small organisation. They have to make their own decision on whether the system is value for money for them.

120. **Mr Dallat**: So it is just a matter of do it or do not do it. We have created this golden cow, spent £213 million on it and you can decide for yourself whether you want be part of it. Economies of scale do not matter, and the way in which public money is used is taboo. You come here, reject the report and argue against anything that is in it.

121. **Mr Peover**: For a start, I have not rejected the report.

122. **The Chairperson**: The benchmarking element is, I think, what has been rejected.

123. **Mr Wickens**: The full business case was designed to build a shared service, and everything that emanates from that, for 21 organisations. That is the base that we go back to. Over the past couple of years, we have increased the number of organisations to 30 — nine additional organisations have joined us — and achieved significant proven economies of scale on the back of that.

124. If you take the benchmarks that have been referred to — all of them, not just the cost benchmark — we are above the median in transactions per full-time equivalent (FTE), so we are performing very well on a productivity basis. We are at about the median in matching invoices to purchase orders. Those are good, valid comparisons. We are world-class in prompt payment and in keeping money flowing in the economy, paying our suppliers within 10 days.

125. There is a big question on costs that we need to come back to. We need to go back and say, “Now, having received the information from this benchmark, it is appropriate for us to revisit that and really understand the cost of doing all those things that are well accepted: our suppliers like it, and our users like it.” It is a good system.

126. **Mr Dallat**: I know that we want to move on, Chairperson, and I am conscious that some people outside the Building might watch the coverage of this session, but, if we do not make some progress on how we will improve this, the only people watching us will be those who suffer from insomnia.

127. Companies such as Amazon handle millions of transactions a day. If it had those costs, what do you think it would do? It would be bankrupt within a week.

128. **Mr Peover**: I just do not accept your point, Mr Dallat.

129. **Mr Dallat**: I know. You never do, but anyway —

130. **Mr Peover**: That is because it is wrong in this case. The £9·73 is a notional cost for a charging model. It is not necessarily comparable with the other figures quoted in the report. We do not know whether it is or not; we think that it is not. We would need a proper benchmarking investigation to decide whether those figures are valid comparisons.

131. We are doing quite well on the other benchmarks that Paul talked about. Our direct costs are £2·05 per invoice processed, which is similar to those of other comparable organisations. We may be wrong on that, and you are right that we should be benchmarking more effectively. We will benchmark more effectively — that is the real change that will come from the report. It is not that we do not accept benchmarking; we do not accept that the comparisons are valid and are wary of accepting that we cost twice as much or four times as much as other performers. We need to know the basis.

132. **Mr Dallat**: I know that other members need to get in, but I have spent some time trying to get my head around the idea that the chief accounting officer does not accept benchmarking. Who makes up the rules that you go by? Do you make up your own rules?

133. **Mr Peover**: I did not say that I did not accept benchmarking; I said that I did not accept these benchmarks.

134. **The Chairperson**: We should move on. I will take the last supplementary in this section and then move on to Mr Rogers's question.

135. **Mr Copeland**: Is it in order to put a question to Kieran for clarification?

136. **The Chairperson**: Yes, but I was going to move on to Mr Rogers.

137. **Mr Copeland**: All I wanted to clarify was whether Kieran considered the benchmarking to be adequate and robust.

138. **Mr Donnelly**: It is the best available in the market. In the absence of anything else, it was important that we started the debate. It is acknowledged that more work needs to be done on this.

139. Let us go back to basics. A key purpose of shared service centres was to reduce costs and move resources to the front line. That was part of the philosophy. Therefore, the surprise to us was that there were all sorts of metrics on Account NI but nothing on cost, so we had very little to work with. It is very encouraging that there is now an acceptance that we need to open up the cost debate.

140. **The Chairperson**: That is what the report allows us to do.

141. Mr Wickens, there was a strategy board meeting, and you acknowledged the governance arrangements that exist for management to manage operations from here on in and how they would be implemented. You said at that meeting that the arrangements were to "consolidate" and improve systems.

142. Mr Peover, you would not accept the benchmarking. I am sure that you acknowledge that you were found to be four times more expensive than others. This report has opened the door so that we can all see in, and there is room for improvement.

143. **Mr Peover**: I accept Mr Donnelly's point that we should have a key performance indicator on cost processing. I also accept that we should be benchmarking and that we should have been doing so before now. I do not accept that we can draw valid comparisons between the costs quoted. They may be valid, but I do not have enough information to make that judgement.

144. **Mr Clarke**: The point is that, if it costs you £2·05 to process, which is what Paul said, what is the other £7 made up of?

145. **Mr Peover**: The figures —

146. **Mr Clarke**: To a degree, I take your point that we do not know what the £2·75 represents in the case of the top performer.

147. **Mr Peover**: The rest of it comprises £1·53 for other salaries —

148. **Mr Clarke**: What does that mean?

149. **Mr Peover**: It means senior management, development, training, finance, contract reporting, services —

150. **Mr Clarke**: That takes us back to John's point about too many senior officials.

151. **Mr Peover**: No, it does not. We have a shared service that covers a range of functions. We attribute 47% of the management cost of that service to transaction processing because 47% of the workload is in that bit of the organisation. That may or may not reflect an accurate allocation of the management overheads to that part of the business. For the purpose of doing a notional costing of Account NI, that is how we have to apportion the overheads. So there are all of those things — the running costs, stationery and so on, system costs, which we —

152. **Mr Clarke**: May we have a breakdown of those costs? If you call them out, I will write them down.

153. **Mr Peover**: Yes. We mentioned the processing figure of £2·05; other salaries cost £1·53, running costs are 11p, system costs for contracted-out services are £2·39, and licences and application software support cost 16p. Depreciation, which is non-cash and not charged to the public, is £2·01. The ESS overhead recovery is 35p, and the DFP central overhead recovery is £1·13. That all adds up to £9·73.

154. **Mr Wickens**: That is why I said at the start that it was important to recognise that Account NI is much, much more than a payment system. All of the other things that I mentioned earlier attract costs, and the issue is how you apportion the costs and overheads. That is where there is a useful and valid debate to be had.

155. **Mr Clarke**: When did the £2·39 system cost disappear?

156. **Mr Wickens**: That runs the whole way through. It is our contracted-out cost to BT for running and managing the underlying technology systems and support behind them. It was part of the business case.

157. **Mr Clarke**: Which business case? The first one or the last one?

158. **Mr Wickens**: The full business case in 2006.

159. **Mr Clarke**: I am somewhat sceptical because the company charging £2·75 is bound to have many of those other costs as well.

160. **Mr Peover**: We may be performing very badly. The problem is that we do not have the information to draw those comparisons. For example, I cannot say that it costs us £2·05 for that bit of it and we are attributing so much of the other cost but somebody else is managing those other costs for half the price. We need benchmarks. I have no problem accepting that point. It is very valid. We accept that point that the Audit Office makes. The question is —

161. **Mr Clarke**: If you look at the processing of invoices, then given the numbers involved, surely efficiencies should be found in the high number. Your costs are going to escalate if your invoice numbers were fewer. It is a good job, Paul, that you got some of those other people on board, or we would be looking at a higher figure. If you proportion the cost given the number of invoices you are processing, and if you have reduced that number, your costs are still going to be equally high. Your processing costs are higher.

162. **Mr Wickens**: If you look at the trend over the past couple of years, we are, effectively, processing more invoices with fewer people. More invoices per person are going through the system. We are getting proven efficiencies on that basis.

163. **Mr Clarke**: Are you trying to say that that £2·75 is only the processing cost? Is that your assumption?

164. **Mr Peover**: The £2·05 is the direct staff cost —

165. **Mr Clarke**: No, the £2·75 of the top performer.

166. **Mr Peover**: I do not know what the top performer's costs are.

167. **Mr Clarke**: I thought that you said that you contacted it to try to find out.

168. **Mr Peover**: We contacted the APQC. I do not know whether it knew how the consultant derived the figures. We just do not know.

169. **Mr Wickens**: It could be against an offshore private sector organisation doing payments for only one organisation. We do not know. It is a valid question that needs to be answered in order to see whether we are comparing apples with apples or apples with chestnuts.

170. **Mr Clarke**: It is processing 16,500 invoices as opposed to your 12,300.

171. **Mr Wickens**: Again, that is something for us to strive towards as we continue to improve the number that we are doing per person. We have proven that we are doing very well. We would like to continue to increase that number.

172. **The Chairperson**: We will move on now. We have been here for an hour and we have just gotten into the first part of the meeting.

173. **Mr Rogers**: You are welcome, gentlemen. Will you tell me briefly what was included in the 2003 outline business case?

174. **Mr Peover**: John would know the detail of that better than me. The original project started with a review of the accounting service. The proposal was to create, effectively, another accounting system of the type that we had — *[Interruption.]*

175. **Mr Dallat**: I am sorry.

176. **Mr Peover**: — but with four processing centres rather than six. It was just an accounting system. The further development looked at what more could be done and the options for moving towards shared services. That was the genesis of the outline business case. We are slightly hampered because none of us was personally involved at the time, so our knowledge is derived from talking to colleagues and reading, but John may be a bit closer to the initial concept.

177. **Mr Crosby**: The accounting services review (ASR) looked at replacing the disparate systems across the six legacy Departments pre-devolution. The outline business case looks speculatively at the range of options available, including the option to deliver a shared service. An outline business case will always have estimates in it; for example, the cost of a contracted service will have to be estimated because there is no procurement at that stage. The outline business case covered 10 years rather than the 12 that we subsequently agreed. It took a very limited view of how to deal with the legacy systems, manage them, wind them down and manage the migration. There were quite a few things in the outline business case that were not ultimately in the full business case. The outline business case is the initial thinking for the full business case.

178. **Mr Rogers**: It is hard for me to comprehend how the whole scope of the project was not included in the outline business case.

179. **Mr Crosby**: It was there, substantively. There was very little missing from the outline business case. What points do you have in mind that were not included?

180. **Mr Rogers**: Basically, between 2003 and 2006, the scope of the project changed.

181. **Mr Wickens**: One of the big things that happened was that Gershon published his report in 2004, which was the first time that shared services had been mentioned in the context of the public sector as a way of doing things differently. I was not there and have not read the full details of the outline business case, but one massive difference that creeps into the scope is that it takes a shared services approach to this as opposed to just replacing a set of systems.

182. **Mr Crosby**: And, of course, by 2006, prices had moved on considerably. The increase in the duration of the period obviously increases the bottom line, but the increased period was deemed to be the optimal period in which to provide the necessary return on the investment.

183. **Mr Peover**: As John said, when you go beyond the outline business case, start advertising the proposal and get bids, you then begin to see the market price. I know that Mr Dallat does not like the car analogy, but, I might want to buy a car for £10,000 and find that, when I look for the sort of things I want, I will have to pay £15,000. You have to go to the market and test it to see what you can get. I think we had five bidders for the project. We got a preferred bidder and went into detailed negotiations with them about how the model would be developed as part of the full business case preparation.

184. **Mr Rogers**: How did this change in scope; what effect did it have on the estimated costs, and what services were not included in the outline business case that turned up between 2003 and 2006?

185. **Mr Peover**: As I said, I do not know, Mr Rogers. I will need to go back to the papers from back then and write to you. We do not have the detail of that.

186. **Mr Rogers**: Do you not think it is important learning? We are talking about moving forward and perfecting a much better system. Do you not think that all those things should be well scrutinised?

187. **Mr Peover**: Yes, and I hope that they were scrutinised at the time, because the process moves, as always, to a full business case. That was considered at the time and tested for affordability, cleared with Ministers and approved, and we then moved forward on that basis. The decision point was the full business case. What was possible before that, or what people thought was possible, is one thing. We can find out and see what the difference is between the costs, if we can compare them, but I am personally not au fait with what happened back in 2003.

188. **Mr Rogers**: It took three years for the full business case to be approved. Why?

189. **Mr Peover**: The outline business case was in October, and, if you go through the process set out in appendix 2, you will see that the formal proposals were submitted in October 2004; so, it took a year to get to that point. The preferred bidder was selected two months later, in December, and then there was the gateway review and exploration with the preferred bidder of the nature of the contract. Things were discussed, added in and taken out and there was a fairly robust set of negotiations with the contractor, as I understand it, because once you have got to a single contractor, you want to be sure that you are getting value for money from them. The full business case was approved against the actual costs as estimated at that point in May 2006.

190. **Mr Crosby**: It is fair to add that there was a lot of work going on, in parallel, connected with the business transformation required; for example, agreement on a common chart of accounts was required. When you bring 11 disparate Departments together, all of which have individual accounts, getting agreement on something like that takes time. That would all have been going on in parallel, so that it would have been in place ready for the implementation to begin.

191. **Mr Rogers**: Another point I am making is that it took quite a while to get to the full business case; but why did the full business case go ahead when, at gateway 3, you talked about an amber status and that there were things that were not completely ironed out?

192. **Mr Peover**: Amber is what it is. It is flagging a warning that you need to keep an eye on particular management issues. It does not mean that you should stop.

193. **Mr Rogers**: This is unbelievable. You can see why there was an amber, because the next thing we see is that, in December, which was six months later, the contractor gave notice that the June 2007 go-live date could not be achieved.

194. **Mr Peover**: The bottom line is that the project was delivered more or less on time. For a £180 million to £213 million contract, it was delivered with only a few months' delay, which is fairly unusual in contracts of this size. We can pick apart the bits of it, but the bottom line is that this was well managed. The Audit Office report recognises that this was a well-managed contract, that any delays were well managed and that we soaked up the contingencies in the programme in order to try to deliver it more or less on time. So, it was delayed by only a few months and was well within the tolerances that you would expect in a contract of this size.

195. **Mr Rogers**: Time does not permit us to do anything other than pick at bits.

196. **Mr Peover**: We can certainly go back, have a look and see if we can define

some of the stages that you are talking about, but the overall position, and the Audit Office has acknowledged this, is that the thing was well managed.

197. **The Chairperson**: May I come in, Mr Rogers? Were you content at the time that the preferred bidder selected in November 2004 was still the appropriate selection in June 2006? What processes were in place for the selection of that preferred bidder?

198. **Mr Peover**: It was a normal competitive contract.

199. **The Chairperson**: Were you content that the same applied in 2006?

200. **Mr Peover**: I assume so. We were not directly involved, but the decision was made. It seems to have worked. The thing has been delivered. Nobody has challenged the award of the contract.

201. **The Chairperson**: Who was involved in the selection at that time?

202. **Mr Peover**: Do you mean which individuals were involved?

203. **The Chairperson**: Yes, who was involved in the process?

204. **Mr Peover**: That is a good question. It was before our time.

205. **The Chairperson**: Could we get that information?

206. **Mr Peover**: John Hunter was my predecessor, and there was Bruce Robinson. This spanned quite a time, from 2003 to 2009, so it is a period of six years. A variety of people were involved.

207. **Mr Wickens**: Going back to the full business case of 2006, I accept the point you are making about the length of time it may have taken to get to that point. We would not have reached contract signature and full business case approval had we not demonstrated value for money at that point in time. The fact that we did not get a challenge then, or since, and the fact that we are living within the tolerances would lead us to indicate that we are broadly content with that.

208. **Mr Rogers**: The Chair is making a point. Was it value for money based on the November 2004 figures, or when they appointed 18 months later? It was not signed until 18 months later.

209. **Mr Wickens**: The only baseline we can go back to with regards to testing value for money is the 2006 baseline. So, it would have been an evolving situation working with the preferred bidder to get to a contract that was acceptable to both parties. That is the way it was.

210. **Mr Clarke**: If we go back to the discussion that we had earlier about the baseline, how can you work out value for money? You have acknowledged that it is difficult to do that. I appreciate that you would not have been there at that time, Stephen, but, in respect of that business case, how can you judge something as being value for money if you have nothing to measure it against?

211. **Mr Peover**: It is normally just a comparison with the existing system; on the 293 staff who were processing, for example —

212. **Mr Clarke**: Following your previous point, do you accept my point that if you cannot draw a comparison with how others do it how can you draw the conclusion that this actually was good value for money? I think we are sitting here today, still not knowing how others have drawn up their costs.

213. **Mr Peover**: Yes, but the full business case is not approved against other people's systems, it is approved against whether it is going to be value for money. Is it going to deliver the savings to cover the costs of the system, or are you getting benefits in addition to the savings that are sufficient to justify investment in the project? That is the way all business cases are managed. They are rarely managed on the basis of a direct comparison with another organisation and an approach of, "They could do it for x; can we do it for half of that?"

214. **Mr Clarke**: I think that that is an unfair assumption, because if another company can do something more cheaply, that should be borne out in whether something is value for money.

215. **Mr Peover**: Yes, but that is tested through the procurement process. You go to the market; you ask people to tender against the specification. In this case, five companies tendered and the best tender was picked on the basis of the assessment criteria for the competition. Again, I am slightly hampered in that we were not there.

216. **Mr Clarke**: The problem may have been in the criteria.

217. **Mr Peover**: I have to assume that the people who were there at the time applied the criteria appropriately. Certainly, there was no challenge to the procurement, and the system has been delivered.

218. **Mr Clarke**: Nor am I saying that, but if whoever drew up the criteria did not look at drawing the right comparison, and setting aside that the criteria were followed, the criteria might have been wrong in the first instance.

219. **Mr Peover**: Yes, but it is difficult to go back eight years and say whether we would apply the same criteria now. The system works. The Audit Office report acknowledges that it works. It has improved the quality of financial management and processing in the NICS. There is more work to be done. We could benchmark better; we could set proper key performance indicators on cost. Going back to your point about the number of invoices processed per person, we could up our game. There is significant room for improvement, but, fundamentally, the thing is working.

220. **The Chairperson**: Before Mr Rogers finishes, Mr Copeland indicated that he wanted in. I will then let you finish.

221. **Mr Copeland**: We sometimes struggle to ask the most basic questions, such as this: what did we actually get? I presume that it was goods and services and stuff. Who owns the intellectual copyright?

222. **Mr Peover**: That is a good question. I do not know.

223. **Mr Crosby**: The system is largely based on proprietary software. It runs on the Oracle e-business suite. We deploy Real Asset Management, ReadSoft for scanning, and we use Cognos for reporting solution. Layered on top of that is the configuration, which we apply to that to meet our business needs. That then, is the specially written software, if you like, that pulls that configuration together, and that is what we have responsibility for. That is deposited in escrow and, should there be any issue with the contractor continuing and so forth, we can get that back and get access to it.

224. **Mr Copeland**: I understand that. However, some of the systems you mentioned are off-the-shelf and have been tried and tested elsewhere. What I am really driving at is this: we have paid someone a proportion of £200-odd million to weave it all together into a layer that specifically suits us.

225. **Mr Crosby**: Absolutely.

