

Response to the External Review of OHR Services

Foreword

At the May 2022 sitting of Tynwald, the Chief Minister advised that an external review of the Office of Human Resources services (OHR) was to be commissioned. The review was undertaken by Grant Thornton and their report was published in December 2023.

In their [report](#), Grant Thornton made a series of significant recommendations to deliver an Office of Human Resources for the Isle of Man Government which "...is properly structured, resourced and skilled to deliver on the strategy and purpose set out by the Chief Minister and articulated in the 2023 Department Plan".

The findings highlighted multiple barriers that currently prevent OHR from fully realising these objectives, and identified five key focus areas for improvement:

1. Organisational development, design and culture;
2. Strategic and operational HR advisory services, including employee relations advice broadly and in relation to processes such as fairness at work, grievances, disciplinary, capability and whistleblowing;
3. The effectiveness of HR functions and services provided to departments, boards & offices;
4. Employee development, appraisal and performance management; and
5. Industrial relations and policy.

The benchmarking presented in the Grant Thornton review makes clear that OHR has been under-resourced for a number of years, and the report goes on to propose fundamental improvements to the operation of OHR services, requiring significant investment.

I am pleased that the Treasury has approved additional funding for OHR of up to £2.2m per annum, to allow us to commence work on this transformation. At a time when budgets are tight, we are clear that this funding represents an important investment in our people, and must deliver.

The Grant Thornton report identified a gap of 54 FTEs and c. £3million in the OHR annual budget. Although these eye-catching estimates served to demonstrate the need for change at scale, recruitment will not take place to that degree. The principle of substantial change is accepted, but in line with Council of Ministers' expectations we are committed to developing the most efficient service model we can, challenging the need for each new post, and harnessing digital solutions for productivity. Therefore notwithstanding this identification and the Grant Thornton recommendations, the proposal to recruit to that degree will not be followed, but instead a risk based approach will be progressed. This will identify and resolve areas within OHR where there are known issues whilst considering and implementing some of the recommendations made by Grant Thornton.

I believe that we have an exciting opportunity to build a shared HR service that can better meet the needs of Departments, Boards and Offices; that will better enable them to support our valued staff and managers to deliver for the Isle of Man.

Leaders and managers must be able to make the right decisions at the earliest opportunity and further, must have access to reliable and current data to inform their decision making. OHR will as a priority, work towards improving the quality of the data it holds, how this is collated and will look to improve data analysis to better meet the future needs of the organisation.

More broadly, the ability to access quality HR advice and support to managers and staff should reduce the prevalence of potentially costly and protracted employee issues by ensuring fairness and more timely resolutions. To facilitate this, OHR will create a four tiered Helpdesk so that staff and managers have a single and easy access point to seek advice. This will ensure that enquires are directed and dealt with at the appropriate level and will create a more consistent approach. The top tier of the new Helpdesk will be formed by the current HR Business Partners who whilst remaining part of the OHR team, will be relocated to have a physical presence in each of the Departments, Boards and Offices that they service and provide strategic HR support to the respective leadership teams.

These steps will ultimately help to improve the culture whilst having a positive impact on the number and cost of expensive employment tribunals and proceedings.

Work has now started in some of these areas but the investment into OHR is instrumental in furthering processes to manage performance, develop the suite of management training programmes, including the introduction of professional management qualifications, and to support the culture change initiative, Our Public Service.

As this work progresses, OHR will, as a shared service, engage with the Chief Officers across the public service to implement new service levels agreements with the common aim of developing a public service that is fit for purpose and can deliver for the public of the Isle of Man.

In our first few months, the CEO and I have met frequently with the OHR leadership team to take stock of the current people challenges facing OHR and the wider public service, and to consider the Grant Thornton recommendations in that context.

Overall, we regard the Grant Thornton report as a valuable resource, and will take forward the majority of its recommendations and work has already started on some urgent priorities. We are however re-phasing some recommendations in order to enable us to invest early in the payroll service; we also consider organisational development, design and culture a higher priority than we believe was suggested in the GT report.

There is a huge amount of work to be undertaken to transition to a new OHR service model whilst continuing to deliver day-to-day functions. We anticipate the OHR transformation to take at least three years, and we will rigorously review for progress, impact and efficiency throughout.

Finally, I would like to thank the Grant Thornton team, OHR team members and colleagues across government who fed into this review openly and fully, as well as all the colleagues who are part of making this change happen: thank you.

Dr Megan Mathias
Chief Operating Officer, Cabinet Office
April 2024

Recommendations being taken forward

1. **Strategy.**

- a. The People Strategy for the public service will be refreshed, taking account of the challenges and opportunities facing our workforce. It will look to address the changing demographics, digital enablement, skills and capabilities and evolving ways of working, and setting out our collective approach. The People Strategy will look to support the work of Our Public Service, being an organisation that is striving for growth and success, and recognising the importance a good workforce culture has on service delivery. It will set the context for the OHR strategy
- b. A revised OHR strategy will also be produced, setting out a clear remit for the HR function to each Department, Board and Office that will be underpinned by agreed Service Level Agreements. These Agreements will give clarity on the requirements and set out agreed levels of service delivery between Departments, line managers and OHR.
- c. Service level agreements will be developed for each Department, Board or Office, underpinned by key performance indicators and regular reporting.
- d. Initial baseline work has already commenced to establish the future operating model and to address and mitigate known key risk areas. There is a significant amount of work to be undertaken. This work will necessitate a change to the current Office of Human Resources delivery model and structure and also successfully implement and embed this whilst also continuing to deliver the day to day functions that OHR provides across the Public Sector.
- e. Clearly, the model and approach will need to evolve, as the structure and model is re-designed and trialed. The Project Board has responsibility for the successful delivery of the project and will report to Treasury on a regular basis to ensure key targets and financial controls are met.

