

Agenda Item:

Vote 18 National Shared Services Office

Appropriation Accounts 2015

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Vote 18 National Shared Services Office

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**Briefing on the 2015 Appropriation Accounts
(Including updates for 2016 and 2017)**

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Vote 18 National Shared Services Office Appropriation Accounts 2015

Recent Financial History

| Estimate Summary | 2015 Outturn €'000 | 2016 Estimate €'000 | 2017 Estimate * €'000 |
|---|--------------------------|---------------------------|-----------------------------|
| A. National Shared Service Office (NSSO) (Administration) | 1,459 | 2,605 | 2,762 |
| B. PeoplePoint | 13,153 | 13,900 | 13,273 |
| C. Payroll Shared Services Centre | 9,301 | 17,150 | 18,397 |
| D. Other Shared Services Projects - Financial Management Shared Services | 2,270 | 9,035 | 16,191 |
| Gross Total: | 26,183 | 42,690 | 50,623 |
| E. Appropriations in Aid | 4,193 | 4,780 | 5,450 |
| Net Total: | 21,990 | 37,910 | 45,173 |
| <i>Surplus to Surrender</i> | <i>18,041</i> | | |
| <i>Deferred Surrender</i> | <i>1,248</i> | | |
| <i>Surplus surrendered</i> | <i>16,793</i> | | |

2015 Headline information

Gross spend at year end is €26.1m, which was €17.8m (41%) behind profile.

The main variances on this Vote are as follows:

Favourable variance of €0.7m on A. National Shared Service Office (NSSO): Savings are driven by the later than anticipated recruitment of staff. The budget anticipated that all posts would be filled by end 2015 and this did not materialise. These recruitment delays also impacted on non-pay spend. The saving here was also driven by delays in securing new office accommodation for the Corporate Unit.

Favourable variance of €2.1m on B. PeoplePoint: The budget anticipated that there would be a requirement for overtime and staff overlap during the final recruitment phase, however costs in this area were not as significant as originally anticipated. Saving also arose on capital, with lower than anticipated costs on building fit-out and capital consultancy.

Favourable variance of €7.8m on C. Payroll Shared Services Centre: The saving is driven by the later than anticipated transition of certain payroll clients to the shared service office impacting both pay and non-pay costs. Further savings arose in relation to capital technology as certain capital projects could not proceed according to the timelines originally envisaged.

Favourable variance of €8.2 on D. Other Shared Services Projects FMSS project: Savings arose because of the delays in the tender process which, in turn, delayed the return to Government for decision.

Capital Carryover

The Capital Carryover Budget of €998k has been fully utilised.

Appropriations-in-Aid

The Estimate for Appropriations-in-Aid for 2015 was €4.9m, with actual receipts at €4.2m. The majority of the shortfall relates to the PeoplePoint Service Charge (€0.5m) which arose due to changes in the service charge funding model combined with reductions given to a small number of Client Departments.

2016 Headline

The 2016 Estimate of €37.91m represented a slight decrease (€1.12m) compared to 2015 Estimate. This decrease reflected:

- A reduction in the allocation required for both the PeoplePoint and Payroll projects, as they reached a natural conclusion and became fully operational; and
- A reduced provision for the Financial Management Shared Service project pending consideration of the tenders and a return to Government for decision. The financing of the project was dealt with as part of the submission to Government.

The 2016 Estimate reflected an increase over 2015 outturn largely driven by the continuing migration of existing payroll functions from originating Departments to the Payroll shared Service Centre as this project entered a significant implementation phase. Offsetting reductions are reflected in the budgets of originating Departments.

2017 Headline

The 2017 Estimate of €45.17m is an increase of some €7.26m **compared to the 2016 Estimate.**

This increase is largely driven by Capital cost in the Financial Management Shared Service as the project begins the development phase of the new finance technology platform.