226. **Mr Copeland**: However, we are not totally unique in that we are a devolved Administration and have a number of Departments. Who owns the intellectual copyright to the work that was done on our behalf and that was unique to us?

227. **Mr Crosby**: We own the work that is unique to us. However, we do not own the actual —

228. **Mr Copeland**: Copyright?

229. **Mr Crosby**: I am not sure whether copyright is the right expression, but certainly the intellectual rights.

230. **Mr Copeland**: I have no real reason to ask, but you know as well as I do that the first time you do something is the most expensive time to do it. Once you have it done, is there anything to prevent the system that we have paid for and that has been made for us

suddenly appearing on offer to another organisation structure or body?

231. **Mr Crosby**: Not as such. However, there is nothing to stop us using and deploying what we have learnt from developing the system to suit the Northern Ireland Civil Service business needs. Knowledge will be obtained in the course of developing any system. It is important to recognise —

232. **Mr Copeland**: John, we are not in the business of selling computer systems.

233. **Mr Crosby**: I know, but the Oracle system provides you with a shell or framework. It is like any accounting system; it comes off the shelf; it does not have your chart of accounts in it; it does not have your suppliers; and it does not have your users in it. Those have to be put in. Therefore, it is not of any use to anybody until it is configured for your business.

234. **The Chairperson**: It is unique to each individual business.

235. **Mr Rogers**: With regard to the bidder, etc, in November 2004 you moved quickly to get the preferred bidder but, by your own admission, you said that it was really the June 2006 contract when he signed up. In other words, the other three or four bidders had no opportunity to tender for the 2006 figure. Can you clarify something for me? When you were asked why you went so quickly to move to the preferred bidder, you said that it was to remove competitive tension. As an ordinary man on the street, I would have thought that a little bit of competitive tension would be good to ensure value for money and that the contract you signed in June 2006 was a competitive tender. How could you ensure that it was a competitive tender when it was so different from the one 18 months earlier?

236. **Mr Peover**: I do not think that it was hugely different. The competitive tension was at the point of procurement. We had five bidders and we chose a preferred bidder. That was at the competition stage. Thereafter, we had to work with the preferred bidder and flesh out the system and put pressure on him as part of the discussions. However, the competitive tension was there. It was not a single-tender action; it was not a single bidder; it was five bidders in competition with one another. Whatever the criteria, British Telecom (BT) came out as the preferred bidder. A decision has to be made at some stage, and it was made at that stage. We had five bidders, and we chose one.

237. **Mr Rogers**: You said that there was not a lot between 2004 and 2006. However, if you look at the costings, you will see that, in October 2003, the costing was about £113 million, but the costing in 2006 was £169 million.

238. **Mr Peover**: That is the outline business case. That is a different stage in the process.

239. **Mr Rogers**: There must have been a big change in the contract over that period.

240. **Mr Peover**: Again, we need to look back at this, as none of us was involved. Where there are five bidders involved, the decision on a preferred bidder is made in the competition between the five. Presumably, it was made on the basis of value-for-money criteria as well as quality, but we need to go back and have a look at it.

241. **Mr Rogers**: Do you not agree that, for the ordinary man on the street like me, it is hard to believe how a bit of competitive tension would not help to ensure value for money?

242. **Mr Peover**: Competitive tension was there at the point of the award of contract. There were five bidders, and we chose the best of those five bidders.

243. **Mr Rogers**: That was in 2004. It was signed 18 months later, but the goalposts had moved a bit.

244. **Mr Peover**: In April 2004, four of the five bidders were invited to submit outline proposals. The invitation to negotiate methodology was approved in July 2004. The formal proposals were submitted in October 2004, and the preferred bidder was selected in December 2004. So,

the process was completed reasonably speedily.

245. **Mr Rogers**: I am with you there, but it was not signed until nearly 18 months later.

246. **Mr Peover**: That was because we were in negotiation with the preferred bidder. Fiona might want to comment. She has personal knowledge of the issue.

247. **Ms Fiona Hamill (Department of Finance and Personnel)**: I have personal experience. I was the director of technical implementation for the project. The reason for the delay between the original contract and the signing of the contract was the detailed description of the service and what would be delivered. If you look at the Account NI contract, it runs to over 1,000 pages of very detailed specification for each module of the system. Each bit of that was subject to clarification and negotiation between the Account NI development team and the contractor. That is what took all that time. We had to be very clear with the contractors exactly what we meant when we said that we wanted a purchasing system and a reporting system. That explains, between selecting the bidder and getting to physically sign the contract, what was going on in that time. It was the fine-tuning of that huge contract from the very detailed issues such as how many reports will be produced, how many days it will take and how frequently we will back things up. That is what was going on in that period.

248. **Mr Rogers**: The fact was, and it has already been admitted, that the scope of the project changed over the period as well. So, my interpretation is that the November 2004 contract was not what was signed in 2006.

249. **Mr Wickens**: As I understand it, there would have been an outline contract in 2004, which would have been part of the preferred bidder evaluation process. The normal process after that is to get into the detail. Some cases take longer than others. This was a long one, given the detail, as Fiona said.

250. **Mr Crosby**: As I mentioned earlier, the changes are not substantive. The ones that I am aware of are as follows: extending the contract term to 12 years instead of 10 years; and adding in something that had not been there in the first place, responsibility for the legacy services that were with another company, the running down of those services, and the maintaining of those services until they were ready to cut over, and to keep those services live, in so far as people using the legacy systems needed them to complete their accounts and have their accounts audited. These were all costs that increased during that period as we began to understand more of what was actually needed.

251. **Mr Rogers**: OK. I will move on. I am sure that somebody else can pick those things up. Paragraph 2.12 states:

"DFP also removed a number of design elements on the basis of business need, for example, Project Accounting; Enterprise Planning and Budgeting; and Sales Order Processing."

252. How do you reconcile ensuring effective and efficient delivery of projects and value for money, and, at the same time, reviewing a project accounting module?

253. **Mr Peover**: Our customers did not need the system that we might have provided for them. With regard to sales order processing, we do not have that many sales. It was of no major value to the system, so there was no point in having modules that people did not need.

254. **Mr Rogers**: Surely, a project accounting module ensures that all costs are attached to a project and you know exactly where your money is going. How did you ensure that?

255. **Mr Crosby**: That is absolutely right. During the 2003 work on the outline business case — again, this predates me — it was envisaged that project accounting would solve the need for those parts of the organisation that needed to do what you just described. When we looked at project accounting retrospectively, once we got the rest

of the system in, we discovered that, first, it was impossible to retrofit and, secondly, that the off-the-shelf product was designed for a manufacturing business that wants to attract costs to projects. That is not the way government accounting works in that responsibility for expenditure sits with the finance directorate and not with project managers. So, it emerged down the line that there was not a perfect fit for the product and the business need. We have other means in the system and in the chart of accounts to charge costs associated with projects to those projects, and that is what most people use. As a result of that de-scoping, a credit was put back into the account to reverse that requirement out.

256. **Mr Rogers**: Was the Department of Finance and Personnel (DFP) given a particular budget within which to work that or was it like a blank chequebook?

257. **Mr Peover**: The cost in the full business case had to be justified.

258. **Mr Rogers**: If you leave out a module such as enterprise, planning and budgeting, how do you ensure that you are managing budgeting effectively and are forecasting effectively?

259. **Mr Peover**: Departments do that as part of the routine course of events. That is part of our normal business in managing budgets, and Account NI supplies lots of financial information that helps finance directors manage their budgets more effectively. I am not quite sure what the connection is. The costs of the project set out in the full business case decided the cost envelope that we had to work within. That is how we dealt with it.

260. **Mr Easton**: I notice that the removal of a module from the report resulted in 15 out of the 50 planned savings being unachievable. What was the rationale for that?

261. **Mr Peover**: John has just described it in the sense that it was deemed not to be a particularly necessary element of our business and would have been difficult to fit into the way in which we do our business. As John said, it is designed for a more commercial environment where there is a project and a project manager and you have the budget and deliver the project. Our budgets are managed differently in the public sector in that they are managed through finance directors. That was the rationale for it.

262. **Mr Easton**: Even though 15 were not achieved.

263. **Mr Peover**: There were 15 staff savings, yes.

264. **Mr Easton**: What was the result of those 15 not being achieved?

265. **Mr Peover**: The business case still stacked up. They were not crucial to it. The savings I described earlier were still made and are still being made. We are still demonstrating a good performance against the costs in the business case.

266. **Mr Easton**: How does Account NI assess its performance against comparable organisers?

267. **Mr Peover**: We have difficulty with that because, as Paul described, we have sought to find good comparators for our performance. We are unusual, if not necessarily a unique organisation, in that we cover 30 different organisations and provide services. We interface with them, and they all have different requirements. We manage 35 bank accounts and make payments on behalf of lots of different organisations from small to large.

268. Ideally, you want a directly analogous comparator so that you can say, “Here is an organisation that does more or less exactly the same job as we do and is doing it for half our cost or twice our cost”. That could be our comparison. We would like to be in that position, and the report has given us the stimulus to pursue benchmarking ourselves and see if we can find sufficient detailed information to allow us to do Paul’s apples and apples comparison rather than apples and chestnuts — I have never heard that comparison before. You are right: those comparisons need to be done. We do not have adequate

comparisons, and we will be spurred on by the report to try to achieve them.

269. **Mr Crosby**: Since the report came out, I have approached the health and education sectors in particular and have got some high-level figures from them. The only figures that they can give me at this time are direct staff costs, which come in at about £1·95, or just under £2·00, and that equates fairly readily with our £2·05, given that prompt payment in those sectors is nowhere near as good as ours. We certainly have plans to work with other people in Northern Ireland who provide a similar service in a similar context to Account NI. A difficulty with some of the organisations is that they are single entities. Some of the Northern Ireland comparators in the report are single entity organisations, which do not give a valid comparison with a shared service.

270. **Mr Peover**: Your point is correct. We would like to have those comparisons because they would provide us with reassurance that we are performing our duties effectively.

271. **Mr Easton**: Mr Crosby, out of the 22 planned project benefits from Account NI, the Department claims that 16 were achieved. Is that right?

272. **Mr Crosby**: Most of the benefits were planned in the original benefits realisation plan, and things have moved on since that plan was created. We accept that there were a lot more benefits in the plan that there ought to have been and that they were not all capable of being managed in their own right. One of the benefits in the plan, for example, was to improve staff morale. It is very difficult to separate staff morale after the introduction of a shared service from the impact of the recession on pay restraint, pension restraint, and so on.

273. We have to accept the criticism that there were too many benefits. However, if you go down the list of benefits in figure 8, most of them were delivered.

274. **Mr Peover**: The point that I should have made at the start is that we do not think that the benefits realisation plan is a good model. It consisted of 22 items, some of which were measurable and some of which were not, and some of which were baselined and some of which were not. Those items provide a context for the project and a rationale for doing it, but the idea that we might have measured 22 different things over a 10-year period was not a good one. That is why the 22 items were refined down to the four key benefits. I would not want to stand over the benefits realisation plan that was originally set out. However, if you regard some items as intangible, ask yourself whether we have a more flexible system than we had previously. If you ask the finance directors that, the answer will be yes. Do we do things more effectively? We could certainly not have done some things without the new systems.

275. There is an argument that the benefits were achieved, but it is very difficult to quantify them. There was a long list of benefits that might have flowed from doing this: most of them did flow, but I would be hard pushed to say that there was improvement of x% or y%. They are not like that.

276. **Mr Easton**: Do you accept that, for 17 of the 22 non-monetary benefits, there was a lack of evidence to support the assertion that you achieved them?

277. **Mr Peover**: Yes, I do. There is some evidence that they were achieved. We are a business that serves customers, and our primary customers are the finance directors in the Departments and agencies. We asked them whether they were basically content, and they said that, although there are problems, they are basically content. We can probably stand over the fact that the benefits were achieved to some extent, but I would not stand over any attempt to measure them or say that they were hard-edged SMART targets that were quantifiable.

278. I will go back to Mr Donnelly's point about key performance indicators. If you are looking at a project of this type, what you really want are four, five or half a dozen key performance indicators that

are at the core of what you are trying to do. You then assess your performance against those key performance indicators. Twenty-two is excessive. We could never have measured them, and it would probably never have been worth the effort as we would have had to have baselines and follow them right through. With the benefit of hindsight, the right thing to do would have been to have half a dozen benefits and to have pursued them.

279. **Mr Easton**: So you should not have gone for 22.

280. **Mr Peover**: No.

281. **Mr Wickens**: Across all the shared services, we have tried to simplify by agreement all our governance structures to make sure that we are measuring only the things that make sense.

282. **Mr Easton**: Who decided that you should go for 22 benefits, which could not be achieved?

283. **Mr Peover**: I would need to check that. I assume that, like most decisions in the public sector, it was made by a group or committee rather than by an individual.

284. **Mr Wickens**: They were part of the full business case benefits in 2006. That would have been part of the overall business case.

285. **Mr Copeland**: So the business case, which was considered and accepted, included benefits indicators that were deemed to be unachievable?

286. **Mr Peover**: No; they are intangible and difficult to measure rather than unachievable. I honestly think that some of them were achieved, but it is difficult to prove that because we do not have hard-edged measures.

287. **Mr Copeland**: The other issue, Chair — with your forbearance because it is perhaps slightly off track — is that the Civil Service is no different from any other large organisation. It is a business, but it is not a business in the traditional sense. Nothing frightens big organisations more than change. In many ways, a cultural change could have been seen as desirable. Did that have an impact on the culture of the Civil Service? Was it negative or good? More importantly, how was it assessed and measured?

288. **Mr Peover**: As I said, it was part of an overall programme of Civil Service reforms. There was a lot of concern about the impact. There is resistance to change in any organisation when there is a major reform programme. Many of the 293 staff would have had to cease what they were doing — perhaps what they had been doing for many years. On the HR side, it was even more radical because we were shifting functions from the Civil Service into the private sector and reducing the size of the retained HR functions in Departments. So people were going to —

289. **Mr Copeland**: Were there any redundancies?

290. **Mr Peover**: No. We redeploy staff rather than make them redundant. Bear in mind that we have a system of 20,000-plus staff. We have a turnover year on year from natural wastage, retirement and resignations of around 500 or 600 people — perhaps more than that — even in these times when people are hanging on to their jobs. Very rarely is it necessary to make people redundant. We can usually redeploy them. If people have been doing a job and enjoyed doing it, and suddenly someone says, “Sorry. We are not doing that any more. We are handing that out to a contractor”, or “We are centralising that in another organisation”, it causes them concern on a personal level. We did not have to make anybody redundant. However, it still meant that people had to move out of their usual roles.

291. **Mr Copeland**: Salaries are always a primary cost driver. If we have established that we did all that and that anybody who was previously employed to do that work, which is now being done by outside contractors, presumably at a cost, and account headings were just shifted about —

292. **Mr Peover**: What happens is that we have the same number of people, and

we do things differently. Those people can do other things that, hopefully, are useful, so we redeploy staff to more productive activity. People used to do back-office work that is now done largely through automated systems.

293. We did not really talk about how we have managed to achieve further savings. We have been streamlining our systems and looking at quality improvements in Account NI and the other systems, and trying to make ourselves more efficient. Savings are being made in the system. We are reducing costs and transferring them to other, hopefully more productive, activities.

294. **Mr Wickens**: I want to come back to your point about change and culture. It was a big thing for the Northern Ireland Civil Service to move from separate accounting organisations towards a single organisation doing things on their behalf. One way in which we tested that was with the gate 5 process, which is all about benefits realisation. It is run independently and is chaired by somebody from outside Northern Ireland. The gate 5 report recognised specifically that it is clear that the significant change in financial processing and the change in culture have been achieved successfully. I think that that is also recognised in user satisfaction reports and in Audit Office surveys. I think that they state that the finance directors are broadly satisfied with the way in which it is working for them today.

295. **Mr Girvan**: I know that a lot of emphasis is on what everyone thinks is wrong. I measure a service on the feedback of those who actually use it. Figure 10 shows that overall satisfaction goes from 42% in 2008 to 55% in 2012, so it is going in the right direction. Do you see that as good feedback? Almost half of the people who use it have had some difficulties or are perhaps not satisfied.

296. **Mr Wickens**: It is a very positive measure based on where it has moved from. To give you some idea of the fact that we will never be content, certainly in my organisation, I have a team that is specifically responsible for user experience. I have somebody whose title is “head of customer experience” and whose role is to understand, through independent surveys conducted by NISRA, what kind of feedback we are going to get and, on the back of that, drive change plans and change programmes. For each of the shared services, including Account NI, we have a continuous improvement plan that specifically seeks users’ views on the things that they do not like or the improvements that they want, and then that is fed in. Some of those will inevitably have associated costs, and some of those costs will be too much so we will have to get on within our cost envelope. However, we take that feedback very seriously and use it to drive further change.

297. **Mr Peover**: Mr Copeland made the point that people do not necessarily like change. When you ask people whether they are happier now with a centrally managed system than when they ran their own show, they may be reluctant to say that it is better. We are trying to provide commonality, consistency of approach and value for money. We want to improve our customer feedback.

298. **Mr Girvan**: To ensure that you get a satisfactory report, there has to be accuracy in the processing. Have you done benchmarking on the accuracy of the processing? By that I mean that, if, for argument’s sake, I send in an invoice for £15,554 and get paid £15,550, is that seen to be accurate? Has there been any feedback on that aspect?

299. **Mr Wickens**: I think that that goes beyond user satisfaction and into audit scrutiny. We are heavily audited on the basis of the very things that you are saying. As a public sector organisation, it is incumbent on us to prove absolutely that we have accuracy. We have a very strong audit trail in that respect.

300. **Mr Dallat**: I want to try to move the discussion on a bit. We began by discussing the car that Stephen was going to buy. Can we now assume that she is MOTed and ready for the road?

Will there be no more consultants? Will it no longer be top-heavy with senior civil servants? Will unit costs be lowered? Will the 45 bodies outside main Government embrace Account NI so that economies of scale can be achieved?

301. **Mr Peover**: I do not know. I am not the accounting officer for all those bodies. If I can give an example —

302. **Mr Dallat**: Sorry, I know that it is rude to cross over you, but you probably underestimate the value that I place on you *[Laughter.]*

303. **Mr Peover**: Thank you.

304. **Mr Dallat**: You are the boss cat. Do you not have any influence over those people at all?

305. **Mr Peover**: I hope that I have some influence —

306. **Mr Dallat**: Thank you.

307. **Mr Peover**: — but not in the sense of making decisions for them. There is an issue here about —

308. **Mr Dallat**: Is it a problem that you do not have the power to drag people in and, as Paul said, break down the culture of writing with a quill and not embracing new technology, and so on?