2. **Structure and capabilities.**

- a. The introduction of a properly tiered shared service and helpdesk model will make it significantly easier for both employees and managers to access and obtain the correct advice, support and information. A helpdesk team will be the first point of contact and will be resourced to deal with all queries, which will improve consistency of advice given whilst ensuring that queries are dealt with at the appropriate level.
- b. This in turn will free up capacity within an augmented HR Business Partner (BP) team so they can provide strategic HR advice for Departments, Boards and Offices. BPs already work closely with their respective Departments, including physically locating with them, but frequently get absorbed in routine operational matters that will in future be handled by less senior staff.
- c. Over time, specialist HR Advisory capacity will also grow if needed in response to changing demand for support from managers with complex case work across the public service. This will help reduce employment tribunal cases, and more broadly contribute to staff satisfaction and morale.

- d. OHR leadership will be increased from two to four senior managers, to more appropriately lead and develop the OHR of 121.15 full time equivalent staff, as at April 2024.
 - e. This will be accompanied by proportionate investment in skills development for OHR staff, equipping them to embrace new ways of working and enabling OHR to become a place where HR professionals want to work and develop, building upon the current collegiate culture to facilitate a more proactive, and impactful performance culture.
3. **Policies.** The recommendation to undertake a comprehensive harmonization exercise is not funded but may be considered in the long term. In the short term work will be undertaken to review and rationalize existing policies and OHR will work with key stakeholders including trade unions, to identify barriers and which policies have the greatest impact.
 4. **Technology.** In this early phase, a formal review of OHR's current digital platforms will be undertaken with a focus on optimising value and integrating where possible. (The report included a broad recommendation for a single HCM solution in the future, with no costs allocated.)
 5. **Processes.** Our stock take has highlighted a need to bring forward work to review and simplify key HR processes, as well as clarifying roles and responsibilities of departments and hiring managers. This will be progressed as a priority in 2024.

Additional work identified

In summary, the Grant Thornton report recommends a series of actions and investments to strengthen the current OHR shared service model. However, given that OHR has been under resourced for many years, there are significant risks associated with sustaining service levels *at the same time as* implementing a project of this scale.

In our stocktake and development of this response, we have identified three immediate risks and have reprioritised project resources to address them.

1. **Delivering the change.** First, although not costed in the report, this project needs to be properly managed to ensure that the target improvements are achieved and risks mitigated as appropriate. Second, the report provides a high level roadmap only and not a detailed design and plan. Having considered the report and taking into account the current operating model, work has now commenced to build the OHR of the future but processes, operating procedures, and jobs will be designed in detail in phases, and we will consciously learn and refine the model as we go.
2. **Payroll and PiP** (our HR system). The Grant Thornton report scope did not extend to payroll services. Improvements have been made since a Tynwald Commissioner for Administration complaint in 2023 however, the fact remains that Payroll is a small team that processes payments for 18,000 employees and pensioners every month for over 20 different terms and conditions of employment. Work remains to improve the integrity of data and

processes underpinning payroll, making the team workload more manageable as a result, which we regard as a priority.

3. **Greater emphasis on culture and organisational development.** We have recognized the central importance of a positive performance culture in the IOMG Our Public Service programme, which consists of six workstreams to boost morale and productivity, and attract and retain talent, leading to long-term success. This work remains central to our approach, and will continue to have prominence as we transform OHR.

Phased Implementation

Full project scoping is underway, which will include the development of detailed workstream plans, deliverables and timescales. A project board has been established and as this is an operational project will report regularly to the Chief Officer Group.

Resourcing the transformation

1. OHR will restructure the current Shared Services function and update its operating model to include:

- Restructuring of senior level roles in OHR
- The introduction of a 'Tier 1' helpdesk team to OHR's Shared Service Model;
- Introduction of a new centralised HR Advisory Service team;
- Introduction of a dedicated Project Practice team; and
- Restructuring HR Business Partner roles and responsibilities.

2. OHR will also conduct a full and formal review of its HR systems environment, subject to funding, which will include a comprehensive assessment of technology and IT systems in place with a decision taken whether OHR should:

- Continue with its current systems and develop integrations across the IT systems; or
- Start afresh and implement a new integrated Human Capital Management solution

3. In addition, over the three year period, we estimate that 23 FTE roles are likely to be required within the areas below. We will sustain a high threshold for appointments and the need for each post will be further reviewed prior to recruitment.

- Recruitment;
- Job Evaluation;
- Health, Safety and Welfare;
- People Analytics;
- Information Governance; and
- Executive Team Support.

Our initial focus will be to ensure the foundations are in place to ensure improved operational performance which is tangible across Departments, Boards and Offices. However, as part of the evolution of project tHRive any further opportunities to improve value for money in the delivery of HR shared services will be considered as well as any opportunities for continuous improvement.