Comparison of 2015 Budget Estimate to Spend (€'000)

| Subhead Description | 2015 Estimate | 2015 Spend | Variance |
|--|---------------|---------------|----------|
| Salaries, Wages and Allowances | 21,633 | 15,417 | -6,216 |
| Travel and Subsistence | 54 | 67 | 13 |
| Training and Development/Incidental Expenses | 627 | 586 | -41 |
| Postal and Telecommunications Services | 797 | 195 | -572 |
| Office Machinery and Other Office Supplies | 4,248 | 3,081 | -1,167 |
| Office Premises Expenses | 484 | 202 | -282 |
| Consultancy Services | - | - | 0 |
| Gross Total | 27,843 | 19,548 | |
| Appropriations-In-Aid | 4,860 | 4,193 | 667 |
| Net Total | | | |

The main variances on this Vote are as follows:

- **Saving of €6.2m on administrative budget paybill:** This variance largely arose because of delays in migrating staff from originating departments to PSSC operations (client waves were delayed as process issues were resolved). Smaller savings arose on most projects due to lower than anticipated recruitment.
- **Saving on the PSSC project of €1.6m:** a delay in the timing of planned transitions resulted in a Capital expenditure being delayed on this project. This created an expenditure pressure in 2016 which was included in the Revised Estimate.
- **€1.2m saving on Office Equipment and External IT Services:** Delays on the clients migrations also impacted on spend requirements on this subhead.
- **€0.7m saving on PeoplePoint:** The variance is primarily driven by the provision of a budget for consultancy support which was not subsequently required.
- **€0.6m variance on Postal & Telecommunications:** A significant budget allocation for the issuing of payslips for the Defence Forces was not required as Defence issue these payslips using their own courier service (not recharged to PSSC)

Administration (i) – Salaries, Wages and Allowances

| €,000 Subhead Description | 2015 Spend | 2016 Estimate | 2017 Estimate |
|--------------------------------|---------------|------------------|------------------|
| Salaries, Wages and Allowances | 15,417 | 22,950 | 25,206 |

The 2015 outturn was €15.4m compared to budget of €21.6m. This variance largely arose due to delays in migrating staff from originating departments to PSSC operations (client waves were delayed as process issues were resolved). Smaller savings arose on most projects due to lower than anticipated recruitment.

The increase in 2016 Estimate reflected increasing staff numbers due to:

- The redeployment of existing payroll staff from originating departments as more clients transitioned to the Payroll Shared Service Centre;
- The full staffing of PeoplePoint operations; and
- The expansion of the Corporate Business Unit

The increase in 2017 Estimate reflects increasing staff numbers due to:

- The full staffing of Payroll Shared Service operations;
- The expansion of the Financial Management Shared Services project
- The preparation of Finance Shared Service operations; and
- The continued expansion of the Corporate Business Unit

These costs will be partially offset by reductions on the Votes who originally provided these services. By end 2016 almost all HR and pensions transactional services will have migrated to the centre and, by late 2017, all payroll transactional services will have migrated to the NSSO (53 Government Departments and Public Service Bodies are transitioning in a series of 7 waves between December 2013 and November 2017).

Administration (ii) - Travel and Subsistence

| €,000 Subhead Description | 2015 Spend | 2016 Estimate | 2017 Estimate |
|------------------------------|---------------|------------------|------------------|
| Travel and Subsistence | 67 | 95 | 169 |

The outturn for 2015 was €0.07m compared to a budget of €0.05m. The increase in spending on travel and subsistence was due to necessary additional travel as operational issues required attention across the multi-located operation.

The increases in allocations in both 2016 & 2017 reflect the fact that an increasing number of payrolls are moving to the centre and additional staff will be coming into Finance Shared Services (operations and project). As projects move past the development stage in their organisational life, there is a greater travel requirement to facilitate operational meetings between regional locations (Clonskeagh, Tullamore, Killarney, Galway, Mount Street and Leeson Lane).

Administration (iii) - Incidental Expenses

| €,000 Subhead Description | 2015 Spend | 2016 Estimate | 2017 Estimate |
|------------------------------|---------------|------------------|------------------|
| Incidental Expenses | 586 | 1,005 | 1,144 |

This subhead covers a variety of miscellaneous costs including training, cleaning, security, advertising & publications, entertainment/office refreshments, subscriptions, the PeoplePoint levy and sundry.