309. **Mr Peover**: Hopefully, not many of them are writing with quills. Some of the smaller organisations presumably have off-the-shelf accounting systems that, in a small organisation with a smallish budget and a few staff, is adequate for their needs. They do not need the sophistication of a system that is designed for £2·8 billion of expenditure. I do not think that we can prescribe that every organisation on that list of 45 should be a customer of Account NI. I think that many of them should, and I encourage my colleagues to use their influence as accounting officers in their Departments to push people towards Account NI. We have demonstrated success. We successfully brought in the DVA. John knows this well as he used to work there. The DVA —

310. **Mr Dallat**: I hope that it is still there after next week.

311. **Mr Peover**: Yes. The DVA was a difficult one as it involved two organisations: the Driver and Vehicle Testing Agency (DVTA) and Driver and Vehicle Licensing Northern Ireland (DVLNI). It had two accounting systems, and part of it, the DVTA, was a — what do you call it?

312. **Mr Crosby**: A trading fund.

313. **Mr Peover**: Yes, and it was the only one in Northern Ireland. It also had two different platforms for its accounting systems. So we brought in the DVA, which was a typically difficult one to do. We also brought in the DOJ, which again was a big complex family of organisations, and the PPS. We did that successfully and reduced the unit cost.

314. We think that we have a good service. We think that it is worth people buying into it, and we would encourage our partners in Departments and organisations to buy into Account NI when it suits their needs. They will have to make that decision. If you have only 30 staff and a budget of £1 million a year, it may not be worth buying into a system as complex as ours.

315. **Mr Wickens**: Can I just add a little bit to that?

316. **Mr Dallat**: I find that very useful. I accept that there are small organisations for which it is not worth it. However, what can you do to make sure that those that are big enough embrace this — I was going to call it a “monster”, but that would be grossly unfair — embrace Account NI?

317. We live in a small part of the world and cannot afford the luxury of setting Account NI up at a cost of £213 million, while others have the luxury of running their own wee department or spot and do not contribute to the economies of scale that it will achieve. From today’s session and the report that we will draw up — as you do not agree with part of the Audit Office report — could you help us with our report so that we do not have a repeat?

318. **Mr Peover**: I would very much welcome the Committee's encouragement to my colleagues to buy into Account NI. Those that bought into it — the three that I mentioned — each did a business case to justify using the system rather than doing their own thing. So each organisation would have to do a business case to satisfy itself that the cost of buying into Account NI is value for money.

319. As things stand, we think that the system delivers value for money. We are delivering against the business case and the savings that we were tasked to make. However, obviously, the more organisations that buy into our system, the better, and I certainly welcome the Committee's support of the wider extension of the Account NI system.

320. **Mr Dallat**: That is a good enough point for me to stop. I will go home happy in the knowledge that these little homelands that have existed in the Civil Service are things of the past and that Mr Peover has our full support in exercising his influence and authority to make this thing work.

321. **The Chairperson**: Mr Copeland then Mr Hussey.

322. **Mr Hussey**: No, he has been like a budgie all afternoon. *[Laughter.]* Mr Dallat is miffed when you mention cars because, of course, he drives a Morris Minor Traveller, and you are not really having it.

323. **Mr Dallat**: It did not cost £231 million.

324. **Mr Hussey**: It may one day be worth that.

325. **Mr Peover**: My first car was a 1953 Morris Minor with a split windscreen.

326. **Mr Hussey**: But you two are a lot older than me.

327. **Mr Dallat**: I am glad that we have something in common.

328. **Mr Peover**: So am I.

329. **Mr Hussey**: Somebody may have asked this question, but why was there a 12-year period for the contract? Where did the number 12 come from? Why 12 years?

330. **Mr Peover**: That is a good question. I assume that it was decided that it would deliver the best value for money over a 12-year period. I would need to go back and look at the justification.

331. **Mr Hussey**: It is a very strange figure. I have never heard of any contract being awarded for 12 years. With the technology that we are dealing with, which is changing every day — I said that emails would not catch on, so I am the expert on this — I feel that a 12-year contract is very difficult to justify.

332. What Departments or groupings in the Northern Ireland Civil Service do not use Account NI?

333. **Mr Wickens**: Can I pick up on the first question and maybe move on to the second. It is a 12-year contract. I think that 10 years was the original term that was considered, but it was seen that it was better value for money to spread the cost over 12 years. The contract was not for a static system, and it was not that we were putting in a system that we would use for the next 12 years. In fact, in the past six months, we have been through a complete technical refresh of the whole infrastructure and the hardware and software that sits underneath.

334. **Mr Hussey**: I accept that, but —

335. **Mr Wickens**: That was a big part of it as well.

336. **Mr Hussey**: As technology moves forward, the provider that you use may not necessarily be the one that is most up to date. I think that a 12-year period restricts that. Although I am sure that BT is wonderful, there are others that may be taking steps ahead of them. That is my concern about the 12-year contract.

337. Let us move on to who in the Northern Ireland Civil Service does not use Account NI.

338. **Mr Peover**: All the Departments use it and a number of the agencies —

339. **Mr Crosby**: All the agencies —

340. **Mr Peover**: All the agencies and a number of other —

341. **Mr Wickens**: All Account NI customers are listed in appendix 3.

342. **Mr Crosby**: The NDPBs not using Account NI are listed in appendix 4.

343. **Mr Hussey**: I am aware of that, but I am asking whether anybody does not use it. The list clearly shows us who uses it, but I want to know whether we are aware of anybody who does not use it.

344. **Mr Peover**: The only one that left was AFBI.

345. **Mr Hussey**: Who?

346. **Mr Peover**: The Agri-Food and Biosciences Institute. It left on the basis that it had a different set of needs because it is more commercial. It sells its services and attracts costs. All the agencies are in.

347. **Mr Hussey**: In the review of public administration, we are clearly going to do away with quite a few councils and go down to 11. I sat on various committees about that. Does Account NI have any intentions or hopes that, when the RPA happens, perhaps councils will use Account NI? Have any of the councils even suggested that they are interested?

348. **Mr Peover**: There are issues about the scope. When the original project was tendered, it was for the core system. Councils and health bodies are outside the scope of the contract, and we could not extend it to them without running the risk of challenge. The contract is due for renewal in 2018, and we have already begun the process of looking at how we get from here to a new contract. I reassure you that we will take advantage of technological advances between now and then, and we will certainly look at the scope. There are, however, limitations about how far we can extend Account NI's coverage.

349. **Mr Wickens**: As for the process for getting more bodies on board, I completely concur with the fact that there is an opportunity for the wider public sector in Northern Ireland. We can get better economies of scale for Account NI, deliver better value for money and get better visibility of costing for scrutiny purposes. Everybody accepts that it is a good thing to do. There are procurement obstacles to prevent our going to organisations such as councils. In appendix 4, another bunch of some 45 organisations is listed, some of which are having active conversations with their parent Departments and saying, "Do you not think that you should be encouraging this organisation to join?"

350. In the next few days, I have a meeting with one of the smaller Departments, which has a number of arm's-length bodies and NDPBs, to have that very discussion. I had a discussion with one of the bigger departmental boards yesterday on the same topic of how we can get its set of arm's-length bodies and NDPBs to join Account NI. It is an ongoing, active process, and we welcome the Committee's encouragement.

351. **Mr Hussey**: I find it difficult to accept why we have not had a service designed for Northern Ireland for all our government — local and regional — and why computers in district councils cannot speak to computers in the Departments that they deal with regularly. However, that is an argument for another day, but it concerns me. I am still not happy with the answer on the number of staff savings. It seems that there have been no savings. There was to have been a reduction in staff, but we still have the same number of staff. Is that the case, or did I misunderstand what you were saying?

352. **Mr Peover**: It depends on how you look at it.

353. **Mr Hussey**: It either is or it is not. That is how you look at it.

354. **Mr Peover**: There were 293 staff: 198 of those transferred to Account NI, 29 were retained in Departments, and 66 posts

were saved. Those are the basic figures. I did philosophy at university, and in philosophy, there are counterfactual conditionals. If nothing had changed, we would at least have achieved that, and we have, in fact, achieved more than that. There was a further reduction of 40 staff in Account NI, which would have brought us down to 158 from 198. So we would have saved the 66 who were in the original numbers and saved the 40 against that 158. In fact, it is back to apples and apples. If you try to get apples and apples and say, "Where do we stand today, leaving aside prompt payment and the other bodies that we have brought in such as the DOJ and the PPS?" If we leave those aside, we think that we have 132 staff in Account NI as opposed to the 198 that we started with. So we think that we have saved those staff. Some of them have been reinvested, because we have put staff back in to deal with prompt payment and those other bodies being brought on board. Like for like, staff numbers have gone down from 198 to 132. That is our view of the figures.

355. **Mr Hussey**: Being very philosophical, that went right over my head. We have not really saved anything. It is not just apples and apples; you are putting in apples, pears, grapes and everything else. The answer is that either we have reduced the number of staff or we have not.

356. **Mr Peover**: The answer is that we have reduced the number of staff.

357. **Mr Hussey**: Is it in line with what you suggested in the business case?

358. **Mr Peover**: We have exceeded the business case. If you take the additional issues such as the new departments that were taken on and leave aside prompt payment, we have exceeded the target set for us in the business case.

359. **Mr Wickens**: We are happy to write to the Committee to break the figures down, because it is difficult to get across in a meeting. There was a target of 158 staff — this is purely on a like-for-like basis — in Account NI. We are sitting today at 132 on a like-for-like basis. We have lots more staff than that because we have decided to do lots of extra things. We have been asked to do lots of extra things. Therefore, we have effectively reused the staff savings we made to do other things. We have netted off 26 additional savings beyond our target in the full business case. If you compare that on the departmental side, they are about five down once you do a netting-off, like-for-like comparison. We firmly believe that we have overachieved. We are happy to break that down and write to the Committee to show how we work that out.

360. **Mr Hussey**: They say that seeing is believing. I would be happy to see that. We will see where we go from there.

361. **Mr Peover**: We will certainly do that.

362. **The Chairperson**: In 2006, the final business case predicted that 72 members of staff would be released from the Department to take the project forward to the implementation phase. The total released at that time was 42. The Audit Office found that a number of individual consultancy contracts were properly approved and managed, but a number of consultancy requests at that time did not seek DFP supply or ministerial approval. Obviously, you would look for the right levels of authorisation, and you would want to cover that. The reason cited in the revised business case in 2011 was that in-house staff were unavailable. How was that the case? Will you clarify that?

363. **Mr Peover**: Departments were reluctant to release staff. It is like anything else: we were looking to them to give us good, well-motivated staff to help us to introduce Account NI. They wanted those good, well-motivated staff in their own organisations to carry on delivering the legacy systems and do whatever they wanted to do. We were effectively coming with a begging bowl and asking for resources. To be fair, we got 42 out of the 72, but we did not get the 72 whom we thought that we needed. That is why.

364. The report acknowledges the fact that Departments are understandably reluctant to give up staff to help a new project. They have their own priorities and pressures and simply do not want to give away resources. That is why we had to buy in consultants.

365. **The Chairperson**: Why did some of the consultancy requests not seek DFP supply or ministerial approval?

366. **Mr Peover**: That was the subject of a previous report. We talked about this issue during the review of consultancy. There may be some exceptions, but, in the main, those things were approved. Some of them may have been approved retrospectively, but they were approved. Ministerial and DFP supply approval were received. I need to check to be absolutely sure. The Audit Office report suggests that some of them were not but most, if not all, were. I think that I acknowledged previously that nobody wants consultancy to increase from £973,000 to £9·6 million, £9·7 million or whatever. However, that was required because of the inability of Departments to support the project to the extent that it needed to be supported to allow us to do it. The positive point is that, since 2009, we have not had to employ consultants. We have carried the process forward and skilled up our own staff. There has been a transfer of skills, which is also acknowledged in the report. We are managing the contract and bringing on new bodies without consultancy support, which is desirable. My Department's consultancy has dropped dramatically to a few hundred thousand pounds rather than millions of pounds, which it might have been in the past.

367. **The Chairperson**: Before I make my concluding remarks, does any other member wish to speak?

368. **Mr Rogers**: It is interesting that, on the basis of that, you needed 72 and were able to get 42. How have you taken on board, for example, the PAC report from April 2012 on the use of consultants and the 2009 report, which recommended:

"departments should always undertake a review of their capability to carry through ... projects. Those plans should consider and address the skills and resources available"

and

"properly identify the need for consultants to fill any ... gaps."

369. When you meet the C&AG and agree, partly agree or do not agree a report, how are those recommendations filtered down to the Departments to the level of SMART targets in Departments to achieve the recommendations?

370. **Mr Peover**: As a prologue to that, this was a new departure for us in engaging with the Audit Office as part of this project. It was very helpful and talked to us at various stages through the work, and we had a very constructive engagement with it. If I have appeared to be critical, I am not; it was a very good process and a model for how these processes should be done in the future. That was a very positive development.

371. You asked about the dissemination of lessons. The first part of that is the memorandum of reply, which is drawn up by the relevant Department and comes back to the Committee, giving the Minister's responses to the recommendations that the Committee brings forward. Those are disseminated to Departments, and Departments get to see the memorandum of reply. Quite often, a system is created. Let us take the consultancy example: in DFP, we now get annual returns from Departments on their consultancy spend so that we have overall sight of what is being spent. We also do a bit of analysis. We do a bit of deep diving; we ask them for the documentation in relation to some of the specific projects that they have let, to see whether they did a business case and whether they had ministerial approval, supply approval and so on. We do checking. Not only do we trust, we check. That is how we ensure that the lessons are carried forward from the comments and recommendations that come from the Committee and from other sources.

372. **Mr Rogers**: Say, for example, that they are way over budget for consultants when you review that. Would you, then, require them to sharpen up their targets for the following year in those areas?

373. **Mr Peover**: That is a matter for Ministers. A Minister in a Department has control of his or her own budget, and it is for them to decide how they want that budget spent. We would check the procedural side of it to see whether they have ministerial approval, whether they have done a proper business case, whether they have the documentation to show that the work that they commissioned is justified, whether they have done a post-project evaluation and whether, hopefully, they have had some transfer of learning to their staff as a result of the process. We cannot intrude on a Minister's decision on how to spend his or her own budget. If a Department seeks approval from its Minister to do something and gets it, that is the decision.

374. **Mr Rogers**: Yes, but after all, you are the accounting officer.

375. **Mr Peover**: Not for that Department. If the Health Department or the Department of Culture, Arts and Leisure, for example, want to engage consultants to do work for them, their accounting officer has to justify that decision. We would check the process to ensure that they have gone through the required stages. We would require the information in order to keep a bit of a challenge in the system. At the end of the day, it is not for me to tell the Culture Minister, the Agriculture Minister or the Enterprise Minister that they cannot do something. We work for Ministers, and it is their decision. They and their accounting officers have to account for it. They will be called before this Committee to account for themselves, if you think they have wasted money doing a particular piece of work.

376. **Mr Dallat**: Chairperson, I promised faithfully not to open my mouth again, but Stephen really does drag it out of me. Recently, one Minister took another Minister to court over a financial transaction. You are Mr Moneybags; you hold the money for the Assembly. Are you telling me that you have no influence or control over Departments that, I think, outrageously refuse to become part of an organisation that was set up at a cost of £231 million? Is that not the tail wagging the dog? I do not want to make such comparisons, but —

377. **Mr Peover**: I am touched by your faith in my influence.

378. **Mr Dallat**: You have to be: I do not want to go home tonight feeling that you have no control over the Budget of the Assembly.

379. **Mr Peover**: I am not going to go into a description of the process. Ultimately, the Executive decide on the Budget. The Executive allocate money to Departments, and it is for the Departments and Ministers to decide on how they want to allocate their resources. If there is a cross-cutting issue, they may need to come to the Executive or DFP for approval. I do not want to get into specifics. At the end of the day, if the accounting officer in DCAL or DETI decides that they need some consultancy support and their Minister agrees with them, provided they go through the proper processes, we in DFP do not say, "No, you can't do it". That is not our role. We can influence the overall allocation of resources, and we do that through the Finance Minister working with his Executive colleagues. Unfortunately, I do not have the power to stop some of these people doing some things.

380. **Mr Dallat**: Maybe "power" is the wrong word, but you are bound to have massive influence to change what Paul said was a culture of writing with quills.

381. **Mr Peover**: You and the Chair know — I have said this at sessions that we have had — that we regard the Committee as an ally and an asset to us in trying to enforce good standards of management of public money throughout the system. That is our role, and that is supported by the Assembly and the PAC. Therefore

the points we made earlier about you lending weight to our role in this and providing recommendations that we can point to and say to our colleagues, "We should be doing x rather than y" is helpful. Constitutionally, I am not capable of intervening in the Budget management of any of the other Ministers and saying they should not do what they are doing.

382. **The Chairperson**: Are you satisfied, Deputy Chairperson? Mr Easton, you wanted to —

383. **Mr Easton**: Finish my questions, yes. Mr Crosby, Northern Ireland Water, Belfast City Council, the Northern Ireland Housing Executive and Invest NI seem to perform better than Account NI, from the figures that we have. What are they doing that you are not?

384. **Mr Crosby**: That is a very good question. This information came to us fairly late, as the report was published. I have gone back to all four to ask them to explain the constitution of their figures. Only two of them — Belfast City Council and Invest NI — have come back to me. Both of them have said, "If you look at all of the things that are in your figure of £9·73, we do not include the half of that; in fact, we do not include most of it". The comparison that we have got back from them is that their direct cost of staff per transaction is much higher than ours.

385. **Mr Easton**: So, are you saying that we are being misled?

386. **Mr Crosby**: No, I am not saying that. I am saying what they told me when I asked them.

387. **Mr Peover**: It illustrates my point, Mr Easton, that I place no more credence in those figures than I do in the overall benchmarking. The real issue is that we do not know the proper break-up of these figures. They tell us things that may be true or partially true. We need to sit down with them and, line by line, go through how they allocate resources against their spend. The information that we have is that they seem to be in the same ballpark as us, but we do not place any great credence in that either. I would not want to rely on it.

388. **Mr Easton**: So, the figures that we have got may be misleading.

389. **Mr Peover**: It is the point that I tried to make earlier. We have £9·73, which is made up of a lot of things. It is our notional costing. We would not charge people on this basis, but, notionally, that is our charge per transaction. It includes lots of things that may or may not be relevant and which others may or may not include. The real point is the point that we made with the C&AG, which is that they have kicked this debate off. We think that it is a good debate, and it is the right debate. We need to benchmark properly, and we need to satisfy ourselves either that we are way out of line with everybody else, which seems unlikely given our performance in other areas, or that we are not counting the same things. If we are not counting the same things, we need to count the same things.

390. **Mr Easton**: So, you will stay in contact with the others and try to resolve how people get these figures.

