

Department of Education and Skills

Update Briefing Paper for the Public Accounts Committee

on the

C&AG Special Report on Restructuring the Administration of Student Grants

Meeting 11th June 2015

Context for Programme of Reform

Prior to the introduction of Student Universal Support Ireland (SUSI), the student grant process was administered by 66 local authorities and VECs. From 2009/10, when the economic crisis was at its height, the system came under serious pressure with unprecedented increases in the numbers applying for grants coinciding with staffing reductions in the local authorities and VECs as a result of the public service moratorium.

Figure 1 below shows details on processing in the annual January survey of VECs and local authorities and, in the last three years, of SUSI.

| Survey Date | Total Net Applications | Number Awarded | Refused/Cancelled | Processing Complete | Processing Incomplete | % Incomplete |
|-------------|------------------------|----------------|-------------------|---------------------|-----------------------|--------------|
| Jan-06 | 34,993 | 22,212 | 3,733 | 25,945 | 7,732 | 22% |
| Jan-07 | 34,055 | 23,908 | 4,317 | 28,225 | 5,829 | 17% |
| Jan-08 | 34,371 | 23,926 | 4,608 | 28,534 | 5,836 | 17% |
| Jan-09 | 39,715 | 26,574 | 5,676 | 32,250 | 7,464 | 19% |
| Jan-10 | 52,786 | 30,591 | 6,880 | 37,471 | 15,323 | 29% |
| Jan-11 | 56,128 | 31,239 | 9,865 | 41,104 | 14,999 | 27% |
| Jan-12 | 57,635 | 32,152 | 8,383 | 40,535 | 16,488 | 29% |
| Jan-13 | 67,812 | 30,407 | 17,178 | 47,585 | 20,227 | 30% |
| Jan-14 | 68,335 | 36,967 | 25,805 | 62,772 | 5,563 | 8% |
| Jan-15 | 65,068 | 39,167 | 22,876 | 62,043 | 3,025 | 5% |

*A small number of new applicants were not categorised by some of the 66 awarding authorities. Where this occurred, no adjustment was made to the figures.

These data show the difficulties in local processing systems prior to the introduction of SUSI. Having overcome the initial operational difficulties and delays in its first year of operation, SUSI has now reduced these processing delays considerably. Only 5% of new grant assessments were incomplete by the 2015 January survey date - a substantially lower proportion than at any time over the last ten years – and this despite a doubling of the number of applications.

Grant Payment Outturn

Considerable time, effort and resources have been devoted over the last two years to ensuring that the operation of SUSI now represents a very significant improvement on the

performance for the 2012/13 academic year.

In addition to substantially strengthening the management capacity in SUSI itself and restructuring and streamlining its methods of operation, the Department and CDETБ have worked with Accenture to simplify and clarify the performance metrics and targets which now underpin the monitoring and evaluation of the system. A comprehensive Management Framework Agreement was put in place in 2013 and forms the basis of the system operation and ongoing oversight.

Figure 2 below outlines SUSI’s performance in 2014/15 against some of the key metrics for processing and payment of student grants:

| Performance Measurement Metrics 2014/15 | | |
|---|---|---|
| Metric Description | Agreed Metric Target | Service Level Achieved |
| % of new applications processed to completion | 55% by 31 st Oct. 75% by 30 th Nov. 85% by 31 st Dec. | 56% by 31 st Oct. 75% by 30 th Nov. 87% by 31 st Dec. |
| % of renewal applications processed to completion | 95% by 31 st Oct. | 92% by 31 st Oct. 95% by 30 th Nov. 98% by 31 st Dec. |
| % of total anticipated new awards paid | 40% by 31 st Oct. 65% by 30 th Nov. 85% by 31 st Dec. | 43% by 31 st Oct. 69% by 30 th Nov. 85% by 31 st Dec. |
| % of total anticipated renewal awards paid | 80% by 31 st Oct. 95% by 30 th Nov. | 86% by 31 st Oct. 94% by 30 th Nov. 98% by 31 st Dec. |

Overall, SUSI has been running considerably more efficiently and has been meeting its targets in respect of the processing and payment grants.

