

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Resources Performance & Development Overview & Scrutiny Committee

**Date of Committee** 24th April 2007

**Report Title** HRMS Project

**Summary** Progress made on HRMS Project

**For further information please contact:**

David Clarke Strategic Director, Resources Tel: 01926 412003 davidclarketr@warwickshire.gov.uk	David Carter Strategic Director, Performance & Development Tel: 01926 412654 davidcarter@warwickshire.gov.uk
--	---

**Would the recommended decision be contrary to the Budget and Policy Framework?** No.

**Background papers** Report to Corporate Overview & Scrutiny Committee 19<sup>th</sup> October 2004

**CONSULTATION ALREADY UNDERTAKEN:-** Details to be specified

- Other Committees  .....
- Local Member(s)
- Other Elected Members  Cllrs Booth, Atkinson and Hicks
- Cabinet Member  Alan Cockburn – for information
- Chief Executive  .....
- Legal  David Carter - reporting officer
- Finance  David Clarke - reporting officer
- Other Chief Officers  .....
- District Councils  .....
- Health Authority  .....
- Police  .....

Other Bodies/Individuals  .....

**FINAL DECISION YES**

**SUGGESTED NEXT STEPS:**

Details to be specified

Further consideration by this Committee  .....

To Council  .....

To Cabinet  .....

To an O & S Committee  .....

To an Area Committee  .....

Further Consultation  .....

## Executive Summary

This report outlines progress on the HRMS project.

Work on Phase 1 of the project is substantially complete. All payrolls have now been implemented, the revised County Council organisational structure has been reflected in the system and the considerably enhanced reporting capabilities of the system are starting to be exploited.

Phase 2 of the project, the provision of HR functionality within the system, is well underway. Significantly improved capabilities for producing and accessing information will be available to staff and managers, together with a range of additional functions, including on-line recruitment.

## Agenda No

# Resources Performance & Development Overview & Scrutiny Committee - 24th April 2007.

## HRMS Project – Progress Report

### Report of the Strategic Director, Resources and the Strategic Director, Performance & Development

#### Recommendation

Members are asked to note the report.

## 1. Background

- 1.1 This report outlines progress on the HRMS systems implementation project, a key corporate IT project.
- 1.2 HRMS is a fully integrated payroll and HR system, provided by the Oracle Corporation. Its implementation is the largest systems development project which the County Council has ever undertaken. The system is intended to provide a modern payroll system and a fully functional HR system, with extensive functionality devolved to managers and all staff.
- 1.3 The former Corporate Services Overview and Scrutiny Committee last received a report on the progress of the project in November 2004. As members are aware, significant problems had been encountered during the project, but at that stage, the first payroll, that for fire-fighters, had just gone live and was operating successfully.
- 1.4 The project has continued to progress well. Phase 1 of the project, principally but not exclusively the implementation of payroll is now complete, with over 26,000 employees and pensioners routinely paid each month from the system. Significant progress is now also being made to deliver phase 2, the HR functionality of the system.

## 2. Project Objectives

- 2.1 The objectives of Phase 1 of the project have been adapted to take account of the revised structure for the County Council implemented in April 2006. The Phase 2 objectives are likely to develop as staff and particularly managers

become aware of the system's potential, and we are already seeing examples of this happening. The current objectives are outlined below.

## Phase 1

- i) Implement HRMS Payrolls for all Employees and Pensioners, thus eliminating the need for the long-standing and expensive "Unipay" bureau payroll service.
- ii) Reflect the changed County organisational structure ("New Way of Working") in the new HRMS payrolls.
- iii) Reflect the changed County organisational structure in the way HRMS delivers detailed costing information to the WCC financial ledger systems.
- iv) Incorporate changes mandated by the Equal-Pay pay modelling exercise currently being undertaken by corporate HR.
- v) Incorporate existing and newly emerging legislative requirements for Teachers' Pensions into HRMS (the Annual Service Return and Schools Workforce Census requirements for Central Government.).
- vi) Incorporate new Inland Revenue requirements for Electronic Data Interchange into HRMS.
- vii) Provide more accurate reporting of sickness absences.

## Phase 2

- viii) Design, build in HRMS and deliver a comprehensive range of new HR facilities to radically improve the HR functions within the County and deliver substantial business benefits, including:
  - o Reduced HR and ICT costs due to more streamlined processes.
  - o Improved employee job satisfaction due to employees having better access to their own data.
  - o Improved management due to managers having access to all relevant information about their staff and through on-line authorisation of expenses, travel claims and absences.
  - o Reduced recruitment costs combined with better candidate selection, through HRMS facilitating a centralised on-line recruitment system.
  - o Reduced clerical and administration costs due to automated production of contracts of employment, offer letters, rejection letters and interview letters.
  - o Improved processes for allocating staffing resources in Adult Services.