391. **Mr Wickens**: We have kicked off a formal benchmarking project across Enterprise Shared Services. There are parts of ESS where we do fairly good benchmarking and on a cost basis. We want to make sure that we do it consistently. A fairly substantive project has just been kicked off on all of that.

392. **Mr Crosby**: In going forward, my emphasis is more likely to be on the health and education sectors to provide a more relevant comparison because of their scale, size and cross-functionality.

393. **Mr Easton**: Mine, too. I would be keen to get to the bottom of why the figures we are getting are somewhat different to yours.

394. **Mr Crosby**: Yes, so am I.

395. **Mr Easton**: You are using key performance —

396. **The Chairperson**: I think that Mr Donnelly wanted to come in there.

397. **Mr Donnelly**: Yes, Chair, those were the best figures available when we were constructing the report. In the absence of any other figures, it is a starting point of the debate, but it is not the end point. The main objective is to open up a debate on costs because there is nothing happening there at all.

398. **Mr Crosby**: I appreciate that that is the position, but, once you drill below the surface, you find more questions than answers.

399. **Mr Easton**: You are using key performance indicators now. You have 10 KPIs. Why were you not using them beforehand?

400. **Mr Crosby**: I beg your pardon?

401. **Mr Easton**: Were you using them before 2011?

402. **Mr Crosby**: Yes, we have been using them since we went completely live in 2009. In 2011, we had more than 10 KPIs, and we had a discussion with the finance services board about whether that was the right number and whether they were the right ones. We agreed at that meeting that the board wanted to monitor no more than 10 and that these were the 10 that it wanted to monitor. That is why there was a change at that time. It was simply on the presentation and who would review the figures.

403. **Mr Easton**: Why cannot Account NI streamline its processes to a level that matches top-performing competitors to achieve savings?

404. **Mr Crosby**: That comes back to whether we accept that the benchmarks we have been provided with are valid. Certainly, on the non-financial ones, Account NI performs as well or better than most others. Our prompt payment performance is exemplary, and the Audit Office has acknowledged that across other parts of the public sector in Northern Ireland. When you compare it with the private sector, it is not a requirement that they have to meet. They more normally pay in 60 days, as those of you who are connected with that will know.

405. **Mr Wickens**: If you compare with one or two of the others, one point that is often debated is the time to close the general ledger, which looks way out of kilter with the rest of the world. There is a simple answer to that, but first, the private sector is trying to manage its cash and close its accounts as quickly as possible. World class is T+2, where T is today and they try to close their accounts within two or three days. The best that we can get agreement on from all of our stakeholders — remember that we provide a service to their requirements — is nine days. We can be much quicker than that, but we provide the service on the basis of their demand. Some of these things do not stand on their own. It is not a matter of saying that somebody else can do it in this time, so we should also be able to do it in that time. It is based on the requirements of our customers and stakeholders.

406. **Mr Easton**: Is there any reason why Account NI has not monitored wider departmental finance staff numbers? The number of finance staff in NICS has increased substantially from 1,239 in 2006 to 3,221. That is an increase of 160%, yet the response to the NIAO survey suggests that staff numbers have decreased from 916 to 586. Why is that? Does nobody actually keep proper account of staff numbers?

407. **Mr Peover**: It depends on how you count these things. To answer your first point on whether we monitor them, the answer is “No, we do not”. The view was taken that the retained finance functions were a matter for Departments. They needed to decide what they needed for their own purposes. I think that that is dubious, personally, but that is the line that was taken.

408. Finance staff do lots of other things: budgeting, financial control, support to boards, governance, corporate planning and business planning. We have professionalised our finance function over the last 10 or 15 years. It would have been exceptional to have properly qualified accountants in our system. Now, since we have modernised our

accounting systems, we have properly qualified accountants. Fiona knows more about that than many of us.

409. We have changed the nature of our finance function. The bit that we are talking about in Account NI is not that range of other things. There are things that Departments will want to do within their own ambit. We provide that shared service to enable them to get the transaction side of things and the processing out of the way, and we think that we have done that effectively. If you were asking me personally whether I thought that we should look hard at the way retained finance functions are staffed, the answer would be yes. We are doing a bit of work on that already. However, at the end of the day, accounting officers and Departments have to satisfy themselves that their staffing is appropriate to their needs. If we were to say to them, "You have 10 staff; you could do with five" and they make do with five and the thing falls over, it would be our fault rather than theirs. The accounting officer is the person who has to come here and account to you and the Assembly for the performance of his or her Department — sorry, they are all "his" now. That is a heavy personal responsibility on accounting officers, and they need to be absolutely sure that they have got the systems and processes in place that satisfy them that they are delivering the services appropriately.

410. **Mr Easton**: But you do agree —

411. **Mr Peover**: I agree with you. We should rationalise and streamline retained finance functions.

412. **Mr Easton**: Yes, and we should know how many staff we have.

413. **Mr Peover**: Yes. It depends on the question you ask. If you ask people one question, you get one answer; if you ask them another question, you get a different answer.

414. **Ms Hamill**: I want to clarify a point. In relation to the apparent increase in numbers from 1,239 to 3,222 — 160% increase — unfortunately that is another instance of the basis of the calculation. We complete a survey for HM Treasury every year. Unfortunately, every year, HM Treasury changes the basis of how it wants figures reported between those who are directly related to finance and staff who have only a small engagement with finance. They are not figures that we in the NICS have ever audited or proofed ourselves. That is why the figures have increased so dramatically during the period. It is just the basis on which HM Treasury has asked us to report staff engagement in financial transactions. It is not any dramatic movement in staff numbers within the NICS. They are unaudited figures.

415. **Mr Girvan**: I want to come back to the point about not comparing apples with apples in relation to the cost. If we believe that we are there or thereabouts — I will accept that — there should be an operation where we go out to actively attract other Departments to come on board with this, and that goes back to a point that John made. I am one of those who say that, if you can actually deliver it cheaper and charge for the service, the Department will make the saving for that. I know that that is not a practice in the Civil Service, but, coming from the private sector, I look at it that way, and I think that everything should stand on its own. If you can get it more effectively and if you can buy that service in and do it by yourselves, still as part of the Northern Ireland Civil Service but delivering it more efficiently than it is being delivered at the minute with each Department having its own people to deal with payments and everything else, you would gain. There is merit in ensuring that everybody uses the same process and measures like with like. We should try to sell that as a way forward.

416. **Mr Peover**: To some extent, we do that. When we brought on the DOJ, PPS and so on, that was at a cost. They justified it against a business case, and, to them, it was a more efficient way of doing it. They could make savings and do it more effectively by coming within our system. They justified it to themselves, and we justified it to ourselves by saying that we

would do it at what it would cost us. The process that you just described does work.

417. There is a separate issue about hard charging. The charging for Account NI has been problematic for a long time, and we had a lot of difficulty with Departments at the outset in trying to apportion costs. If you think about it, we are effectively providing the same service, on a different scale obviously, to a Department such as DCAL with 420 staff as we are to DSD with 8,000 staff. How do you charge in a situation like that? Do you charge them all the same unit cost? How do you manage that process? There are issues about charging. There is a reference in the report to hard charging and a preference on the part of the Audit Office that hard charging is a good discipline because it inculcates the behaviours that you just talked about, such as looking for value for money, driving down costs and trying to find the most effective and most efficient way of delivering a service. When you work in our system, it requires you to create a bit of a bureaucracy because you have to estimate your costs, charge those out and issue bills and so on to your customers. There is an issue about how you do that. It is a policy issue that Ministers have to decide case by case, but we note the Audit Office's view that it is a good thing.

418. **Mr Girvan**: It is a good thing. Through your charges, you are making a calculated decision on all your costs that you have to run that. It is not just a bottomless pit.

419. **Mr Peover**: In a sense, we have brought the costs into Account NI. We can afford to run it because we have taken the costs from Departments. Effectively, we have charged them. We now hold those resources and provide services.

420. **Mr Girvan**: I would like to see where you can identify that when you cross-check from one Department or body's accounts and it shows the reduction in what they are drawing down. You rarely hear about Departments' moneys and the amount that they get. They are always bidding for more.

421. **Mr Peover**: To put it the other way round, in our system in Northern Ireland, we do not raise our own taxes but get a block grant. If £200 million is allocated to body X, it is in body X's interests to spend that £200 million for the benefit of the population of Northern Ireland. If it spends £10 million of that on staff, that is £10 million lost to the public. If it spends £8 million, that is £2 million more going on a public service rather than on staffing and so on. It works in our system.

422. **Mr Girvan**: Unless you come from a trade union background where you think the right way to do it is to spend it all.

423. **Mr Peover**: That is our system. We are allocated a block of money by the UK Government, and our job is to spend that effectively in providing services to our population. The more we spend directly on services to the public and the less we spend on back-office services, the better. The money should go to hospitals, roads, houses, nurses, doctors and so on.

424. **Mr Wickens**: We are effectively a mandated monopoly, and the Committee seems to be leading that way and saying that it wants us to be a bigger monopoly and do more for more organisations.

425. **Mr Girvan**: We are trying to get people to use the approaches that have been put in. We have put PEDU in place, and we want to ensure that people buy in to make sure of the shared services and, in doing so, get more efficient delivery overall for less money.

426. **Mr Wickens**: That is what I was going on to say. In ESS, I have a savings plan year on year to reduce my overall budget, and we have been meeting that so far. Because the funding that is in place is, effectively, centrally allocated, if we were to hard-charge, I would have to send out an invoice to individual organisations with a cheque attached from my budget to theirs for them to pay me back again. They would say, "I am not giving you all that back. I will only give you 95% back".

So, we would then have to create a debt management unit, which is where we were when we created Enterprise Shared Services in the first place and went for the central funding allocation. So, in a mandated monopoly, there is a slightly different argument that transparency of charging and costing is perhaps different from actual hard charging, but that one will run and run for some time yet as we continue to look at it.

427. **Mr Girvan**: I do not mean that cheques have to be transferring.

428. **Mr Peover**: We can certainly have notional charging.

429. **Mr Girvan**: Exactly. That is the way I see it.

430. **The Chairperson**: Mr Peover, thank you. In summing up, the key objective of Account NI and why it was set up was to simplify and rationalise the whole financial process and provide a common accounting system across the NICS. So, in doing that, it is bringing things back into economies of scale. I am sure that lessons have been learned from the debate today, but what procedures will now be put in place or are planned to be implemented in the light of the Audit Office report on Account NI?

431. **Mr Peover**: We will wait for the Committee's report and recommendations, which I assume will reflect at least some and maybe all of the Audit Office recommendations. The two big points that we talked about today are benchmarking and the creation of a key performance indicator for unit cost, and we will look at those issues very quickly. That will take that away. When we see your report, we will have a look at the recommendations and respond to them.

432. **The Chairperson**: The report shows a slight increase in customer satisfaction, and there was a particular focus on that in the debate today. I thank the auditor and the Audit Office, which has been acknowledged by you, Mr Peover, for flagging up the benchmarking issue.

433. **Mr Peover**: It was the first time that the Audit Office has engaged in the sort of process that we went through with it on the report, and it has been a very helpful process.

434. **The Chairperson**: That is to be welcomed, and it shows that we work effectively when we work together. Thank you, Mr Peover, Mr Wickens and Mr Crosby for you time. We may want to write to you for further information when the Committee does its debrief. Thank you, members, Mr Donnelly, Ms Hamill and Hansard.

Northern Ireland Assembly

Appendix 3

Correspondence

Correspondence of 19 February 2014 to Department of Finance and Personnel

Public Accounts Committee
Room 371
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19 February 2014

Stephen Peover
DFP Accounting Officer

Dear Stephen,

PAC inquiry into Account NI

Thank you for your participation in the Committee's evidence session on this inquiry on 22 January. I understand that you are planning to retire and wish you a constructive last few months in office. Of course you will come back to the Committee before enjoying what I hope will be a happy and healthy retirement.

As agreed at the meeting, please provide the following information for the Committee's consideration:

- From the 2003 outline business case to the 2006, the scope of the project changed. How did the scope change?; what effect did it have on the estimated costs?; and what services were not included in the outline business case that were added between 2003 and 2006?;
- The outline business case was considered in 2003 and tested for affordability, cleared with Ministers and approved, and you then moved forward on that basis. Please provide a comparison of the figures in 2003 with those of 2006;
- The preferred bidder in November 2004 was the bidder that was selected in June 2006, please provide information on the individuals involved in the process from 2004 to 2006 when the preferred bidder was selected;
- The AccountNI contract was awarded for a 12-year period, please provide information on the rationale for this time frame.

I would request a response on the above issues by 5 March 2014.

Yours sincerely,

Michaela Boyle
Chairperson,
Public Accounts Committee

Correspondence of 4 March 2014 from Department of Finance and Personnel

From the Permanent Secretary
Stephen Peover
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Ms Michaela Boyle
Public Accounts Committee
Room 371
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Stormont
Belfast
BT4 3XX

Our Ref: COR 28/2014

4 March 2014

Dear Michaela

PAC Enquiry into Account NI

I refer to your letter of 19 February 2014 and thank you for your kind comments regarding my forthcoming retirement.

In addressing your central concerns about the changes between the 2003 Outline Business Case (OBC) and the 2006 Full Business Case (FBC), I would first like to take the opportunity to set these in the context of guidance and best practice.

In general terms, a project's OBC provides the basis and authority to proceed to procurement, upon which it has served its purpose. An OBC reflects the evolving business requirement at that point in time and necessarily has to rely on estimated costs, based on the best information available. In the case of Account NI, the OBC approved in 2003 reflected costs of £113.6 million. As any competitive procurement progresses, more information becomes available and business requirements and associated costs are refined accordingly. By the time a project's FBC is complete, it reflects all of these changes and once approved, it becomes the baseline for the project going forward. It is not, therefore, unusual for costs to vary materially between OBC and FBC stages. In the case of Account NI, the FBC approved in May 2006 reflected costs of £169.4 million.

While the key deliverable of the Account NI project did not change substantively between the OBC and the FBC, there were a number of factors which meant that the estimated costs in the FBC were higher. While the integrated nature of the Account NI contract does not permit a meaningful breakdown of individual costs, the various factors driving the increase were clearly identified in the FBC and are outlined below for your information.

First of all, the decision to extend the project term from 10 to 12 years was one of the most significant elements in the increased costs and was taken with independent procurement advice. The basis for the decision was simply that over the longer period, it represented a better return on investment. This decision alone

meant that the full cost of running the shared service for two additional years had to be reflected. A hardware and software refresh were incorporated to accommodate this longer term.

Secondly, there were a number of updated requirements in the FBC reflecting the changing environment from 2003. Examples included e-commerce, internet access, electronic document transfer, online supplier catalogues, document scanning, and associated additional security requirements. These requirements did not represent a fundamental change to the key deliverable of the project.

In addition, a limited number of additional services were included primarily to minimize risk such as transitional services to maintain the legacy financial systems, a bulk printing service (eg. to print payable orders) and a central archive for the financial data held in legacy systems.

Furthermore, a number of changes understandably reflected a more informed view of costs over time. These included a revised approach to implementation, enhancement of business continuity requirements, additional customers, additional software licensing costs, a more comprehensive reporting solution, and updated accommodation and staff costs.

Finally, turning to the individuals involved in the process, the NIAO report acknowledges that appropriate governance and accountability arrangements were in place throughout the procurement and implementation phase. This included a Programme Board chaired by David Thomson in his role as the Senior Responsible Officer supported, in line with best practice, by key stakeholders and representatives from all Departments. Bruce Robinson was the relevant DFP Accounting Officer when the FBC was approved.

I hope you find this response useful.

Yours sincerely

Stephen Peover

Northern Ireland Assembly

Appendix 4

List of Witnesses who Gave Oral Evidence to the Committee

List of Witnesses who Gave Oral Evidence to the Committee

1. Mr Stephen Peover, Permanent Secretary, Department for Finance and Personnel (the Department or DFP);

2. Mr Paul Wickens, Chief Executive, Enterprise Shared Services (ESS), Department for Finance and Personnel;

3. Mr John Crosby, Director of ESS Finance Shared Services (Account NI), Department for Finance and Personnel;

4. Mr Kieran Donnelly, Comptroller and Auditor General (C&AG); and

5. Ms Fiona Hamill, Treasury Officer of Accounts, Department of Finance and Personnel.

Northern Ireland Assembly

Appendix 5

Additional Papers

Committee for Finance and Personnel
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Judith Finlay
DFP Assembly Section
Craigantlet Buildings
Stormont

16 May 2013

Dear Judith

NICS Human Resources: Shared Services Assembly Research Briefing

At its meeting on the 15 May 2013, the Committee for Finance and Personnel received a briefing on progress from Assembly Research on HR shared services in the NICS.

As a follow up to this briefing the Committee agreed to request DFP to provide a written response to each of the points raised in the Assembly Research paper.

I have attached the Assembly Research paper for DFP's consideration.

I would be grateful for a response by 31 May 2013.

Yours sincerely

Shane McAteer
Committee Clerk

Northern Ireland Assembly

Research and Information Service
Research Paper

Paper 000/00 | 15th May 2013 | NIAR 481-13

NICS Human Resources: Shared Services

This research paper presents an overview of the performance of the e-HR Programme, with a particular emphasis on its key shared service deliverable, HRConnect. The paper tracks the projected benefits from the e-HR Programme's Full Business Case across its subsequent performance reviews. The paper begins with a summary of the potential benefits and pitfalls of shared services projects, before turning to the various methods of benefits measurement. The paper then assesses the performance of the e-HR Programme utilising these methods, suggesting points for future scrutiny by the Committee for Finance and Personnel.

Key points

- To overcome criticism of existing shared services projects, and support the development of shared services projects in the future, it is imperative that benefits are properly measured in a clear and demonstrable way;
- The Committee has taken a keen interest in the Department for Finance and Personnel's Enterprise Shared Services, particularly the performance of HRConnect (see pages 13-15). The Committee has been concerned with the early "teething problems," such as payroll disputes and delayed implementation that HRConnect experienced;
- There has been a modest increase in the level of customer satisfaction with HRConnect (see Appendix), although critics may point to these increases starting from a low base;
- The overall picture of the e-HR (electronic Human Resources) Programme's performance remains unclear due to the absence of clear baseline positions and the difficulty in ascertaining whether these benefits have in fact been realised (see pages 16-28); and,
- The findings from this assessment of the e-HR Programme, such as an absence of baseline data and insufficient benefits tracking, indicate the need for a more rigorous and consistent methodology in measuring performance, that is easily comprehensible for external scrutiny.

Contents

Introduction

The underlying principle of the shared services concept is to save money by reducing the duplication of functions. In the public sector, standardisation has largely been restricted to 'back-office' functions such as Human Resources and Information Technology processes.[1] It is claimed that this allows organisations to focus on their core functions and thus improve the quality of service to their customers.

