Human Resources Strategic Plan

March 2019

Contents

1.Purpose, role & vision

1.1. Purpose

The purpose of the HR function is to support the business to meet objectives through our people.

1.2. Role

The HR function supports the business to:

- Deliver high **performance**
- Have great **people**
- Be a great **place** to work.

This is delivered through a range of services to support these three areas.

The function is a centre of expertise on people and employment as well as having business based HR support as part of leadership teams delivering the services within each business area.

The services and CP6 strategy are underpinned by a plan to deliver against these three key areas during CP6.

HR Business Partners
Definition of People Plans
Organisational Design
Strategic Business
Support
Business Change Management
Coordination and support of local initiatives

**HR Shared Services
(part of route services)**
Payroll
Employee Records
Medicals
Immigration & Eligibility to Work
Offers & Contracts

Human Resources
HR Senior Leadership Team

People Managers
Recruitment & Selection
Induction
Performance Management
Sickness and Absence Management
Disciplinary & Grievance
Handling
Employee Engagement
Talent Management & Succession Planning
Leavers

"Centres of Excellence"
Pensions
Policy & risk
Industrial Relations
Diversity & Inclusion
Talent
Engagement
Resourcing
Rewards & Benefits

1.3. Vision

The vision for HR is to contribute to a better railway for a better Britain with great people, great place to work and delivering high performance.

Customer focus

The HR function provides services directly to customers internally to support the delivery of high NR performance through people. The key customer groups are:

Routes and other business areas – the management teams want an HR service that supports improvement of overall business performance. The specific areas where these customers want improvements are around strategic workforce planning/talent management, resourcing and workforce development.

Employees – having an engaged workforce increases productivity, safety and performance. Having the right culture and environment that is diverse and inclusive to harness talent and innovate is important.

Potential employees – in a highly competitive recruitment market, NR needs to be attractive to potential employees to be able to fill roles with suitably skilled people. The reputation of NR as an employer has an influence on broader perception of NR as a provider of key transport infrastructure services to the UK.

Government/shareholder – As shareholder and funder the Government is a key stakeholder.

Executive committee – key decisions on people related policies and processes are made by the ExCom, so their engagement and support is essential to obtain approval for changes.

Board – the HR function is accountable to the board for maintaining the appropriate governance structures and providing assurance to the board.

2. Objectives & Stakeholder priorities

2.1. Stakeholders & priorities

The key stakeholders are the managers and employees across Network Rail, so they can have the people resources in place to deliver for passengers, the public and taxpayers.

Through working with each of the client groups and using the outputs from the Hackett benchmarking process, the collective priorities were captured and distilled into key areas of focus for the HR function. The highest priorities areas to support delivering the business agenda are around **strategic workforce planning, talent/maximising potential, equipping managers to do the people related aspects of their roles well, creating a more agile** **organisation to meet changing customer needs and creating the right culture for all people to flourish.**

The diagram below outlines the engagement process:
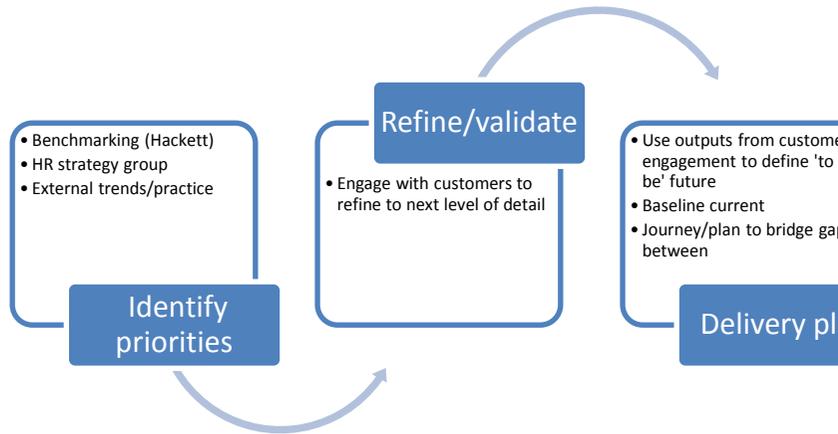
Engagement with stakeholders is a continuous process, both formally and informally. They formal engagement approach for each of the key stakeholders is summarised below:

2.2. Specific objectives

Other key stakeholders include:
- Government – as an arms-length body, NR operates within the public sector. Some decisions need either government engagement or approval.
- Trade unions – the industrial relations (IR) climate and our relationship with trade unions is important so organisation can evolve to meet changing needs of customers and employees
- Professional heads – this group have responsibility for their professional area including development, roles, skills and understanding how the profession fits into the wider industry/labour market.
- NSAR – on industry skills issues.