### 3. Progress to Date

#### 3.1 Phase 1

##### 3.1.1 **Objective (i)** - *Implement HRMS Payrolls for all Employees and Pensioners, thus eliminating the need for the long-standing and expensive "Unipay" bureau payroll service.*

All 24 payrolls are now fully operational and the contract with Unipay was terminated in November 2006. All employees and pensioners are now being paid through the new system.

The County payrolls are unusually complex because they reflect the huge degree of diversity in the ways, historically, we have paid people. A good illustration of this is the number of so-called "elements" we have built for the County payrolls. Each element calculates a particular type of payment or deduction. Typically, a local authority will have 200 – 500 pay elements. We have over 2500, a degree of complexity not even matched by the combined UK armed services payroll. In great part, this goes a long way to explaining the difficulties experienced in implementing the system. It is also a key reason why the considerably strengthened corporate control of the HR function which will result from the HR Services Unit is crucial, as the current position has grown over time as a result of different departments placing different interpretations on the same rules.

In the short term, the Single Status exercise will provide an opportunity for some radical simplification of the pay methods, with a consequent and, hopefully, significant reduction in the number of pay elements. This will greatly simplify the payroll process.

##### 3.1.2 **Objective (ii)** - *Reflect the changed County organisational structure in the new HRMS payrolls.*

HRMS holds a highly detailed set of organisation and job hierarchies as a fundamental part of the way it operates.

At the time the organisational changes, which reduced the former 9 departments to 6 directorates, were launched, around half of the 24 payrolls had already been implemented based on the old departmental structure. Because the new structure cuts across all departments and, because changing structures in HRMS on this scale is a substantial exercise, it was impossible to reflect the organisational changes until all payrolls were fully implemented.

Consequently, a "parallel" version of all 24 payrolls was created in an HRMS development environment in November 2006.

Each Directorate was asked to fully define its new hierarchies by late December 2006. This was completed on time and these new hierarchies were implemented in HRMS and reviewed with Directorates.

Each directorate then allocated each member of their staff into these structures. The HRMS development team incorporated all of the above into the “parallel” version. Testing of the parallel version was completed and the data and new organisational structures were migrated to the “live” system. From the 1<sup>st</sup> April, the new organisational structure was fully reflected within HRMS.

3.1.3 **Objective (iii)** - *Reflect the changed County organisational structure in the way HRMS delivers detailed costing information to the WCC ledger systems.*

A further inevitable consequence of a major organisational change is a need for corresponding changes to the County’s financial ledger systems. These changes also went live on 1<sup>st</sup> April 2007.

Currently HRMS has over 10,000 costing links between it and the existing General Ledger. Around 1,000 of these have had to be changed.

These changes are being jointly managed by the Financial Systems and HRMS teams.

3.1.4 **Objective (iv)** - *Incorporate changes mandated by the Single Status (pay modelling) exercise currently being undertaken by corporate HR.*

The introduction of Single Status requires extensive modelling of county-wide pay scenarios based on employee and organisational data extracted from HRMS. To make this possible, it is necessary to incorporate some new data fields into HRMS and produce some new and rather complex HRMS reports to “feed” the pay modelling process. Without question, this work would not have been possible prior to the implementation of HRMS, and the implementation of new pay scales would have been fraught with risks around expected costs.

This work is well underway and is being scheduled in such a way that it supports the timescales of the pay modelling project.

3.1.5 **Objective (v)** - *Incorporate existing and newly emerging legislative requirements for Teachers’ Pensions into HRMS (the Annual Service Return and Schools’ Workforce Census requirements for Central Government.)*

The production of the Annual Service Return for teachers to the DfES is a very complex requirement and the solution hitherto recommended by Oracle is rather clumsy in operation and is not entirely satisfactory. Oracle has launched a revised solution which is somewhat simpler but will only be appropriate for 2007/8 and beyond. In the meantime, the HRMS team is working on delivering the 2006/7 Annual Service Return. The team is also testing Oracle’s revised solution ready for next year.

3.1.6 **Objective (vi)** - *Incorporate new Inland Revenue requirements for Electronic Data Interchange into HRMS.*

HM Revenue & Customs (formerly Inland Revenue) has introduced new requirements for electronic reporting of tax and national insurance. These reports must be submitted using the EDI protocol (Electronic Data Interchange) and the requirement comes into force in April 2007.