In line with the growing trend across the public sector to implement shared services, the Department of Finance and Personnel (DFP) established Enterprise Shared Services (ESS) as a Directorate within DFP in January 2010. ESS brought together six previously separate projects to improve coordination between common corporate services. The projects are: Account NI; The Centre for Applied Learning; IT Assist; Network NI; Records NI; and, the focus of this research paper, HRConnect.

HRConnect was the key deliverable from DFP's 'e-HR (electronic Human Resources) Programme.' It aimed to streamline and modernise HR functions across the Northern Ireland Civil Service (NICS), and also to deliver other elements of the Future Service Delivery Model for NICS HR.

HRConnect includes the main shared services elements of the e-HR Programme, such as the online self-service functions and a Shared Service Centre to handle all routine HR queries and transactions, such as sick leave and payroll services. The NICS entered into a strategic partnership with Fujitsu in March 2006 to deliver HRConnect's shared services.

The purpose of this paper is to measure the performance of the e-HR Programme, with a particular focus on its key deliverable, HRConnect. The paper is to support the Committee for Finance and Personnel in its scrutiny of shared services, which falls within the remit of DFP. This paper:

- Provides the context for the HRConnect element of the e-HR Programme by outlining the growth of shared services projects, their potential benefits and pitfalls (section 1 below);
- Outlines various methods of benefits measurement used to assess shared services and other projects (section 2); and,
- Measures the performance of the e-HR Programme by tracking the progress of projected benefits across subsequent performance reviews (section 3).

1 Hammond, E (2011) 'Shared services and commissioning' available online at: http://www.cfps.org.uk/publications?item=6982&offset=25 (accessed 19 February 2013)

1. The growth of shared services

In the climate of public expenditure reductions, the United Kingdom (UK) Coalition Government has been seeking to find more cost effective ways of delivering public services, with shared services projects seen as a key part of this approach. Enthusiasm for shared services has not been limited to the UK, with Canada, New Zealand, and the Republic of Ireland all embarking on shared services projects in recent years.

While a feature of the private sector in the 1980s, the use of shared service arrangements in the public sector was given impetus by Sir Peter Gershon's 2004 Report, *Releasing Resources to the Front Line*. The Report identified a strong link between shared services and increased efficiency.[2] Along with the UK Civil Service, the Northern Ireland Civil Service (NICS) embarked on a major programme of reform in 2004, focusing on rationalising support services in HR and accounting services.

Although public sector bodies in Northern Ireland were not under the same financial pressures to radically reduce costs as those in Great Britain,[3] this reform programme led to the creation of Enterprise Shared Services (ESS). The initial focus of ESS has been on 'back-office' rather than customer-facing functions, with the aim of improving coordination between common corporate services.[4]

ESS is not specifically referenced in the Programme for Government 2011-15 (PfG). Nevertheless the 2012 framework for the strategic direction of ESS, known as *ESS2020*, outlines how DFP believes that shared services "should be viewed as an enabler to support delivery of the PfG's overarching priorities – in particular 'the delivery of High Quality and Efficient Public Services'."[5]

More specifically, the *NICS People Strategy 2009 to 2013* envisaged HRConnect as providing the opportunity for continuous improvement of HR service delivery through the enhanced measurement and use of management information. Examples include the use of benchmarking and an HR balanced scorecard to assess the quality and performance of HR services in the NICS.[6]

1.1. The potential benefits

The use of shared services have been promoted as a way to make significant savings, with the following identified as the main benefits:

- Saving money by producing **"economies of scale"** through standardisation and centralisation. Larger processes can be performed, and thus the unit cost of each transaction falls;
- Being part of a strategy to separate front and back office functions, thereby **making both front and back office more efficient**; and,

2 Gershon, P (2004) 'Releasing Resources to the Front Line: Independent Review of Public Sector Efficiency' available at: http://www.hm-treasury.gov.uk/d/efficiency_review120704.pdf (accessed 8 January 2013)

3 DFP (2012) 'ESS2020: A Framework for the Strategic Direction of Shared Services in the NICS' (see page 1)

4 CFP (2010) 'NICS Shared Service Centres, 27 January, Official Report (Hansard)' available from: http://www.niassembly.gov.uk/assembly-business/official-report/committee-minutes-of-evidence/session-2009-2010/january-2010/nics-shared-service-centres/ (accessed 4 April 2013)

5 DFP (2012) 'ESS2020: A Framework for the Strategic Direction of Shared Services in the NICS' (see page 8)

6 NICS (2009) 'NICS People Strategy 2009 to 2013' available at: http://www.dfpni.gov.uk/nics_people_strategy__24_march_09_.pdf (accessed 22 April 2013) (see page 15)

- Bringing services operated by a number of different partners together, and in so doing, **minimise duplication** and **enhance the customer experience**.[7]

In a literature review of shared services,[8] supporters of the concept pointed to a multitude of additional benefits that may flow from these benefits (see Table 1). In the current economic climate, the successful implementation of shared services projects, and the attendant benefits, are argued by proponents to offer a welcome remedy to public expenditure ills.

Table 1: the benefits of shared services

Saving money by producing "economies of scale"	**Making both front and back office more efficient**	**Minimise duplication and enhance the customer experience**
Potential for value and revenue regeneration Accumulation of intellectual and capital assets Effective use and access to resources	Efficiency gains from increased flexibility and staffing resources Synergies of collaboration with like-minded organisations Access to wider range or depth of skills and expertise Infrastructure management Practical response to policy issues	Organisational responsiveness Focus on core business functions Single point of contact for customers – 'one-stop shop' Common ICT and shared platforms Better access to sharing of information

1.2. The potential pitfalls

Despite a growing trend for the use of shared services arrangements in the public sector, there is criticism of the purported benefits and the difficulty of measuring these benefits.

1.2.1. Criticism of the benefits

Critics argue that sharing back office functions may not necessarily be a "magic bullet" for a challenging budget position. Research carried out by New Local Government Network suggested that in the best case scenario, back office shared services had the potential to make only 3% savings, for most public bodies, on total expenditure. They believe that a more realistic estimate would be 1.5% of savings across the board. In addition, short- and medium-term savings from a shared services project may be swallowed up by the significant cost of implementation in the first instance.[9]

The lack of savings if economies of scale are not realised is evidenced in the National Audit Office's (NAO) 2012 Report on *Efficiency and reform in government corporate functions through shared service centres.* The Report reviewed shared services in Whitehall departments, which collectively cost £500m more than originally estimated. The Report concluded that these shared services were overly tailored to individual customers, significantly reducing the ability of Shared Service Centres (SSC) to make efficiencies and

7 Hammond, E (2011) 'Shared services and commissioning' available online at: http://www.cfps.org.uk/publications?item=6982&offset=25 (accessed 19 February 2013)

8 Kamal, M. M (2012) 'Shared services: lessons from private sector for public sector domain' in Journal of Enterprise Information Management, Vol. 25(5), pp. 431-440.

9 Hammond, E (2011) 'Shared services and commissioning' available online at: http://www.cfps.org.uk/publications?item=6982&offset=25 (accessed 19 February 2013) (see pages 3-4)

reduce overheads.[10] One particularly vocal critic of the shared services concept argues that the 'economies of scale' that shared services claim to achieve are in fact a myth.[11]

As well as a lack of savings, critics point to the non-monetary costs of shared service projects. Potential job losses and staff relocation, coupled with a failure to involve staff and trade unions at the planning stages, can lead to opposition that will inhibit the realisation of benefits from shared services projects.[12]

Critics also claim that many shared service initiatives are predicated on and inspired by private sector models, with insufficient consideration of the wider structural, cultural and policy levers that could be problematic for shared services in the public sector.[13] The potential to make significant savings is not only complicated by the statutory responsibilities public sector bodies face, but also in light of the tendency for shared services projects to be spread over multiple organisations, complicating the integration of services.[14]

1.2.2. Difficulties of measuring benefits

The difficulties in measuring the benefits of a shared services project may arise for a number of reasons, namely: a lack of benchmarking; an absence of baseline data; and, insufficient benefits tracking. Each is explained below:

- A **lack of benchmarking** can undermine a shared service project before it has been fully implemented. In the aforementioned Whitehall case, one of the key difficulties according to the NAO, was that the UK Coalition Government had "not developed the necessary benchmarks against which it could measure performance and drive improvement";[15]
- An **absence of baseline data** was cited by the Northern Ireland Audit Office (NIAO) as complicating the measurement of shared service benefits. The 2008 Report *Shared Services for Efficiency* found that the development of projects was "complicated and prolonged, due to the absence of baseline data, available in a uniform basis, on the historic cost and performance of the services being provided."[16] The Assembly's Public Accounts Committee's (PAC) response to this Report stated:

  the absence of baseline data makes it much more difficult for the Department to demonstrate, and for the Committee to assess, whether value for money has been maximised;[17]

10 NAO (2012) 'Efficiency and reform in government corporate functions through shared service centres' available online at: http://www.nao.org.uk/idoc.ashx?docId=cc7b4441-ea1b-4327-acb1-6e0cdf1aa0f4&version=-1 (accessed 15 January 2013)

11 Seddon, J (2012) 'Shared illusions' in Public Finance, available online at: http://opinion.publicfinance.co.uk/2012/07/shared-illusions/ (accessed 16 January 2013)

12 Whitfield, D (2007) 'Shared Services: Strategic Framework' available online at: http://www.european-services-strategy.org.uk/publications/essu-reports-briefings/shared-services-strategic-framework/essu-shared-services-strategy.pdf (accessed 16 January 2013) (see page 5)

13 Thornton, J (2012) 'You don't share it well' in Public Finance, available online at: http://www.publicfinance.co.uk/features/2012/11/you-dont-share-it-well/ (accessed 4 February 2013)

14 Kamal, M. M (2012) 'Shared services: lessons from private sector for public sector domain' in Journal of Enterprise Information Management, Vol. 25(5), pp. 431-440.

15 Thornton, J (2012) 'You don't share it well' in Public Finance, available online at: http://www.publicfinance.co.uk/features/2012/11/you-dont-share-it-well/ (accessed 4 February 2013)

16 NIAO (2008) 'Shared Services for Efficiency – A Progress Report' available online at: http://www.niauditoffice.gov.uk/index/publications/report_archive_home/reports_archive_2008/shared_services_for_efficiency.pdf (accessed 14 January 2013) (see page 25)

17 PAC (2010) 'Report on a Review of the Gateway Process' available online at: http://archive.niassembly.gov.uk/record/committees2009/PAC/100204_ReviewoftheGatewayProcess.htm (accessed 6 February 2013)

- **Insufficient benefits tracking**, from their projection at the beginning of a project through subsequent performance reviews, can create several problems, with the cause of success or failure in shared services projects difficult to assess.[18]

The difficulties in measuring benefits are not unique to shared service projects. The NIAO's 2012 *Review of the Efficiency Delivery Programme* focused on 42 efficiency projects drawn from the four largest spending departments. The Review examined the extent which Efficiency Delivery Plans produced by these departments had delivered true efficiency savings as required by the 2008-11 Budget, noting a "lack of comprehensive baseline information at the outset."[19] The Review concluded that:

> *although there is extensive guidance on best practice in the measurement of efficiencies this had not been followed in most of the projects [the NIAO] examined.*[20]

Although the difficulty of measuring benefits permeates other public sector programmes, as the evidence outlined above indicates, it is arguably a more acute issue in the case of shared services. Commentators argue that the failure to properly measure benefits could undermine the very concept of shared services itself.[21]

This paper will now examine some of the benefits measurement guidance (section 2) in order to set the context for the assessment of the e-HR Programme's performance (section 3).

18 BuyIT (2006) 'Shared Services in the Public Sector'

19 NIAO (2012) 'Review of the Efficiency Delivery Programme' available online at: http://www.niauditoffice.gov.uk/index/publications/recent_reports/efficiency_final.pdf (accessed 13 February 2013) (see page 20)

20 NIAO (2012) 'Review of the Efficiency Delivery Programme' available online at: http://www.niauditoffice.gov.uk/index/publications/recent_reports/efficiency_final.pdf (accessed 13 February 2013) (see page 2)

21 Cross, M (2009) 'Sufficient Sharing? (shared services in government)' in GovernmentIT (see pages 26-27)

2. Methods of benefits measurement

To answer criticisms of shared services, it is imperative that the realisation of benefits (or otherwise) are properly measured. DFP has produced its own guidance for benefits measurement in accordance with Her Majesty's Treasury and the Office of Government Commerce (OGC) standards, highlighting the importance of identifying:

> *potential benefits, their planning, modelling and tracking, the assignment of responsibilities and authorities and their actual realisation.*[22]

This section provides an overview of benefits measurement methods, several of which were employed by DFP in its performance reviews of the e-HR Programme.

2.1. The Gateway Review process

The standard of benefits measurement is known as the 'Gateway Review' process. It was developed by OGC, and launched in England in 2001, and in Northern Ireland in 2004. The purpose of the Gateway Review process is to improve the delivery and value for money of IT-enabled and construction projects.

The reviews are carried out at five key decision points or "gateways" by a small team of independent practitioners, who are external to the project.[23] The reviews tend not to be publicly available, with the Senior Responsible Officer (SRO) the intended audience. The most relevant gateway to this paper is the fifth, the 'Benefits Realisation' stage, which aims to ascertain whether the projected benefits set out in the Full Business Case have been successfully realised. For example, a Gateway Review 5 will ask:

- Does the organisation have performance measures to cover all aspects of the contract?;
- Do the selected performance measures offer clear and demonstrable evidence of the success (or otherwise) of the contract?; and,
- Are performance measures that relate to delivery or capability improvement tracked against an existing baseline?

Despite the adoption of the Gateway Review process since 2004, Northern Ireland has departed from the usual OGC approach. The Gateway process has been limited in Northern Ireland to medium and high risk projects (those with a score of 31 or above on the Risk Potential Assessment scale), precluding low risk projects from being subject to Gateway Reviews.[24] The NIAO's 2009 *A Review of the Gateway Process: The Management of Personal Injury Claims* expressed concern that opportunities to improve value for money were being lost by the failure to apply Gateway Reviews to low risk projects. For example, not all of the ESS projects were subject to Gateway Reviews; with the Centre for Applied Learning deemed too low risk a project in terms of capital spend. The Full Business Case of the e-HR Programme makes clear that it is to be monitored under OGC guidance, including the full Gateway Review process.[25] The fifth gateway was completed for the e-HR Programme

22 DFP (2003) The Northern Ireland Practical Guide to the Green Book: DFP's Guide to the Appraisal, Evaluation, Approval and Management of Policies, Programmes and Projects, available online at: http://www.dfpni.gov.uk/index/finance/eag/eag-implementation/benefits_management_and_realisation.htm (accessed 19 February 2013)

23 OGC (2007) 'OGC GatewayTM Process Review 5: Operations review and benefits realisation' available online at: http://www.dfpni.gov.uk/cpd-coe-ogcgateway5-operations-review-and-benefits-realisation.pdf (accessed 14 January 2013) (see page 3)

24 NIAO (2009) 'A Review of the Gateway Process: The Management of Personal Injury Claims' available online at: http://www.niauditoffice.gov.uk/index/publications/report_archive_home/reports_archive_2009/a_review_of_the_gateway_process___the_management_of_personal_injury_claims.pdf (accessed 11 March 2013) (see pages 6-7)

25 eHR Programme: HR Services Project Strategic Partner Document, Final (v2.0) Full Business Case (2006) (see page 14)

on 13 June 2012, entitled *OGC GatewayTM Process Review 5: Operations review & benefits realisation*.[26]

The Gateway Review model has been exported to Australia, the Netherlands and New Zealand, as well as several Asian countries. It has been suggested that the use of Gateway Reviews saved the UK Exchequer over £2.5 billion by 2007 as a result of 700 Gateway Reviews.[27] In Northern Ireland, the Central Procurement Directorate has claimed that Gateway Reviews have produced savings of £25 million.[28]

However, it was unclear from an evidence session with the PAC whether value for money savings can be directly attributed to the Gateway Review process.[29] A senior Department of Regional Development (DRD) official said that not once in his role as SRO in receipt of Gateway Reviews had they "produced recommendations for better value for money." Indeed, DFP also had difficulties with the assertion that value for money is a major objective of the Gateway process.[30] Nevertheless, the DRD official did go on to say that "the gateway review process has real value in helping departments and project teams to deliver better the project in which they are engaged."[31]

2.2. Benefits Realisation Report

The Gateway Review process is not the only method recommended to measure benefits. A Benefits Realisation Report forms part of an on-going internal monitoring process to establish the extent to which benefits have been achieved to date, and what remains to be done to ensure they are fully realised. In the case of the e-HR Programme, a benefits realisation report entitled the *E-HR Programme Benefits Progress Report* was produced in early 2011.[32]

2.3. Post-Implementation Review

A Post-Implementation Review is another internal oversight procedure that looks at a project after its implementation. A SRO is tasked with reviewing the performance indicators of a project, including the costs and benefits to date, user satisfaction, and the continued alignment to the business strategy.[33] The Post-Implementation Review for the e-HR Programme was completed on 1 December 2011, entitled *e-HR Programme Post-Implementation Review (PIR)*.[34]

26 OGC (2012) 'OGC GatewayTM Process Review 5: Operations review & benefits realisation'.

27 Fawcett, P and Marsh, D (2012) 'Policy Transfer and Policy Success: The Case of the Gateway Review Process (2001-10)' in Government and Opposition, Vol. 47(2), pp. 162-185.

28 NIAO (2009) 'A Review of the Gateway Process: The Management of Personal Injury Claims' available online at: http://www.niauditoffice.gov.uk/index/publications/report_archive_home/reports_archive_2009/a_review_of_the_gateway_process___the_management_of_personal_injury_claims.pdf (accessed 11 March 2013)

29 PAC (2010) 'Report on a Review of the Gateway Process' available online at: http://archive.niassembly.gov.uk/record/committees2009/PAC/100204_ReviewoftheGatewayProcess.htm (accessed 6 February 2013)

30 NIAO (2009) 'A Review of the Gateway Process: The Management of Personal Injury Claims' available online at: http://www.niauditoffice.gov.uk/index/publications/report_archive_home/reports_archive_2009/a_review_of_the_gateway_process___the_management_of_personal_injury_claims.pdf (accessed 11 March 2013) (see page 4)

31 PAC (2010) 'Report on a Review of the Gateway Process' available online at: http://archive.niassembly.gov.uk/record/committees2009/PAC/100204_ReviewoftheGatewayProcess.htm (accessed 6 February 2013)

32 DFP (2011) 'E-HR Programme Benefits: Progress Report.'

33 CIPFA (2003) 'Guidelines on Developing a Business Case and Option Appraisal.'

34 DFP (2011) 'e-HR Programme Post-Implementation Review (PIR) 1 December 2011.'

2.4. PwC's Saratoga Methodology

PricewaterhouseCooper's (PwC) Saratoga method draws insight from workforce data (including metrics, surveys, and predictive analytics), to help align a company's measurement programme with the objectives of a company's strategy and HR programmes. An HR Scorecard is used to demonstrate performance against comparative benchmarks, such as the performance of an organisation across a given time period and external samples from both the public and private sectors that have similar challenges and operating models as the organisation under review.[35]

In addition, PwC claims the metrics used by the HR Scorecard are viewed together with an assessment of internal trends, allowing additional insights to be gained. PwC claims the Saratoga method helps a company "meet its HR measurement and benchmarking strategies to improve productivity, discretionary efforts and return on investment in human capital."[36]

PwC completed an NICS-wide HR benchmarking exercise in March 2011, which included some of the services the e-HR Programme aimed to deliver.[37]

2.5. The Drummond MacFarlane model

A new approach to benefits measurement has been developed by Drummond MacFarlane, which while not replacing detailed financial planning, supports committees in terms of scrutiny and Benefits Realisation tracking.[38] The "evaluation tool" has been used in several local councils in England. It requires a determination of an initial baseline position before focusing on the financial and non-financial benefits that may occur from implementation of shared services projects.