The analysis of spend over the three year period, across the key categories of expenditure within this subhead is as follows:

| €,000 Analysis of Admin (iii) | 2015 Spend | 2016 Estimate | 2017 Estimate |
|----------------------------------|---------------|------------------|------------------|
| Training | 239 | 425 | 538 |
| Audit | 87 | 125 | 144 |
| Security | 81 | 147 | 135 |
| Cleaning | 90 | 128 | 167 |
| Courier (Payslips) | 3 | 56 | - |
| PeoplePoint Charge | 59 | 80 | 135 |
| Other | 27 | 44 | 25 |
| Net Total | 586 | 1,005 | 1,144 |

The 2015 outturn was €0.59m compared to budget of €0.63m. This saving largely arose due to delays in migrating staff from originating departments to PSSC operations (client waves were delayed as process issues were resolved) and from lower than anticipated audit costs.

The uplift in 2016 and 2017 Estimates reflect:

- The increase is driven largely by an increase in the training and development budget (13% in 2016 and 27% in 2017) and PeoplePoint service charge (due to significantly increased staff numbers);
- The increase also reflects, in part, additional facilities costs associated with the establishment of multi-site services; and
- Some of these increases will have been offset by decreases in costs within originating Departments.

Training

A significant provision has been made for training, to ensure consistency in delivery standards and to reflect the fact that the National Shared Service Office is rolling out a large scale training programme over 2016 and 2017. This training is essential because:

- The NSSO is continuing to build its operations workforce with large-scale recruitment of new staff;
- Shared Services is still a relatively new concept in the Civil Service, requiring a need to foster the new skillsets required to work efficiently and effectively, with a focus on quality and the customer; and
- It is necessary that the NSSO is able to provide assurances to client Departments and Accounting Officers in relation to controls around pay-related activity.

The training programme will be delivered through a blended approach of in-house training, eLearning, procured training and further education, in the most cost effective manner possible.

The remaining facilities costs increase in line with the increasing numbers and accommodation.

Administration (iv) Postal and Telecommunications Services

| €,000 Subhead Description | 2015 Spend | 2016 Estimate | 2017 Estimate |
|--|---------------|------------------|------------------|
| Postal and Telecommunications Services | 195 | 1,070 | 697 |

The outturn for 2015 was €0.20m compared to a budget of €0.80m. This significant favourable variance resulted from a delay in migrating the Garda & Defence Forces payrolls meaning the related postal allocation was not required.

The increase in 2016 Estimate reflected:

- The increased number of operational locations and clients on board projected to migrate to the service;
- Postal costs associated with Garda Payroll (the Vote is exploring ways to target a reduction in costs in this area – including a migration to electronic payslips); and
- That the allocation on this subhead was broadly split – 52% postal costs, 48% telecom/mobile phone/data connectivity costs. As previously stated, it was expected that some of these costs would be mirrored by cost reductions on the Votes of originating Departments.

The decrease in 2017 Estimate reflected:

- Reduction in telecoms direct lines costs;
- Postage costs for pensioners is actually less than anticipated as not all individuals receive hardcopy payslips; and
- Defence civilians postage costs are not incurred as they are issued to barracks/military bases via the Defence courier services and not recharged to PSSC.

Administration (v) - Office Machinery and Other Office Supplies

| €,000 Subhead Description | 2015 Spend | 2016 Estimate | 2017 Estimate |
|---|---------------|------------------|------------------|
| Office Equipment and external IT services | 3,081 | 4,610 | 5,339 |

This subhead provides for a variety of costs including annual desktop licenses, external IT support services, and all Departmental printing and stationery requirements including the printing of statutory instruments. It also makes provision for the refreshment of capital equipment.

The 2015 outturn was €3.08m compared to a budget of €4.25m. This saving was largely driven by delays in the migration of clients to the Payroll Shared Services Centre.