Arising from the new data-sharing arrangements implemented with other Government agencies for 2013, SUSI conducted quality audits on the assessment of grant applications carried out in 2012 which identified a number of cases where grants were incorrectly awarded and overpayments have occurred. The Department is currently considering proposals made by CDETБ in relation to this matter.

Change Management

The restructuring of the administration of student grants was part of a wider programme of legislative and administrative reform underpinned by the introduction of the Student Support Act in 2011, which facilitated a consolidated statutory scheme and the introduction of more efficient administrative arrangements. The new grants process would be consistent with the Government’s *Transforming Public Services* agenda and the overall aim was to make it more efficient and effective while improving the service for customers.

Although there were no formal procedures for the appraisal of current expenditure projects in the period over which the restructuring of student grants was planned and developed, the Department did develop a roadmap and processes aimed at managing the change. The business process re-engineering review commenced in December 2009 represented a structured approach to identifying the merits of the proposed project and determining how the restructuring might best advance. The initial phase of the review mapped the existing grant processes and made recommendations for improvement and it was planned that further phases would support the transition to the new administrative arrangements.

When the business process re-engineering review was discontinued and on foot of the Government decision to centralise the student grant function, the Department issued an invitation for expressions of interest from public bodies with experience in similar large-scale service delivery and means testing to submit proposals for the central operation of the service. Following an evaluation process, the CDET B was selected as the single awarding authority on foot of advice from an expert independent panel and it set up a dedicated team – Student Universal Support Ireland, or SUSI – to manage the grants process.

A project implementation group was established to monitor the implementation planning and operational phases of the project. The project was closely monitored throughout the implementation planning and operational phases through regular meetings of the project implementation group and corrective action was taken as soon as issues were brought to its attention. Post-project review mechanisms were introduced, through the engagement of Accenture to carry out a comprehensive process review in early 2013 and subsequently by engaging the Centre for Effective Services to carry out a review of the broader lessons for public service project delivery emerging from the SUSI experience. A formal Management Framework Agreement was also concluded between the Department and CDET B in 2013. The arrangements in respect of implementation of the MFA include a structured engagement between the Department and CDET B by way of Monthly Operations Review meetings and a Quarterly Business Review.

The Department has fully accepted the recommendations in the special report of the Comptroller and Auditor General in relation to change management for major projects and taken together with the benefit of the introduction of the Public Spending Code in September 2013, has fundamentally revised its approach to change management planning and governance through the establishment of a Programme Office within the Department to support the implementation of the Public Service Reform Plan.

Securing Key Inputs

The restructuring of the administration of student grants was undertaken in the context of the Government's programme to radically reduce public sector costs and its establishment therefore coincided with exceptionally stringent controls on recruiting and deploying public sector staff which were rigorously applied across the public sector. In the circumstances, its resourcing reflected the wider public service context of keeping resources to an absolute minimum.

Sanction for the project was secured on the basis that staffing would be from redeployment within the public service. The Comptroller and Auditor General has pointed out in his report that redeployment did not deliver sufficiently in this regard. However, it is noted that the process for making assignments under the redeployment protocols has since been optimised. Contingency plans were implemented to provide for the acquisition of staff through insourcing and the temporary clerical panels established by the Public Appointments Service (PAS) were drawn on to address seasonal processing requirements. This was a key element considered and adopted at the planning stage to allow for peaks and troughs in the demand for assessment capacity.

Another key feature of the overall SUSI project plan was the use of an outsourced model for document management and call centre/helpdesk provision. This allowed for scalable staffing to deal with peaks and troughs in volumes of demand for those services which were suitable for outsourcing.

Following the review of SUSI's initial year of operation by Accenture in 2013, the Department secured sanction to enhance its leadership and management resources and increase its overall staffing level from 65 to 91 whole time equivalent posts. Following a recent review of staffing based on the experience of the first three years of operation, sanction has been sought from DPER to finalise the staffing profile of SUSI through filling key management and supervisory roles, bringing the overall staffing level to 100, which will be adequate to process the increased volumes of applications now being handled.