35 PricewaterhouseCoopers (2011) 'HR Benchmark Report: Northern Ireland Civil Service & Northern Ireland Office.'

36 PwC Saratoga, available online at: http://www.pwc.com/us/en/hr-saratoga/index.jhtml (accessed 19 February 2013)

37 PricewaterhouseCoopers (2011) 'HR Benchmark Report: Northern Ireland Civil Service & Northern Ireland Office.'

38 Local Government Association (2012) 'Appendix 1: evaluation tool' in Services shared: costs spared? An analysis of the financial and non-financial benefits of local authority shared services, available online at: http://www.local.gov.uk/c/document_library/get_file?uuid=598051c8-c99c-4b7c-8d26-cc1d0b9607d7&groupId=10171 (accessed 7 January 2013) (see page 2)

3. HRConnect and the e-HR Programme

HRConnect, the key deliverable of the e-HR (electronic Human Resources) Programme, is part of ESS which envisaged reform in the public sector to improve co-operation and co-ordination between common corporate services. According to its Full Business Case, completed in February 2006, the e-HR Programme aimed to transform and modernise the personnel function throughout the NICS, by delivering elements of the Future Service Delivery Model.

A large part of the e-HR Programme was to be delivered by shared services projects, namely HRConnect and some aspects of Corporate HR.[39] On the HRConnect side, outdated IT systems were to be replaced, and a centralised administrative personnel service from a SSC was to be created. The SSC would handle all routine HR queries and transactions, such as sick leave and payroll services, allowing HR staff in departments to focus on strategic and high value HR activity.[40]

HRConnect comprises of seven HR services: External Recruitment; Internal Vacancy Management; Employee Relations; Non-Industrial Payroll; Industrial Payroll; Learning and Development; and, Performance Management.[41]

The e-HR Programme adopted a revised deployment approach, which was to delay the roll-out of the full range of services and the broader NICS HR Service Delivery Model to August 2009. A number of less critical programme deliverables were subsequently implemented through a Programme Completion Plan in mid-2011.[42]

3.1. The Committee for Finance and Personnel's scrutiny of HRConnect

The Committee for Finance and Personnel (CFP) and PAC have previously undertaken scrutiny of both ESS and the e-HR Programme, holding several evidence sessions with DFP officials in recent years. At an early stage CFP signalled its eagerness "to receive regular updates on the performance of shared services, including substantiation of reported efficiencies."[43]

For example, the PAC considered the increase in the projected cost of HRConnect from £328 million to £465 million. PAC ultimately found the increase acceptable given that the strategic partnership NICS entered into with Fujitsu in March 2006 increased from 10 to 15 years. In addition, the higher level of upfront capital payments and a lower level of service charges were to be payable to the contractor over the term of the contract.[44]

CFP's focus of scrutiny has been on HRConnect, as it has been the most visual key deliverable from the e-HR Programme. It was also the only privately outsourced aspect of the programme and experienced some high-profile "teething problems" during its implementation.

The issues previously scrutinised by CFP are summarised below:

- **Payroll problems** - In some cases the new payroll system implemented in 2008 did not accurately pay staff (both underpaying and overpaying employees). There was also disappointment in the quality of service provided by the SSC in response to these issues.

39 The shared service elements of Corporate HR include a policy development and shared pensions service for NICS HR.

40 eHR Programme: HR Services Project Strategic Partner Document, Final (v2.0) Full Business Case (2006) (see page 17)

41 DFP (2010) 'Enterprise shared services' available online at: http://www.dfpni.gov.uk/enterprise-shared-services (accessed 3 April 2013)

42 DFP (2011) 'E-HR Programme Benefits: Progress Report' (see page 3) and DFP (2011) 'e-HR Programme Post-Implementation Review (PIR) 1 December 2011' (see page 3).

43 CFP (2010) 'Report on the Preliminary Inquiry into Public Sector Efficiencies' available online at: http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_60_09_10R.html (accessed 5 February 2013)

44 AC (2008) 'Report on Shared Services for Efficiency – A Progress Report' available online at: http://archive.niassembly.gov.uk/public/2007mandate/reports/2008/report210809R.htm (accessed 12 May 2013)

- In a further evidence session in January 2010, DFP officials informed CFP that while the bulk of complaints continued to relate to payroll, by mid-2011 HRConnect was achieving its 99.9% accuracy target;[45]
- **Staff satisfaction** – In July 2009, the SRO for HRConnect admitted to the Committee that the "main element of concern was the accuracy of the payroll. That was very difficult, and caused huge reputational damage to us." [46]
- In correspondence with CFP in October 2010, the Northern Ireland Public Service Alliance highlighted the 2009 Millward Brown Ulster research that found only 23% had a positive experience with HRConnect. The results of the 2010 and 2011 customer satisfaction surveys are given in the Appendix of this paper, which demonstrate some improvement. However, critics may point to the low baseline preceding these surveys;
- **Data protection** – In February 2009, the issue of data protection for employees was raised. There was concern that the data of employees who interacted with HRConnect by telephone rather than computer could be vulnerable If guidelines were not sufficiently adhered to. For instance, other employees could overhear personal details. DFP officials assured the CFP that data protection guidelines had been fully taken on board;[47]
- **Delay in go-live dates** - The e-HR Programme's Full Business Case envisaged the realisation of programme completion and benefits in the 2008-09 financial year, which were subsequently missed. DFP was able to recoup some costs from Fujitsu, per the terms of the strategic partnership from the slippage of these dates, with a final recovery settlement of £5.2million.[48]
- Furthermore, the original 'organisational cluster'-based deployment was changed to one based on NICS-wide deployment of success releases. This extended the timeframe for deployment and benefits realisation (2007 to 2009), followed by a programme completion phase of "less critical programme deliverables," which ended in mid-2011;[49]
- In addition to these issues, this research paper identifies a further issue before the full implementation of the e-HR Programme, which CFP may wish to consider:
- **Delay in Gateway Review 5** – In its July 2009 evidence session on HRConnect, CFP heard that the first tentative date set for a Gateway Review 5 was set for October 2009, dependent on the industrial payroll successfully going live.[50] This date was pushed back to early- to mid-2011 in the October 2010 evidence session.[51] The Gateway Review 5 would not be subsequently completed until 13 June 2012.

45 CFP (2010) 'NICS Shared Service Centres, 27 January, Official Report (Hansard)' available online at: http://www.niassembly.gov.uk/assembly-business/official-report/committee-minutes-of-evidence/session-2009-2010/january-2010/nics-shared-service-centres/ (accessed 3 April 2013). See also, DFP (2011) 'e-HR Programme Post-Implementation Review (PIR) 1 December 2011' (see page 12-13)

46 CFP (2009) 'HR Connect, 1 July, Official Report (Hansard)' available online at: http://www.niassembly.gov.uk/assembly-business/official-report/committee-minutes-of-evidence/session-2008-2009/july-2009/hr-connect/ (accessed 4 February 2013)

47 CFP (2009) 'HRConnect, 25 February, Official Report (Hansard)' available online at: http://www.niassembly.gov.uk/assembly-business/official-report/committee-minutes-of-evidence/session-2008-2009/february-2009/hr-connect/ (accessed 4 April 2013)

48 NIAO (2008) 'Shared Services for Efficiency – A Progress Report' available online at: http://www.niauditoffice.gov.uk/index/publications/report_archive_home/reports_archive_2008/shared_services_for_efficiency.pdf (accessed 14 January 2013) (see page 46-47)

49 DFP (2011) 'e-HR Programme Post-Implementation Review (PIR) 1 December 2011' (see page 3)

50 CFP (2009) 'HR Connect, 1 July, Official Report (Hansard)' available online at: http://www.niassembly.gov.uk/assembly-business/official-report/committee-minutes-of-evidence/session-2008-2009/july-2009/hr-connect/ (accessed 4 February 2013)

51 CFP (2010) 'Enterprise Shared Services: HR Connect and Centre for Applied Learning, 20 October, Official Report (Hansard)' available online at: http://www.niassembly.gov.uk/assembly-business/official-report/committee-minutes-of-evidence/session-2010-2011/october-2010/enterprise-shared-services-hr-connect-and-centre-for-applied-learning/ (accessed 4 February 2013)

Points for scrutiny: CFP may wish to seek information on the overall costings of HRConnect, including: estimated cost at the beginning of the project; the final cost of the project; and, justification for any additional costs over and above those that were originally envisaged in the Full Business Case.

In addition, CFP may wish to probe DFP about the underlying reasons why the Gateway Review 5 was delayed, and whether this was avoidable.

Furthermore, what were the financial implications of these delays, and are there any other implications of the delays that CFP should be aware of?

3.2. Measuring the performance of the e-HR Programme

In CFP's February 2009 evidence session on HRConnect, a DFP official commented:

> *…it will be only after full implementation that we will be able to track through the realisation of all the benefits that were set out in the full business case.*[52]

It is in this context that this paper measures the performance of the e-HR Programme. This paper tracks the progress of projected benefits from the Full Business Case across subsequent performance reviews.

While it has not been possible to extrapolate the benefits of HRConnect in isolation from the e-HR Programme, the majority of the findings do relate to HRConnect and HR shared services in the NICS more generally.

The following pages feature a table for each of the five projected benefits arising from the e-HR Programme (see Box 1).

Box 1: projected benefits of the e-HR Programme[53]

1	**Increase efficiency of HR service delivery**
2	**Continuation of payroll services and continuation of HR services**
3	**Deliver consistent HR services**
4	**Improve HR decision making**
5	**Improve electronic HR capability and reduce reliance on HR paper files**

- The tables are structured as Columns A, B, C and D, in which the baseline positions for the projected benefits are tracked from Column A across Columns B, C and D to determine the progress of these benefits at each performance review, and to ascertain whether they have been successfully achieved. The breakdown of each table is as follows:
- **Column A** of each table features the Baseline Position / Method of Measurement. **Important for Members to note here is that these were given by DFP in the *E-HR Programme Benefits Progress Report* rather than in the e-HR Programme's Full Business Case.**

52 CFP (2009) 'HRConnect, 25 February, Official Report (Hansard)' available online at: http://www.niassembly.gov.uk/assembly-business/official-report/committee-minutes-of-evidence/session-2008-2009/february-2009/hr-connect/ (accessed 4 April 2013)

53 eHR Programme: HR Services Project Strategic Partner Document, Final (v2.0) Full Business Case (2006) (see pages 32-33). In the Full Business Case, the benefits in Box 1 were not originally grouped together as they are here. However, subsequent DFP documentation on the e-HR Programme has listed the benefits this way.

- For example, 'Quality and timeliness of electronic data updates and management reports' (see **4.2 A** on page 25) and 'Improved consistency in trend data' (**4.4 A** on page 26) are two methods of measurement to assess whether the fourth projected benefit of 'improved HR decision making' has been achieved. It is these measures that are tracked across each table;
- **Column B** is the first comprehensive performance review of the e-HR Programme, the *E-HR Programme Benefits Progress Report* produced in early 2011;
- **Column C** is the Post-Implementation Review completed on 1 December 2011;
- **Column D** is the Gateway Review 5 completed on 13 June 2012; and,
- To facilitate CFP's consideration of these benefits, each table is followed by points for scrutiny. Additional information is provided by PwC's NICS-wide report, the *HR Benchmark Report: Northern Ireland Civil Service & Northern Ireland Office*, which was completed in March 2011.[54]

Points for scrutiny: CFP may wish to ascertain why more detailed Baseline Positions / Methods of Measurement were not given in the Full Business Case.

3.2.1. Projected Benefit 1: Increase efficiency of HR service delivery

The Full Business Case stated that the implementation of the e-HR Programme would increase the efficiency of HR Service delivery by 5%, by the end of 2008/9. This would be achieved via "implementation of modern HR support facilities, business process improvement and the phased introduction of employee and manager self-service supporting NICS Reform agenda." [55]

Table 2: tracking 'Increase efficiency of HR service delivery'[56]

	A Baseline Position / Method of Measurement	B Benefits Progress Report	C Post-Implementation Review	D Gateway Review 5
1.1	*Business Case costs of existing HR service delivery (£26,479,160 per year at 05/06 prices) – April 2009 onward*	Continues to operate within this budget; this represents efficiencies of £1,971,445 (7.44%).	Continues to operate within a budget of £26.4m at 05/06 prices, demonstrating efficiencies in the region of 7%.	Refers to the Post-Implementation Review, in which the cost of delivering the HRConnect subset of services was found to remain within tolerances set within the FBC at 05/06 prices.
1.2	*Reduction in the number of transactional and administrative staff involved in HR service across NICS to 350 Full-Time Equivalents (FTEs)*	The 350 FTEs target was uplifted to 396 FTEs before the Benefits Progress Report.	Number of FTEs within retained HR reduced from 876 in April 2006 to 389 in March 2010.	See 1.3 D.

54 PricewaterhouseCoopers (2011) 'HR Benchmark Report: Northern Ireland Civil Service & Northern IrelandOffice.'

55 eHR Programme: HR Services Project Strategic Partner Document, Final (v2.0) Full Business Case (2006) (see page 32).

56 Table created by the author.

	A Baseline Position / Method of Measurement	B Benefits Progress Report	C Post-Implementation Review	D Gateway Review 5
1.3	*Achievement of retained HR ratio to staff 1:80 within a budget of £12.25m @ 08/09 salary prices by year 3*	£12.25m figure revised to £13.86m in light of amended targets (see 1.2 B). At March 2010, the ratio was 1:68. This ratio gives a spend of £13.61m (389 FTEs x Average Salary at £35,000).	There were strong mitigating circumstances for the target (see 1.2 A) not being met. The overall cost target has been achieved and this was regarded as being "a more definitive measure of value."	Refers to the findings of PwC's Saratoga benchmarking report, in which the overall HR costs when measured on a per FTE basis have increased and stand above the median against the GB central government sample and outsourced samples and marginally below the median of the selected samples.

The following points for scrutiny arise from the tracking of the Baseline Positions / Methods of Measurement across the subsequent performance reviews of the e-HR Programme.

Points for scrutiny: The current number of FTEs in Human Resources has been reported at 389. Against this, CFP may wish to ask DFP to provide information on:

1. **Why was the FTEs target uplifted from 350 to 396? What were the mitigating circumstances referred to in the Post-Implementation Review?**
2. **How was HRConnect able to operate within its £26.4m (at 05/06 prices) budget, when the target number of FTEs had been uplifted?**
3. **Are the retained 389 FTEs involved in HR service delivering functions that could have been better transferred to HRConnect?**

In addition the *E-HR Programme Benefits Progress Report* recommended that for the purposes of e-HR Programme governance, the "**Increase efficiency of HR Service Delivery**" benefit had been achieved.[57] However, the Gateway Review 5 states that PwC's HR Benchmark Report demonstrated that the NICS HR (of which the e-HR Programme forms part) was largely performing below the targeted levels in terms of HR Service Delivery.[58]

4. **Can DFP give the Committee assurances that the 'Increase efficiency of HR Service Delivery' benefit of the e-HR Programme has been achieved, given the findings of PwC's HR Benchmark Report?**

57 DFP (2011) 'E-HR Programme Benefits: Progress Report' (see page 16)

58 OGC (2012) 'OGC GatewayTM Process Review 5: Operations review & benefits realisation' (see pages 7-8). The targeted levels were to place "NICS in the top quartile of public sector employers in the UK in terms of HR Service Delivery."

3.2.2. Projected Benefit 2: Continuation of payroll services and continuation of HR services

The Full Business Case promised the continued delivery of current payroll services through the implementation of an existing solution prior to the expiry of the existing contracts in 2008. In addition, HR services would continue through the implementation of an e-HR solution prior to the expiry of HRMS contract in 2008.[59]

Table 3: tracking 'Continuation of payroll services and continuation of HR services'[60]

	A **Baseline Position / Method of Measurement**	**B** **Benefits Progress Report**	**C** **Post-Implementation Review**	**D** **Gateway Review 5**
2.1	*Performance in terms of service availability under existing HRMS contract – expires June 2008*	There was no break in service during the transition to HRConnect, although there was slippage in the go-live dates. Existing payroll and HR contracts were extended to ensure overlap with HRConnect despite the amended timetable.	No break in service. A full contingency was available through the Legacy system.	The service faced technical and process issues immediately following contract signature, but progress has been made by departments in overcoming technical and process issues.
2.2	*Performance in terms of service availability under existing Industrial Payroll Contract – expires March 2008*	Full contingency was available through the Legacy system in the event HRConnect failed to meet the success criteria for go-live.	Existing payroll and HR contracts were extended to ensure an overlap with HRConnect despite the amended timetable.	No further issues to address.
2.3	*Performance in terms of service availability under existing Non Industrial Payroll Contract – expires March 2008*	Full contingency was available through the Legacy system in the event HRConnect failed to meet the success criteria for go-live.	Existing payroll and HR contracts were extended to ensure an overlap with HRConnect despite the amended timetable.	No further issues to address.

59 eHR Programme: HR Services Project Strategic Partner Document, Final (v2.0) Full Business Case (2006) (see page 32)

60 Table created by the author.

	A Baseline Position / Method of Measurement	B Benefits Progress Report	C Post-Implementation Review	D Gateway Review 5
2.4	System and service fault restoration times under new Contract for integrated HR and Payroll Service	Performance for fault restoration times reported monthly through HRConnect Service Level Agreements (SLAs).	Monthly HRConnect SLAs show the vast majority of targets in 'green,' i.e. performance is greater than the minimum level agreed in the contract. However, from May to October 2011, the 'Incident Logged –P4' measure in the ICT Management category was consistently below the threshold level.	[Not referred to in this review.]