The small increase in 2016 Estimate reflected the incremental costs attaching to the service as it continued to take on new clients and also captured costs necessary to secure the IT platforms

required for the operation of Payroll Shared Service Centres. The breakdown of the main areas of expenditure is as follows:

| | |
|---|-------|
| Core Systems Maintenance & support | 1,130 |
| IT Support | 775 |
| IT Consultants | 631 |
| External Service Providers | 435 |
| Consultancy Service Des | 300 |
| DBA Support | 245 |
| Oracle Licence Maintenance | 195 |
| Core – Critical Patch Updates | 130 |
| Office Stationary & Supplies | 117 |
| IT Capital Costs | 106 |
| Case Management External Support Contract | 100 |
| NSSO – DPER Exit Strategy | 90 |
| Case Management Licence Maintenance | 55 |
| Operational Support | 50 |
| Managed Service Contract | 50 |
| Document Management – Licence Maintenance | 20 |
| Firewall Maintenance | 10 |
| Miscellaneous | 171 |

The increase in 2017 Estimate reflects the incremental software development costs required for Payroll Shared Service as it continues to take on new clients and develop systems. The breakdown of the main areas of expenditure is as follows

| | |
|-------------------------------------|-------|
| Core Systems Maintenance & support | 1,395 |
| IT Consultants | 1,053 |
| DBA Support | 148 |
| Oracle Licence Maintenance | 259 |
| Core – Critical Patch Updates | 58 |
| Office Stationary & Supplies | 184 |
| IT Capital Costs | 1,327 |
| NSSO – DPER Exit Strategy | 105 |
| Case Management Licence Maintenance | 98 |
| Firewall Maintenance | 10 |
| IT support/Maintenance & Misc | 702 |

Administration (vi) - Office Premises Expenses

| ,000 Subhead Description | 2015 Spend | 2016 Estimate | 2017 Estimate |
|-------------------------------------|-----------------------|--------------------------|--------------------------|
| Office Premises Expenses | 202 | 635 | 660 |

This subhead provides for the Maintenance, furniture and fittings, cleaning, heating and lighting costs across each of the Vote's 6 locations, including:

- Merrion Row, Dublin (NSSO CBU) / Leeson Lane (NSSO CBU)*
- Clonskeagh (PeoplePoint)
- Tullamore (Payroll SSC)
- Killarney (Payroll SSC)
- Galway (Payroll SSC)
- Smithfield, Dublin (FMSS) / Mount Street (FMSS)*

**These units relocated during the period 2015-2017. Original location listed first, with current location listed second.*

The 2015 outturn was €0.48m compared to budget of €0.20m. This is again driven by delays in the migration of clients to the Payroll Shared Service Centre.

Costs in 2016 and 2017 reflect the incremental facilities costs associated with the establishment of the new centres. Costs will be partially offset by reductions for originating centres

Programme Expenditure

Programme A: National Shared Service Office

| ,000 Subhead Description | 2015 Spend | 2016 Estimate | 2017 Estimate |
|--|---------------|------------------|------------------|
| A. National Shared Service Office (NSSO) (Administration) | 1,459 | 2,605 | 2,762 |

The variance of €651k on the NSSO (now CBU – Corporate Business Unit) arose largely as a result of delays in the recruitment process and evolving staffing requirements.

Delays on Audit fees, combined with a change to the PeoplePoint Service Charge model resulted in saving on subhead (iii).

Postal and Telecommunication, and office premises expense costs were allocated on the assumption that the NSSO would be located outside of Merrion Row in 2015. This did not happen and savings have arisen as a result.

On subhead (v), changing requirements meant that an externally supported Service Desk was not prioritised in 2015 and, as a result, savings materialized on this subhead.

Programme B: PeoplePoint

| ,000 Subhead Description | 2015 Spend | 2016 Estimate | 2017 Estimate |
|-----------------------------|---------------|------------------|------------------|
| B. PeoplePoint | 13,153 | 13,900 | 13,273 |

Provisional savings were reported on **PeoplePoint Operations** at an early stage of the year. The only overspend occurred on subhead (iii) in respect of training. Compensating variances identified at that stage have covered this shortfall.

The saving on subhead (v) Office Equipment and External IT Services is directly related to a change in the Managed Service Provision, and this has resulted in a reduction on the fees collected on the appropriations in aid subhead.