Funding approval has been secured for the design, provision and implementation of an Integrated Grants Processing System for SUSI under the Public Sector Reform Shared Services initiative with a target implementation date of March 2017.

Grant Processing

The 2013 examination of the business systems and processes deployed by SUSI highlighted the need to streamline and simplify the student grant process. While the ultimate objective is to have a web-based, integrated grant process, more immediate progress was recommended in relation to developing a dedicated SUSI website and simplifying messaging on key dates, documentary evidence require, and other information for applicants and stakeholders.

It also recommended that the progression of exchange of information relevant to grant applications with government departments/agencies would contribute to the development of a seamless grant process and should also significantly reduce the documentation required to support applications. Data and information sharing arrangements with a wide range of Government Departments and agencies now provide direct access to information needed by SUSI to validate grant applications and have contributed to reducing the overall volume of paperwork, improving the experience of applicants and increasing the efficiency and processing times in the grant awarding process.

Figure 3 below shows the comparative processing position at month end October, November and December of 2012, 2013 and 2014. The significant service improvements achieved in the areas of processing, payment and applications awaiting documentary evidence in 2013/14 continues in 2014/15.

| SUSI Comparative Processing Position for New Applications | | | |
|--|-----------------------------|-----------------------------|-----------------------------|
| Processing Position | 2012/13 Applications | 2013/14 Applications | 2014/15 Applications |
| % of total applications processed to completion by end October | 21% | 55% | 56% |
| % of total applications processed to completion by end November | 39% | 77% | 75% |
| % of total applications processed to completion by end December | 60% | 88% | 87% |
| Actual awards paid by end October | 1,683 | 17,730 | 42,863 |
| Actual awards paid by end November | 7,132 | 25,937 | 58,630 |
| Actual awards paid by end December | 19,779 | 33,538 | 66,159 |
| Awaiting documentation by end October | 26,300 | 15,472 | 9,705 |
| Awaiting documentation by end November | 26,219 | 14,451 | 8,828 |
| Awaiting documentation by end December | 23,664 | 6,711 | 7,038 |

Funding and Administration Costs

The development of this central grants processing facility involves a continual process of on-going improvement which requires systems, process and staff to be adaptable and flexible to meet changing needs and bring greater efficiencies to the grants processing and payments on an incremental basis.

Resourcing requirements for this project were higher than originally anticipated in three key areas – staffing, outsourcing and systems – see **Figure 4** below. However, it is still on track to deliver savings on the previous system. Unit costs of processing of student grants have reduced significantly and direct staff savings of 77 WTE have been realised.

| Component | 2012 | 2013 | 2014 |
|--|--------------|---------------|--------------|
| Staff Costs | €2.2m | €3.7m | €3.7m |
| Once-off set-up costs | €1.5m | €0.6m | €0.8m |
| Operational costs | | | |
| Outsourcing costs (Document Management & Contact Centre) | €3.0m | €5.2m | €3.5m |
| Routine operational costs | €0.4m | €1.2m | €0.9m |
| Total Non-Pay | €4.9m | €7.0m | €5.2m |
| Total Actual Expenditure | €7.1m | €10.7m | €8.9m |

Some of the expenditure incurred in the early part of 2013 related to finalising of applications in 2012/13 academic year.

In SUSI's first year, the overall cost of outsourced services was higher than had been estimated. Key drivers of these costs included the start-up costs of systems integration, the cost of additional cataloguing work related to the core work of document management, the cost of software licences and the higher than expected levels of call centre activity due to delays in the processing of applications by SUSI.

Through a range of measures, including the on-going automation of the process, particularly electronic data sharing and more effective communications with students, SUSI has been successful in reducing the overall costs of outsourcing and are continuing to endeavour to further reduce these costs.