The Benefits Progress Report states that "for the purposes of e-HR Programme governance it is noted that this benefits has been achieved."[61]

Points for scrutiny: CFP may wish to consider several issues surrounding the delays in implementation of the HRConnect service.

1. **Whether delays were the cause for the existing payroll and HR contracts to be extended; and additionally, what were the financial and non-monetary costs of extending existing contracts?**
2. **To ask DFP whether the Continuation of Payroll Services and Continuation of HR Services ought to be considered a benefit, rather than a risk mitigation measure?**

3.2.3. Projected Benefit 3: Deliver consistent HR services

The Full Business Case claimed that the delivery of consistent HR services would be achieved by the implementation of common processes, systems and standards, where sensible and economically viable to do so by 2008.[62]

61 DFP (2011) 'E-HR Programme Benefits: Progress Report' (see page 18)

62 eHR Programme: HR Services Project Strategic Partner Document, Final (v2.0) Full Business Case (2006) (see page 33).

Table 4: tracking 'Deliver consistent HR services'[63]

	A **Baseline Position / Method of Measurement**	**B** **Benefits Progress Report**	**C** **Post-Implementation Review**	**D** **Gateway Review 5**
3.1	*Customer satisfaction survey ratings/ results (against year 1 baseline)*	The Full Business Case gave no baseline or target value for customer satisfaction, although it was recognised as area that needed to improve with HRConnect. Staff attitude surveys showed satisfaction levels at 16% in 2009; and 31% in 2010.	Outlines the full results from the 2010 ESS customer satisfaction survey in Annex C, referred to in the Benefits Progress Report. [See Appendix of this paper for a comparison of 2010 and 2011 customer satisfaction survey results.]	As part of the continuous improvement of the HRConnect service the outstanding areas of user dissatisfaction need to be addressed.
3.2	*Positive / Negative outcomes from any benchmarking exercise*	Saratoga exercise completed in 2007 to provide a benchmark for HR on a NICS-wide basis, with a further benchmarking exercise in 2010.	[Not referred to in this review.]	The Gateway Review 5 mentions in its response to the 2010 PwC report that the Review Team could find no evidence of an action plan to deliver improvement or any shared view of who owned responsibility for lower than targeted performance across a range of measures in terms of HR service delivery.
3.3	*Record of incidences on non-compliance with regulatory compliance*	The Full Business Case gave no baseline or target value set for this. All NICS HR policies and processes these apply consistently to all NICS employees so adherence to guidance should prevent any incidence of regulatory non-compliance.	[Not referred to in this review.]	[Not referred to in this review.]

63 Table created by the author.

	A Baseline Position / Method of Measurement	B Benefits Progress Report	C Post-Implementation Review	D Gateway Review 5
3.4	Performance monitoring against service levels and quantum of deductions	A single set of service levels for NICS as a whole agreed, in addition to the SLAs agreed with Fujitsu.	SLAs (May to October 2011) show that overall HRConnect is meeting these measures, with the exception of the issue identified in 2.4 C.	ESS planning a joint review with Fujitsu over HRConnect SLAs to "provide a more meaningful set of measures that will focus on service improvement.
3.5	Percentage reduction in absenteeism	No target was set against this measure. Nevertheless, the baseline position in 05/06 for NICS was 6.0% reduced to 4.9% in 09/10.	[Not referred to in this review.]	[Not referred to in this review.]

The Post-Implementation Review recorded "**Delivering consistent HR Services**" as a benefit that has been achieved through the provision of supplementary information, rather than against the Baseline Positions / Methods of Measurement.[64]

Points for scrutiny: the Post-Implementation Review relies on supplementary inform-ation to state that the 'Delivering consistent HR Services' benefit has been achieved.

1. **CFP may wish to ascertain whether DFP ought to regard this benefit as having been achieved given the lack of supporting information on progress against the Baseline Position / Method of Measurement?**
2. **In addition, why were no baseline or target values set for customer satisfaction, recording incidences of non-compliance or for the percentage reduction in absenteeism?**

In terms of customer satisfaction with services provided by HRConnect, four of the five main areas of complaint in the 2011 customer survey were the same as in 2010 (Performance Reviews, Recording Leave, Design and Site Navigation, Communication/Customer Service):

3. **What steps is DFP taking to address the source of complaints raised in these four main areas?**

In response to PwC's Review Team finding that there was no evidence of an action plan to deliver improvement, CFP may wish to consider:

4. **Has DFP now created an action plan to deliver improvement in HRConnect? And if so, what measures of performance are contained within this action plan and who owns responsibility for it?**

HRConnect is assessed on a monthly basis via the contractual framework of Service Level Agreements (SLAs). CFP may wish to ask the Department to provide SLAs in order to gain a greater understanding of the performance of HRConnect, and:

5. **Requesting an update on the progress of the joint review with Fujistu over HRConnect's SLAs and Key Performance Indicators, and the outcomes from this review.**

64 DFP (2011) 'e-HR Programme Post-Implementation Review (PIR) 1 December 2011' (see page 9)

3.2.4. Projected Benefit 4: Improve HR decision making

The Full Business Cases aimed to improve HR decision making through the provision of detailed, specific, timely, accurate and accessible personnel information by 2008.[65]

Table 5: tracking 'Improve HR decision making'[66]

	A Baseline Position / Method of Measurement	**B** Benefits Progress Report	**C** Post-Implementation Review	**D** Gateway Review 5
4.1	*Availability of employee data from new integrated HR and Payroll system 2006-2008*	All Employee data needed to support the full design range of HR processes and reports are available on HRConnect.	Integrated payroll/ HR systems and services had the potential for better decision making based on superior management information.	No further issues to address.
4.2	*Quality and timeliness of electronic data updates and management reports*	Electronic data updates improved by self-service and management reports developed in line with Full Business Case.	The Customer Focus Group Report demonstrated improvements in satisfaction with electronic data updates and management reports e.g. 22% increase in good/very good (53% total) rating in "the accuracy of the management information in your reports."	Presentation of management information to be reviewed to maximise value, by clearly highlighting business issues to inform decision making.
4.3	*Ease of data analysis and extraction including use of stand reports and reports development*	Comprehensive set of data extracts was developed for use by NISRA in meeting more complex HR reporting and analytical requirements.	No further issues to address.	No further issues to address.
4.4	*Improved consistency in trend data*	Consistent trend data is now available through Service Delivery Reporting Processes, Ad-hoc reporting drawing from an integrated repository of HR data, and NISRA HR data extracts.	No further issues to address.	No further issues to address.

65 eHR Programme: HR Services Project Strategic Partner Document, Final (v2.0) Full Business Case (2006) (see page 33).

66 Table created by the author.

	A Baseline Position / Method of Measurement	B Benefits Progress Report	C Post-Implementation Review	D Gateway Review 5
4.5	*Use of standard interfaces and electronic updates*	Standard interfaces - a wide variety of files have been replaced by a single HRConnect Portal, underpinned by an Oracle database platform. Electronic updates - self-service now enables the employee and the line manager to update information without manual intervention.	No further issues to address.	No further issues to address.
4.6	*Availability and uptake of Shared Service Centre and Self Service facilities*	Availability of facilities is monitored and reported monthly, with SSC and ICT exceeding their 99% target. SSC and self-service is now the single route for HR transactional activity.	SSC Staff availability at 100% in the SLA provided at Annex B of the Post-Implementation Review.	The Review Team recommended that the success of the SSC should be made more visible.

The Benefits Progress Report comments that it is “questionable” whether improving HR decision making can be regarded as a projected benefit of implementing HRConnect. Furthermore, that “in terms of this benefit, there is limited relevance between it and the measures set out.”[67]

Points for scrutiny: CFP may wish for DFP to explain the comments made in the Benefits Progress Report, particularly in terms of ‘lessons learned’ in regard to future shared services projects.

3.2.5. Projected Benefit 5: Improve electronic HR capability and reduce reliance on HR paper files

The Full Business Case aimed to improve the delivery of HR services by ensuring that all transactions are capable of being electronically provided by 2008. In addition, the e-HR Programme would exploit e-technology to reduce future reliance on HR paper files by 70% by 2008.[68]

67 DFP (2011) ‘E-HR Programme Benefits: Progress Report’ (see page 22)

68 eHR Programme: HR Services Project Strategic Partner Document, Final (v2.0) Full Business Case (2006) (see page 33).

Table 6: tracking 'Improve electronic HR capability and reduce reliance on HR paper files'[69]

	A **Baseline Position / Method of Measurement**	**B** **Benefits Progress Report**	**C** **Post-Implementation Review**	**D** **Gateway Review 5**
5.1	*Availability of self-service facilities*	Self-service facility was implemented in Nov/Dec 2007 and Jan 2008 after going through the agreed governance arrangement and quality controls.	SSC Staff Availability measured at 100% between May and October in 2011.	No further issues to address.
5.2	*Use of e-technology within system and process design*	HR transactions are now provided electronically; Online self-service facility now available to all employees; Paper personnel files stored off site by Capita with exception of limited number of working files.	Self-service situation described as "less satisfactory." A combination of factors resulted in some self-service screens which are non-intuitive and confusing.	Reported a lack of specialist Oracle knowledge which was perceived by the service management team to be a risk on the value for money measure. Furthermore, users commented that some aspects of the IT self-service remained "clunky."
5.3	*Increased use of electronic data interchange between internal and external stakeholders*	Online advertising and application for external posts; electronic interfaces in place with pension providers, Account NI, etc.	No further issues to address.	No further issues to address.
5.4	*Improved communications between internal and external stakeholders*	SSC identified as the first point of contact for transactional HR, communication between HR and both internal and external stakeholders are now done performed from a single point of contact.	No further issues to address.	No further issues to address.

The Benefits Progress Report states that "no baseline or target values set for the measures outlined," which appears to contradict the Full Business Case, in which a target was set for reducing reliance on paper files by 70% by 2008. Nevertheless the report recommended "that for the purposes of e-HR Programme governance this benefit is regarded as having been met and performance noted."[70]

69 Table created by the author.

70 DFP (2011) 'E-HR Programme Benefits: Progress Report' (see page 26)

Points for scrutiny: CFP may consider whether the goal of 'all transactions are capable of being provided electronically by 2008' can be said to have been met, if no baseline or target values were set for the measures outlined.

1. **CFP may wish to ask why no baselines of target values were set for the measures outlined in Column A?**

Furthermore, the original measure of a 70% reduction in the reliance of paper files in the Full Business Case did not feature in any of the subsequent e-HR Programme performance reviews.

2. **Why this measure no longer featured in subsequent performance reviews?**

In respect of the self-service design issues, CFP may wish to seek clarification on the steps the Department is taking to ensure that users have the best possible experience with HRConnect.

4. Concluding Remarks

This paper has analysed the performance of the e-HR Programme to date, with a particular emphasis on the key deliverable of this programme, HRConnect. The paper tracked the projected benefits from the e-HR Programme's Full Business Case across subsequent performance reviews. This was in order to ascertain whether these benefits have been properly measured and realised, both before and after the programme's completion in mid-2011.

The difficulties in tracking the projected benefits across subsequent performance reviews have made the overall picture on the performance of the e-HR Programme unclear. In composing the tables found on the preceding pages, this paper found that some benefits either:

- did not appear to have a baseline position;
- lacked a clearly defined baseline position; or,
- had been regarded as having been achieved, despite the lack of precise evidence.

In terms of the lack of a baseline position, the *E-HR Programme Benefits Progress Report* could find "no baseline or target values set" for the fifth projected benefit, to 'Improve electronic HR capability and reduce reliance on HR paper files.' This was despite the e-HR Programme's Full Business Case targeting a reduction in the future reliance on HR paper files by 70%. Furthermore, many of the measures for the third projected benefit, 'Delivering consistent HR services,' appeared to have no baseline or target values to work toward.

While the availability of benchmark data for HRConnect in the form Service Level Agreements (SLAs) demonstrates HRConnect's performance since its implementation, the lack of benchmarking data for the HR function in NICS before the e-HR Programme makes it difficult to measure the extent of HRConnect's improvement. It is therefore difficult to assess the true benefits of the HRConnect service, with no benchmarking data from the previous HR service to make comparisons.

In respect of an unclear baseline position, the Benefits Progress Report found there was limited relevance between the fourth projected benefit, 'Improve HR decision making', and the baseline positions set out to measure it. Additionally, the first projected benefit aimed to 'increase efficiency of HR service delivery' by 5% by 2008/09. However, the baseline positions offered by the Benefits Progress Report do not seem to correspond with the 5% target.

Finally, the Benefits Progress Report regarded the first, second, third and fifth benefits as having been achieved. However, in the case of the first project benefit, the Gateway Review 5 noted doubts arising from PwC's HR Benchmark Report in the performance of NICS HR (of which the e-HR Programme forms part) across a range of measures.

As previously mentioned, the third benefit lacked baseline or target values, yet was regarded as being achieved on the basis of supplementary information. The Benefits Progress Report also noted that the fifth benefit had been achieved, despite the lack of any baseline or target values set.

The uncertainty surrounding the realisation of the e-HR Programme's projected benefits is particularly significant for HRConnect, as the key shared service delivered by the programme.

The *NICS People Strategy 2009 to 2013* envisaged that HRConnect would provide an opportunity for enhanced measurement and use of management information, particularly through benchmarking measures and an HR balanced scorecard to assess the quality and performance of HR services in the NICS.[71] While HRConnect's performance has been measured by monthly SLAs, the ambiguity in the realisation of benefits through the e-HR Programme could have ultimately hindered the role for HRConnect described by the People Strategy.

The Gateway Review 5 identified this potentially problematic issue, noting:

> *There is a risk that the benefits of the [management information] produced may not be fully realised because of past concerns over accuracy of data and a lack of alignment of provision of data to specific business needs.*[72]

Placing ambiguity of HRConnect performance in a wider context, prominent commentator on IT in the public sector Michael Cross has argued that the failure to properly measure benefits of shared services could undermine the very concept itself:

> *Shared services, a philosophy based entirely on the promise of achieving efficiencies and measurable business benefits, will be even more vulnerable if the benefits are not robustly accounted for.*[73]

Overall, the findings from this assessment of the e-HR Programme indicate the need for a more rigorous and consistent methodology in measuring performance. Such a methodology ought to have a clear initial baseline position, with robust evidence that projected benefits have been achieved. Moreover, the methodology should be easily comprehensible to external scrutiny. Without such a methodology, the measurement of benefits becomes complicated, as the successes and failures of a given project are not fully understood and the lessons are not learned.[74]

71 NICS (2009) 'NICS People Strategy 2009 to 2013' available at: http://www.dfpni.gov.uk/nics_people_strategy__24_march_09_.pdf (accessed 22 April 2013) (see page 15)

72 OGC (2012) 'OGC GatewayTM Process Review 5: Operations review & benefits realisation' (see page 10)

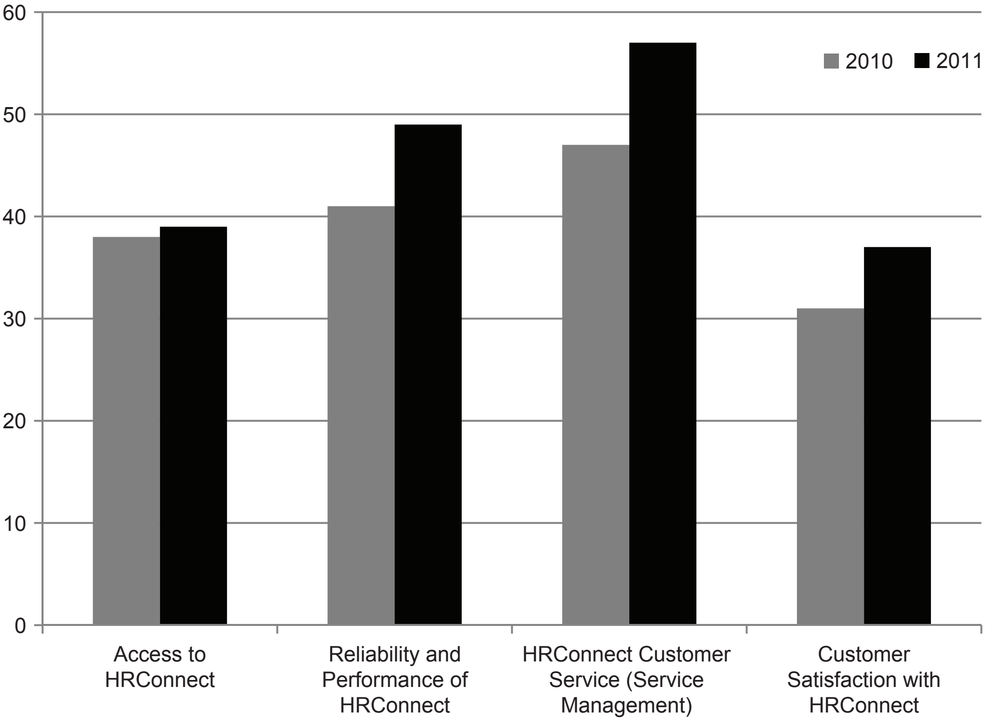
73 Cross, M (2009) 'Sufficient Sharing? (shared services in government)' in GovernmentIT (see pages 26-27)

74 BuyIT (2006) 'Shared Services in the Public Sector'

Appendix - Customer Satisfaction for HRConnect 2010 to 2011

For the purposes of this research paper, the graphs below have been complied to highlight the number of people who considered a particular aspect of HRConnect 'Good or Very Good,' as there were no comparable 'Neutral' or 'Poor or Very Poor' data available for 2010.[75]

Figure 1: Overall customer survey results (%)[76]



75 NISRA (2011) 'Enterprise Shared Services: HRConnect Customer Focus Group Report – Year 2'; and DFP (2011) 'e-HR Programme Post-Implementation Review (PIR) 1 December 2011' (see Annex C)

76 Graph created by the author.

Figure 2: Overall access to HRConnect (%)[77]