The changes have been implemented by the HRMS team and are currently being tested with HMRC.

3.1.7 **Objective (vii)** - *Provide more accurate reporting of sickness absences*

As members will recall from previous reports on HRMS, this is a crucially important element of the implementation of the system. The County has never had a wholly accurate and reliable reflection of absenteeism through sickness, largely due to the lack of consistent record keeping across the “old” departments. Moreover, information available to managers has, in many parts of the organisation, been very weak.

Inaccuracies have been compounded by the high proportion of part-time and term-time only workers which, unless corrected for accurately, can greatly distort the reporting of absences.

The HRMS system has been amended to capture absence information in a way which identifies part time working, term-time only working, school holiday only working, etc. and is providing much more accurate reports and statistics. Clearly the benefits of this can only be achieved through managers’ use of the improved information, but the early signs from within the organisation are positive as overall absences have declined. As we gain experience, some fine-tuning of reports is still underway to meet the emerging requirements of managers.

3.2 **Phase 2 – Objective (viii)**

The principal business benefit of Phase 1 was the replacement of the expensive and inflexible Unipay system, provided on a bureau basis. It has taken a long time due to the unavoidable complexity of the old payrolls.

Phase 2 will yield a rather different set of business benefits largely due to the ways HR, at both corporate and directorate levels, can deliver services to the organisation.

Detailed design, specification and building of Phase 2 are already well under way and some important development work has already been completed.

The Phase 2 benefits will be delivered via some of the facilities available in HRMS which we have yet to use. These proposed facilities are:



### 3.2.1 Self-Service

We currently use “core” HRMS and its so-called “professional forms” for virtually all input. This has allowed us to replace the payrolls and to provide a small degree of empowerment to our HR professionals. As we progressively enhance the core system, we will increase the empowerment of professional HR staff.

Self Service uses this core system but adds an internet based layer on top of it. In doing so, it also greatly simplifies the operational use of HRMS and makes it available to a much wider community of managers and employees.

Self Service takes us into two different kinds of empowerment, of both line managers and employees themselves. Empowering managers is, in part, giving them immediate information regarding their directorate, service, group or team and their subordinates. In great part, this will be information they have never really had before. It will also break the paper chain between managers and HR staff, by allowing both employees and line managers to enter some information directly. This, in turn, simplifies and automates the verification process (which becomes a positive on-screen approvals process) and frees up the capacity of HR professionals.

The proposed facilities to which employees will have access are:-

- To view their own personal information
- To change (some) personal information such as bank details, addresses, marital status, contact information, etc
- On-line payslips
- To update their own qualifications and skills profile (with an Corporate HR being notified automatically of the need for authorisation of changes)
- An automated appraisal process
- To request enrolment on training courses (with an approval request automatically routed to their Supervisor/Manager)
- Entry of leave requests (with an approval request automatically routed to their Supervisor/Manager)
- Notification of Absence (illness, etc) (with an approval request automatically routed to their Supervisor/Manager)
- Entry of Claims (time, shifts, miles, etc) (with an approval request automatically routed to their Supervisor/Manager)
- An on-line directory and staff locator.

The proposed facilities to which managers will have access are:-

- Manager Views of subordinates and subordinate teams (with drill-down capability)
  - Employment View (person, job, dept, location, assignments, annualised salary, etc)
  - Salary View (person, salary history, grades, etc)

- Performance View (person, skills/competence ratings, last review date, next review date, who reviews, etc)
- Training View (person, classes taken, classes booked, classes required, outcomes, total classes/training days YTD)
- Absence View (person, years of service, total absences, leave allowances, average days/year, etc)
- Manager Actions and Notifications
- Employee Status Changes
- To change employee's jobs
- Employee termination of employment requests
- Employee hire requests
- To raise requisitions for vacancies
- To enter absences on behalf of employees (where employee does not have self service access)
- To authorise absences entered by an employee
- To enter claims (time, mileage, etc) for employees (where employee does not have self service access)
- To authorise claims entered by employees
- On-line employee appraisals

The benefits of self-service will be substantial, and include the following:-

- Saving time and effort, and hence reducing both costs and work pressures due to deadlines, workloads and lockouts.
- Improving data accuracy
- Reducing printing and postage costs
- Faster and more auditable verification of data entered
- Reducing potential for fraud
- Better (and more accountable) line management
- Employee involvement and empowerment
- Simplified HRMS processes
- Simplified and consistent directorate procedures

A working prototype of employee and manager self service has been developed and demonstrated to Strategic Directors and some senior managers. A number of strategic decisions have still to be made which may affect design but building the operational self service system will start at the end of April. Initial plans suggest that in-depth testing of a pilot department will be able to take place in July with live roll-out commencing in August.