Update on implementation of recommendations for the Department

Recommendation 1

For key change management projects, the Department should ensure that an appropriately qualified and experienced project manager is involved throughout, so that there is clear ownership and accountability.

Accounting Officer's response

Agreed. Although a formal system of governance in line with the Public Spending Code was not in place for this project, a qualified and experienced senior manager and staff team was responsible for the planning and implementation of all aspects of the legislative and administrative reform programme for student grants and was accountable in the normal way through the management structures of the Department. In relation to the transition to a single agency, this element of the programme was overseen by a project implementation group from April 2011, which included the relevant senior manager and representation from the sanctioning authority.

The project was closely monitored throughout the implementation planning and operational phases through regular meetings of the project implementation group and corrective action was taken as soon as issues were brought to its attention. In the matter of planning for the implementation of the project, it should be noted that a draft implementation plan was agreed in May 2011, which enabled negotiations on resources to commence with DPER. However, the ongoing failure of the (then nascent) redeployment system to deliver on staffing for SUSI meant that the implementation plan had to continue to be revised until April 2012, when the outsourcing option was agreed with DPER.

The Department has taken significant steps to address its approach to key change management projects. To support the implementation of the Public Service Reform Plan, a Programme Office has been established within the Department. The role of this office is to co-ordinate and manage the implementation of the public sector reform programme and to

introduce and embed a programme/project management approach to complex and large-scale initiatives.

Update

To date, appropriately experienced and qualified project managers have been appointed to manage the Department's two major shared services projects, ETB Payroll Shared Service and ETB Finance Shared Service, and a process is advanced to ensure the appointment of an experienced and qualified project manager for the SUSI Integrated Grant Processing System Project.

Recommendation 2

The Department should revise its approach to change management planning, particularly for complex and large scale projects such as SUSI. A clearly documented plan should be in place at an early stage, with sufficient lead time to commencement of operations. This should contain expected costs and benefits, which should be measurable, and should detail key project milestones. It should also incorporate identification and assessment of key assumptions and attendant risks. Contingency plans in respect of these should be developed. There should be a clear framework for project monitoring and for escalating serious issues.

Accounting Officer's response

Agreed. The Public Sector Reform Programme Office includes key project stages including: project scope, project plan (including risk register and issue log), progress updates and project close. This process is designed to ensure an appropriately tailored project management approach to key change initiatives including the identification of purpose, deliverables, milestones, interdependencies, risks, resource requirements and a project schedule.

Project progress will be monitored through the Project Management Office governance process and these governance arrangements ensure that key risks and issues can be managed carefully and project and programme level risks escalated from project manager (and key executive) to steering group (and senior responsible office) to programme board and ultimately to the Education and Training Reform Board (and Secretary General).

Update

The Project Management Office processes are being implemented for the key change programmes for both ETB/SOLAS and shared services.

Recommendation 3

Where efficiency and economy claims are put forward as part of a benefits case for a project, they should be expressed in quantitative terms with relevant baseline comparators.

Accounting Officer's response

Agreed. There was limited baseline information available to SUSI to establish meaningful targets and operational key performance indicators against which to ensure its performance, because the students grants function had been delivered by 66 awarding agencies without a central database tracking key operational metrics. Under the circumstances, it was decided that the most reasonable approach to take was to use the CDETb's detailed service proposal as the basis on which the service would be operated and that this would be further built on and consolidated with the implementation plan agreed with the Department.

Under the Public Sector Reform Programme Office, benefits mapping and identification is being introduced at the programme and project level as appropriate. The planned approach will include the implementation of a system of continuous improvement by the service provider, where appropriate governed by detailed service level agreements with the Department.

Update

The Department is currently piloting an approach to benefits identification and tracking which, once fully implemented, will enable the measurement of savings and benefits arising from various reform projects.

Recommendation 4

The Department should ensure that formal service level agreements, with appropriate key performance metrics, are in place with service providers, before service provision commences.