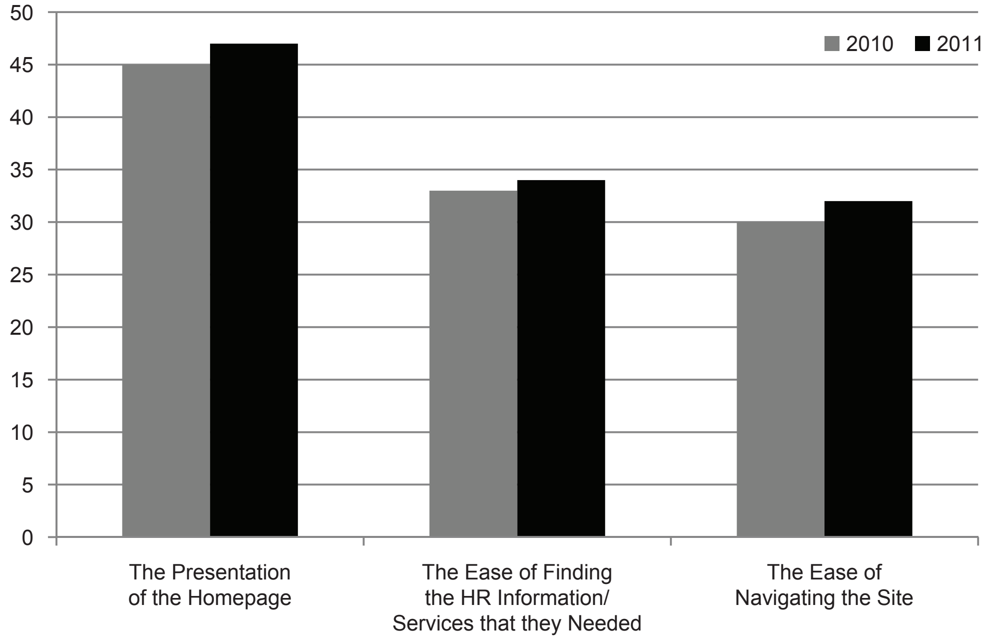
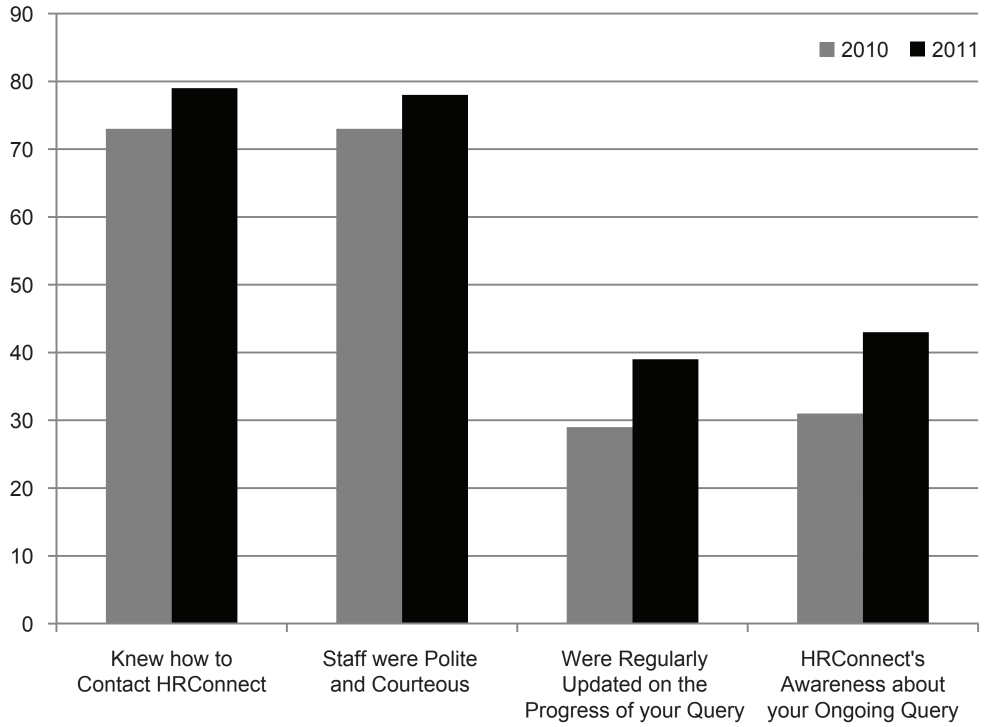


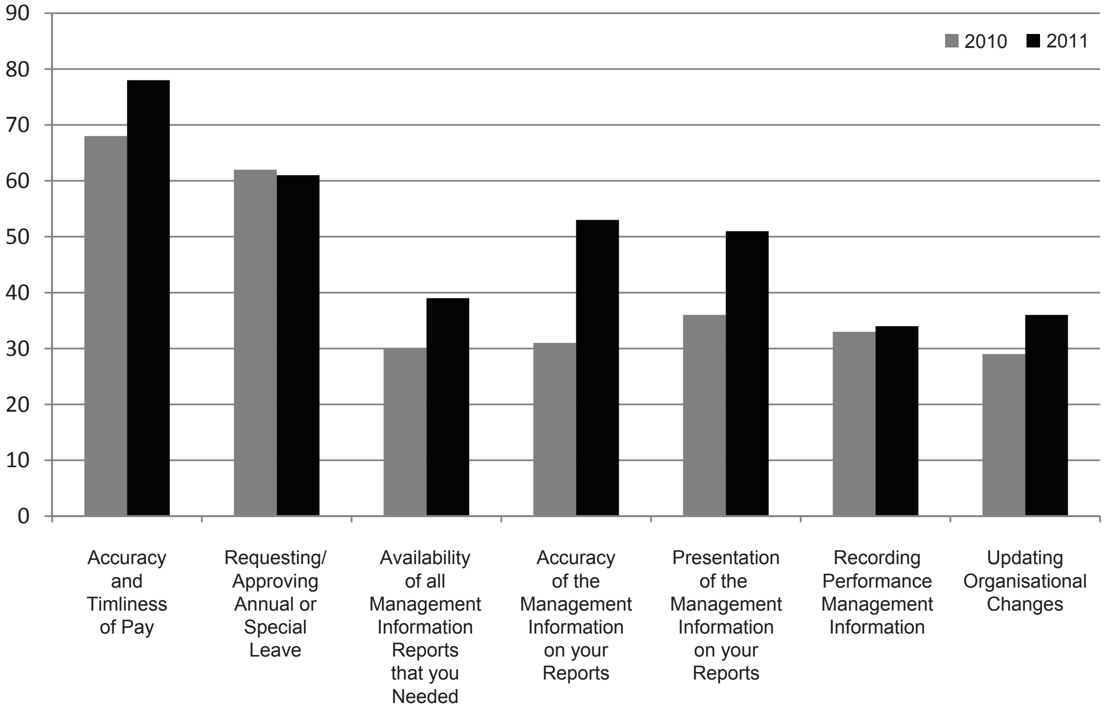
Figure 3: Overall HRConnect customer service (service management) (%)[78]



77 Graph created by the author.

78 Graph created by the author.

Figure 4: Overall reliability and performance of HRConnect (%)[79]



The HRConnect customer satisfaction surveys from 2010 to 2011 show an improvement in nearly all measures, with the only exception being a slight decrease in the 'Requesting/ Approving Annual or Special Leave' category.

While the Committee may wish to note the overall improvement in customer satisfaction, it could be argued that results were starting from a low base, particularly in light of the early payroll problems (see page 14).

79 Graph created by the author.

Department of Finance and Personnel response to Shared Services Paper

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Mr Shane McAteer
Clerk
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Stormont Our Ref: CFP241/11-15

10 June 2013

Dear Shane,

Your letter of 16th May refers. Thank-you for sharing the 'NICS Human Resources: Shared Services' research paper, which provides some useful comment on the benefits of the eHR Programme. I have attached the Department's response to the specific points for scrutiny identified in the report.

Departmental officials have advised that in general, it is important to recognise both the scale of the programme and what has been achieved, not least the successful replacement of outdated payroll and HR systems within the allocated budget and the transition to a new model of HR delivery. As recognised in the Gateway 5 and Saratoga reports, work remains to be done on the wider HR transformation in order to fully realise the benefits which, while facilitated by the eHR Programme, are not singularly achieved by its implementation. This is now one of the key objectives for NICS HR.

The research paper correctly identifies some lack of clarity around those benefits which are not singularly due to the eHR Programme, and the need for greater clarity at the outset on the causal link between the projected benefits and the actions to be implemented is one of the lessons learnt.

Yours sincerely,

Judith Finlay

Departmental Assembly Liaison Officer

NICS HR Shared Services – Detailed Response

Reference	Points for Scrutiny	Comment
P.15	CFP may wish to seek information on the overall costings of HRConnect, including: estimated cost at the beginning of the project; the final cost of the project; and justification for any additional costs over and above those that were originally envisaged in the Full Business Case. In addition, CFP may wish to probe DFP about the underlying reasons why the Gateway Review 5 was delayed, and whether this was avoidable. Furthermore, what were the financial implications of these delays, and are there any other implications of the delays that CFP should be aware of?	As noted in the research paper, CFP and the PAC have previously considered the e-HR Programme, including the delays in implementation and the associated impact. Taking the programme as a whole, the FBC projected costs of £465 million over the 15 year life of the HRConnect contract. A full review of figures against the FBC was last carried out following the 2010 Amendment Agreement (the last substantial change to the contract). Taking actual costs to March 2010 and projections for the remaining term, costs are now expected to be £483 million. This remains within the permitted tolerance of the FBC figure. The FBC projected cost of the HRConnect element was £185 million. At the time of the last review, this cost was projected to be £177 million. Delay in implementation led to delay in the introduction of service charges. The reduction is of course off-set by the need to maintain existing systems for longer. The overall increase of approximately 3.8% is predominantly the net effect of delays and amendments to the contract. A further review of costs against the FBC is due to be completed during the current financial year. The purpose of the Gateway 5 Review was to assess both benefits realisation and the mechanisms in place for ongoing delivery of the services. OGC guidance suggests that the Gateway 5 Review should take place 6 – 12 months after completion of the programme. While the majority of the HRConnect services were in place some time earlier, the final Milestones were not signed off until Autumn 2011, when DFP were satisfied that the contractual requirements had been met. As noted above, the overall cost of the programme remains within tolerance. Robust contractual protections insulated the Department against increased costs as a result of delays.
P.17	CFP may wish to ascertain why more detailed Baseline Positions / Methods of Measurement were not given in the Full Business Case.	Responses are given against each area below.

Reference	Points for Scrutiny	Comment
P.19	The current number of FTEs in Human Resources has been reported at 389. Against this, CFP may wish to ask DFP to provide information on: 1. Why was the FTEs target uplifted from 350 to 396? What were the mitigating circumstances referred to in the Post-Implementation Review? 2. How was HRConnect able to operate within its £26.4m (at 05/06 prices) budget, when the target number of FTEs had been uplifted? 3. Are the retained 389 FTEs involved in HR service delivering functions that could have been better transferred to HRConnect? 4. Can DFP give the Committee assurances that the ‘Increase efficiency of HR Service Delivery’ benefit of the e-HR Programme has been achieved, given the findings of PwC’s HR Benchmark Report?	1. The target was uplifted following extensive discussions with Departments during the early stages of the programme. This took account of their concerns about their ability to deliver their function with the lower number of staff, the time required to adapt to the new model and output from initial design workshops which clarified the exact split of responsibilities between HRConnect and Departments. The availability of funding (as outlined below) gave an opportunity to provide some additional resources for the initial period. It was anticipated that efficiency savings to contain inflationary pressures would result in a further reduction in numbers over time. However, it is difficult to determine if further reductions have taken place due to, for example, additional responsibilities emerging or a change in the mix of grades. 2. The £26.4 million budget funds both HRConnect and Departmental HR. It was possible to accommodate the slightly higher number of FTEs as a result of reduced service charge costs against what had been forecast in the FBC. Thus the total cost of the HRConnect service charges and Departmental HR remained £26.4m. 3. The range of functions to be provided by HRConnect was determined at the outset and set out in the business case. These functions are now being delivered by HRConnect. The model was based on the premise that transactional activity would be outsourced while decision making and planning would be carried out by Departmental HR. The scope for additional functions to be transferred – particularly those which have emerged since the introduction of HRConnect – will be taken into account when considering succession at the end of the current contract. 4. In terms of the ratio of HR staff and the cost, which were the efficiency measures identified in the business case, this benefit has been achieved. In terms of the efficiency of individual transactions, which is the focus of the benchmark report, the picture is less clear. This is dependent as much on the requirements of the polices, procedures and employment legislation as on the means of delivery. One of the lessons learnt from the programme is to place greater focus on streamlining processes and to discourage replication of existing legacy processes unless warranted. The scale of the task of implementing new systems, difficulties encountered and the fact that a similar programme had not previously been implemented elsewhere did limit the scope for this. However, this aspect is now receiving greater attention.

Reference	Points for Scrutiny	Comment
P.21	CFP may wish to consider several issues surrounding the delays in implementation of the HRConnect service. 1. Whether delays were the cause for the existing payroll and HR contracts to be extended; and additionally, what were the financial and non-monetary costs of extending existing contracts? 2. To ask DFP whether the Continuation of Payroll Services and Continuation of HR Services ought to be considered a benefit, rather than a risk mitigation measure?	1. The existing contracts had already been extended prior to the e-HR Programme, the previous attempt to procure a replacement payroll having been unsuccessful. Delays with the implementation did result in further extension. The costs associated with this were largely off-set by the corresponding delay in the introduction of HRConnect service charges and amounts recovered under the contract. These costs have been factored into the overall cost quoted above against the FBC projections. 2. Continuation is perhaps better characterised as a key objective. However, given the previous difficulties in procuring a replacement payroll and the fact that existing systems were coming to the end of their lifespan, providing certainty as to continued service over a significant period is not an unreasonable benefit.
P.23-24	The Post-Implementation Review relies on supplementary information to state that the 'Delivering consistent HR Services' benefit has been achieved. 1. CFP may wish to ascertain whether DFP ought to regard this benefit as having been achieved given the lack of supporting information on progress against the Baseline Position / Method of Measurement? 2. In addition, why were no baseline or target values set for customer satisfaction, recording incidences of non-compliance or for the percentage reduction in absenteeism?	1. The primary means by which this benefit has been achieved is by establishing a single source for provision of HR services to all Departments. This has eliminated variations in the interpretation and application of policy, except where specifically agreed. Delivery of service to the required standard and in accordance with the policies is demonstrated through the SLAs. 2. Baseline values for customer service are available from previous surveys measuring satisfaction with personnel services. However, the fact that HR services were previously delivered via a very different model means there is limited read across. Baseline figures were not established for satisfaction with HRConnect as this could not be measured until it was up and running, which in turn made it difficult to establish a firm target. NISRA report figures on absence rates. Figures for non-compliance were not available for the previous systems, largely due to their varied and manual nature.

<table>
<tr><th>Reference</th><th>Points for Scrutiny</th><th>Comment</th></tr>
<tr><td></td><td>In terms of customer satisfaction with services provided by HRConnect, four of the five main areas of complaint in the 2011 customer survey were the same as in 2010 (Performance Reviews, Recording Leave, Design and Site Navigation, Communication/Customer Service):
3. What steps is DFP taking to address the source of complaints raised in these four main areas?
In response to PwC’s Review Team finding that there was no evidence of an action plan to deliver improvement, CFP may wish to consider:
4. Has DFP now created an action plan to deliver improvement in HRConnect? And if so, what measures of performance are contained within this action plan and who owns responsibility for it?
HRConnect is assessed on a monthly basis via the contractual framework of Service Level Agreements (SLAs). CFP may wish to ask the Department to provide SLAs in order to gain a greater understanding of the performance of HRConnect, and:
5. Requesting an update on the progress of the joint review with Fujitsu over HRConnect’s SLAs and Key Performance Indicators, and the outcomes from this review.</td><td>3. A Service Improvement Plan (SIP) is in place which seeks to identify and address areas of dissatisfaction as well as opportunities for further improvement. The customer survey results are a key input to this plan. Improvements have been made to the Performance Management System and to the HRConnect portal. The Department hopes to see improvement in the satisfaction figures as a result. Changes to the leave process have been included on the SIP for further investigation. A number of steps have been taken by the contractor in an effort to improve customer satisfaction and the Department is continuing to monitor this area.
4. As noted above, in respect of HRConnect a Service Improvement Plan is in place, owned by ESS.
5. The revised SLAs must be agreed with the contractor and negotiations are ongoing. Agreement has been reached on the majority of areas. The changes will remove SLAs identified as being of limited value; tighten up timeframes and targets for some SLAs which are being achieved, in order to drive further improvement; and introduce new SLAs to cover some areas which would benefit from greater attention. In particular, the Department is seeking to introduce customer satisfaction SLAs to give greater prominence to the customer experience. Details of the existing SLAs and recent performance are attached.</td></tr>
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Reference	Points for Scrutiny	Comment
P.26	CFP may wish for DFP to explain the comments made in the Benefits Progress Report, particularly in terms of ‘lessons learned’ in regard to future shared services projects.	Essentially the shared service approach can facilitate better decision making – for example, outsourcing transactional work allows greater focus on decision making and strategic issues; improved management information allows better informed decisions. However, it does not in itself automatically result in improved decision making. One of the lessons learnt from the programme is that greater clarity is required at the outset as to the causal link between the projected benefits and the changes being implemented.
P.28	CFP may consider whether the goal of ‘all transactions are capable of being provided electronically by 2008’ can be said to have been met, if no baseline or target values were set for the measures outlined. 1. CFP may wish to ask why no baselines of target values were set for the measures outlined in Column A? Furthermore, the original measure of a 70% reduction in the reliance of paper files in the Full Business Case did not feature in any of the subsequent e-HR Programme performance reviews. 2. Why this measure no longer featured in subsequent performance reviews? In respect of the self-service design issues, CFP may wish to seek clarification on the steps the Department is taking to ensure that users have the best possible experience with HRConnect	1. In effect the baseline was zero as electronic systems were not in place prior to HRConnect. HRConnect established electronic means of completing transactions through a combination of self service, e-forms and downloadable forms which can be e-mailed to the Shared Service Centre. 2. HRConnect stores all HR information electronically. However, paper files remain in use for detailed historic information created prior to its introduction. This benefit was achieved due to the design of HRConnect, and is noted in the PIR. In respect of general design issues, as noted above, a Service Improvement Plan is in place which seeks to identify and address areas of dissatisfaction as well as opportunities for further improvement.

Reference	Points for Scrutiny	Comment
P.30	The NICS People Strategy 2009 to 2013 envisaged that HRConnect would provide an opportunity for enhanced measurement and use of management information, particularly through benchmarking measures and an HR balanced scorecard to assess the quality and performance of HR services in the NICS. While HRConnect's performance has been measured by monthly SLAs, the ambiguity in the realisation of benefits through the e-HR Programme could have ultimately hindered the role for HRConnect described by the People Strategy.	Limited data was available on the position pre-HRConnect – various systems were in use across the NICS and these were predominantly manual. HRConnect has allowed a much greater range of information to be available which in turn allows better monitoring of trends. This is particularly relevant for the People Strategy, as HRConnect is now able to provide information not readily available in the past. Work is ongoing to redevelop the HR Scorecard following feedback from Departments. The Gateway 5 Review highlighted that concerns around the accuracy and relevance of the data produced may limit the use which is made of the data. Significant work has been undertaken with HRConnect and Departments to improve the quality of the data and the confidence of those using it.

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