PeoplePoint Project Paybill overspend is offset by a corresponding saving on the Admin paybill for this programme. The saving on this subhead is related to the capital element of this Project (provision for a consultancy contract was not utilized (€200k) and there was a saving on OPW fit-out).

PeoplePoint had a Capital Carryover budget of €698k which has been utilised in entirety and allocated from the Capital Carryover Budget.

Programme C: Payroll Shared Service Centre

| ,000 Subhead Description | 2015 Spend | 2016 Estimate | 2017 Estimate |
|--|-----------------------|--------------------------|--------------------------|
| C. Payroll Shared Services Centre | 9,301 | 17,150 | 18,397 |

The under-spend of €4.7m on **Payroll Operations** Administrative Paybill budget results largely from delays in staff migrating from originating Departments. The late transitioning of staff also impacts on the non-pay administrative costs (the comments in the introduction refer).

The small overspend on subhead (ii) Travel was necessitated as operational issues required attention across the multi-located operation. Such costs are difficult to estimate accurately for a Greenfield project. Compensating variances are available on the other subheads to cover this overspend.

The savings on the **Payroll Project** arise primarily on Capital technology (€1.1m). This creates an expenditure pressure for 2016 which has been reflected in the 2016 Budget Allocation.

Payroll Project had a Capital Carryover budget of €300k which has been utilised in entirety and allocated from the Capital Carryover Budget.

Programme D: Other shared service projects

| ,000 Subhead Description | 2015 Spend | 2016 Estimate | 2017 Estimate |
|---|-----------------------|--------------------------|--------------------------|
| D. Other Shared Services Projects | 2,270 | 9,035 | 16,191 |
| - Financial Management Shared Services | | | |

Delays in the tendering process have had a knock-on effect on the expenditure.

The savings arise as follows:

- €0.5m Paybill;
- €1.0m Non-pay; and

- Capital €6.7m
 - Software licence (€3.45m)
 - Hardware (€1.1m)
 - SI implementation team costs (€1.45m) and
 - Fit-out costs (€0.7m).

Subhead C – Appropriations-in-aid

| ,000 Subhead Description | 2015 Receipts | 2016 Estimate | 2017 Estimate |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| Appropriations-In-Aid | 4,193 | 4,780 | 5,450 |

The end of year shortfall is largely as projected. The variance breaks out as follows:

- Shortfall on Pension Levy Deductions is directly related to delayed recruitment;
- PeoplePoint Levy on clients:
 - Change to the Service Charge Model (329k - corresponding reduction in spend subhead on a(v));
 - An agreed reduction of €138k for 3 PSBs on the PeoplePoint Service Charge, in recognition of service improvements underway within PeoplePoint and the considerable support being extended to PeoplePoint by these PSBs; and
 - A late receipt which will now fall into the 2016 Account.
- Miscellaneous – relates to Social Protection receipts sick leave, maternity leave, etc. which are difficult to predict.

Sundry information in relation to Staff costs

Pay bill matters – bac-up for figures shown in the Appropriation Accounts

Allowances and Overtime Payments:

2015

| | Total Amount Paid | Total number of Recipients | Recipients of 10,000 or more | Max. Individual payment | |
|---|--------------------------|-----------------------------------|-------------------------------------|--------------------------------|--|
| Higher, special or additional duties | 63,981 | 29 | 2 | 18,056 | |
| Overtime and extra attendance | 83,180 | 113 | - | 6,892 | |
| Miscellaneous | 14,367 | 9 | - | 3,692 | |
| Total Extra Remuneration | 325,089 | | | | |

Notes:

- The information above has been extracted from the CorePay system.
- Some officers receive more than one allowance.
- The names of the staff in receipt of each allowance have been identified and are available if required.

Performance and Merit Pay:

2015

Under the terms of the AHCPS 1% PCW restructuring agreement, 2 officers received a total of €1601.66 in respect of PCW/seniority allowances.

Redundancy Payments

There were no redundancy payments in 2015.

The figures provided have been extracted from the CorePay system.