An important extension to this is also in the early stage of development whereby Homecare supervisors will have direct access to their team details (skills, availability, working shifts, etc) so that they can be more proactive in the assignment of homecare workers to elderly and disadvantaged citizens. We are currently looking at an August 2007 roll-out for this.

### 3.2.2 On-Line Recruitment

The provision of on-line recruitment uses existing HRMS facilities. Self service is not a pre-requisite but the facilities and workflow will improve once self service is enabled. The facilities which have been developed provide for:-

- Manager Requisition for a vacancy through an on-line screen
- On-line authorisation of the vacancy by corporate HR
- The creation of the detail of the vacancy
- On line (public internet and WCC intranet) access for applicants to view available jobs
- On line (public internet and WCC intranet) access for applicants to apply – thus creating an automatic HRMS Applicant record
- On line application forms
- The capability for candidates to submit CVs as text (e.g. MS Word) and photos
- Managers to view applicants on line
- Managers to select applicants for interview on line
- Managers to flag acceptance/rejection on line
- Automatic letter & document generation:
  - Acknowledgement of applications
  - Decline
  - Invite to interview
  - Accept
  - Contract

The benefits of this system are four-fold:

- i) There is potential for a substantial reduction in advertising costs due to aggregating advertising requirements across all directorates
- ii) There will be a reduction in staff effort and time (hence costs) in processing applicants
- iii) Contracts of Employment will be available immediately an applicant accepts a job offer
- iv) Better service to applicants and a more favourable image of the County

To date the system has been developed as a working prototype in HRMS. To enable it to become operational (“live”) it requires some further design work on the corporate job application form (by HR) and a relatively simple technical interface between the job application form on the Warwickshire Intranet and HRMS.

### 3.2.3 Training Management

The HRMS module “Oracle Learning Management” provides a straightforward mechanism for managing internal and external training courses, booking employees and applicants onto these courses and capturing learning progress and qualifications along the way.

### 3.2.4 Oracle Time & Labour

Oracle Time & Labour (OTL) is a comprehensive time-capture system which can stand alone (via Self Service) or integrate with on-site time capture systems such as “clocking-in”, hand held devices, global positioning systems, etc. It has the potential to dramatically reduce some of the more tedious and time consuming aspects of data entry into HRMS and its use in other local authorities (e.g. Solihull and Wokingham) is currently being evaluated by the HRMS team and corporate HR.

## 4. Benefits

- 4.1 The implementation of the new payroll system has led to significant reductions in the cost of payroll processing, with a cash saving in 2007/08 of in excess of £300,000, which is being used to repay the Virtual Bank loan used to finance the purchase and implementation of the system. In addition, the new infrastructure required to support the system has been fully funded from within the residual cost base. However, the savings from payroll processing are, by far, the smaller element of the potential savings from the system.
- 4.2 It is extremely difficult to quantify the benefits of the HR elements of a system such as HRMS, which seeks to radically transform the culture of the organisation. Much of the benefit can only be realised by managers working in different ways and utilising time freed up by facilities such as self service productively. This report has sought to demonstrate the areas in which benefits will be achieved. Attempting to quantify them, at this stage would be speculation. However, as has been demonstrated in previous reports, the potential benefits of better absence management are huge. On-line recruitment and self-service, particularly in conjunction with the creation of a central HR Shared Service unit offer very significant benefits, both of which are likely to dwarf the payroll benefit. Even something as seemingly trivial as on-line production of payslips has the potential, over time, to save up to £40,000 p.a. in printing costs and £60,000 in postage costs, but only when all staff and pensioners are able to access the internet, and this will, obviously, take some time.
- 4.3 After an extremely difficult life, the opportunities presented by HRMS look likely to come to fruition. There also appears to be interest from other organisations in exploring the possibility of using our system, as Warwick and Stratford District Councils have been doing for some time. There are considerable lessons to be learned from the project, which have been outlined to the committee previously, but, notwithstanding these, the system looks likely to deliver considerable benefits to the County Council and its partners into the foreseeable future.

DAVID CLARKE  
Strategic Director, Resources

DAVID CARTER  
Strategic Director, Performance & Development

Shire Hall, Warwick  
30 March 2007