Accounting Officer's response

Agreed. There was a significant level of monitoring of service delivery and governance in place over the course of the first year of the project. An initial implementation group involving CDETb, the Department and DPER met on a number of occasions on the development of the implementation plan and a subsequent implementation group involving CDETb and the Department met regularly to monitor all aspects of implementation including setting weekly targets for grant processing and awards, reporting on such targets, analysis of staff needs, review of telephone, email, post and media activity and financial reporting as well as planning for renewals and new applications in 2013/14. A technical sub-group also assisted the implementation group on a number of issues.

The Department accepts that a more formal management framework, including agreement on service levels, would be both essential and feasible in year two of the project and a management framework agreement was concluded between the CDETb and the Department in 2013 which now forms the basis of the system's operation and ongoing oversight. The management framework agreement outlines the governance arrangements and responsibilities for monitoring and delivery of the project on an ongoing basis. It also includes specific performance metrics and targets which underpin the monitoring and evaluation of the project by the Department. SUSI has met its targets for processing and payment of student grants to end-December 2013 in line with the management framework agreement. The comparative processing position for new applications in 2012/13 compared

with 2013/14 clearly shows the significant service improvements achieved in the areas of processing, payment and documentary evidence.

Update

Service Level Agreements (SLAs) or Memorandums of Understanding (MOU) are in place in a number of bodies and agencies under the Department's aegis and work on agreeing SLAs is taking place with others.

A committee of the Department's MAC has been established to support the further implementation and development of governance arrangements across the sector through oversight and regular assessment of the Department's approach to governance issues. The Committee among other matters is looking at standardisation of service level agreements, relationship management and guidance and support for staff with responsibility for ensuring corporate governance compliance.

Recommendation 7

The single awarding authority model allows greater visibility of grant payment. The Department should review its funding process, in order to minimise unnecessary build up of funds by CDETB.

Accounting Officer Response

Agreed. As part of the transition arrangements associated with the move from 66 grant awarding authorities to a single agency, the Department is keeping the funding model under continuous review. It is essential that SUSI has sufficient cash-flow to allow payments to be made in a timely fashion to students and institutions while simultaneously ensuring that there is no unnecessary build-up of funds in CDETB.

Although there were significant funds on hand in CDETB at the end of the 2012 financial year relating to student grants (some €53 million), this was a consequence of the late processing and payment of significant numbers of grants in the first year of operation. The amount claimed by SUSI was on the basis of the projected number of grants which still remained to be processed to award stage and while this did not result in payment of the anticipated number by year-end, the amount claimed represented a funding commitment in the financial year 2012 which was realised early in 2013. The Department was anxious to ensure that sufficient money was available to SUSI to pay students as soon as they were awarded and that funding arrangements did not add further to delays.

During the 2013/14 academic year, more frequent payments are being made. This revision allows SUSI to meet its cash-flow requirements as needed (on a monthly basis if necessary) and reconcile expenditure in the normal manner.

The Department is in the process of reviewing the payment arrangements and anticipates that this process will be complete once the final transition is effected for the 2015/16 academic year.

Update

In October 2013, the Department signed a formal Management Framework Agreement (MFA) with CDET. This MFA now forms the basis of the system's operation and ongoing oversight and includes specific performance metrics and targets which underpin the monitoring and evaluation of SUSI by the Department. As part of the formal oversight arrangements of SUSI, a Financial Management Committee was established in October 2013. This committee provides a mechanism for highlighting and addressing any emerging issues in respect of the financing of SUSI.

One of the key vacancies required to be filled in SUSI was the post of Finance and Corporate Services Manager. The responsibilities of this post, which was filled in 2014, include the financial management of budgets and expenditure, management of student grant payment to students and HEIs, expenditure control of corporate administration, corporate governance, risk management and internal controls.

Discussions between the Department, SUSI, the HEA and the Higher Education Institutions (HEIs) to streamline the payment of the student contribution and fees, are currently at an advanced stage. It is anticipated that these discussions will be concluded over the summer period and will formalise the payment arrangements between SUSI and the HEIs which, in turn will reduce the potential for the build-up of funds in SUSI at the end of the year.