Stakeholder engagement

Stakeholder	Frequency	Approach
Government (DfT)	Monthly	• Discuss key priorities • Government changes/requirements • Decisions that need approval
Trade Unions	Quarterly and as needed	• Consultation on changes • Negotiation (pay, terms, conditions) • Information
Professional heads	Quarterly steering group	• Prioritise activities • Consider careers in profession and progression
NSAR		• Industry skills strategy

HR priorities

The specific activities that will deliver the benefits associated with the priority areas are being finalised and will be agreed with client areas for the strategy delivery plan to be developed.

The diagram below summarises the key areas of focus for the HR function in CP6 based on the priorities identified through customer engagement, benchmarking and review by the senior HR team:

The HR priority areas are explained in more detail below and on the following pages.

The objectives have been split into the key areas of focus, core HR capabilities, enablers for those core capabilities and broader HR function enablers/dependencies.
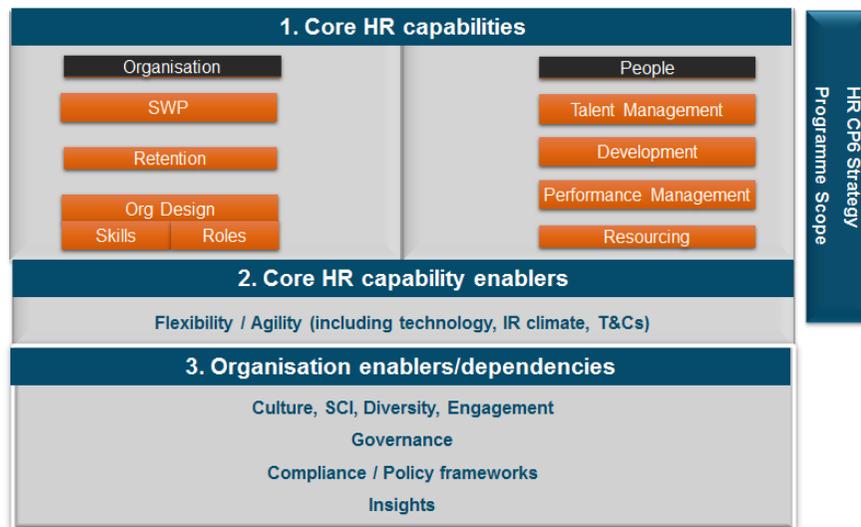
The HR function already delivers support and services within each of the priority areas identified. For CP6 the focus for the function is to improve the services to better support the delivery of key business objectives.

The chart opposite illustrates how the HR priority areas directly link to the business priorities during CP6.

1. **Core HR capabilities** which includes:
   a. Organisation – strategic workforce planning and organisation design
   b. People – workforce development, resourcing, talent & succession planning, performance management and retention

These are the core areas for the NR HR function to focus on to support delivery of the business objectives. The services largely already exist and the review of requirements so far from the HR team, customers and through external benchmarking have all identified that they need to be improved to deliver what is needed for the business.

2. **Enablers for core HR capabilities**. To support the delivery of the core HR capabilities, the organisation needs the agility to react to changing business needs and the flexibility changing employee expectations of employers. This will be supported by having appropriate terms and conditions of employment, constructive trade union relationships and data/insights from optimised technology.

These enablers will be the foundation of making the improvements needed.

3. **Organisation enablers/dependencies**. To support the overall contribution of the HR function there are a range of enablers and dependencies including culture, safety, structured continuous improvement (SCI), diversity and inclusion (D&I) as well as compliance and good governance.

In any business a high performing HR function will deliver a range of 'business as usual' services

These three areas of focus are underpinned by:
- **Planning** – know what business needs are and plan accordingly – with focus and resource on the priority areas.
- **Cost consciousness** – recruitment, replacement (retention), filling vacancies more quickly, clarity on which roles need to be filled and how to source suitable candidates. Adoption of SCI methodology to eliminate waste and un-necessary costs.

Core HR capabilities

These have been split into two areas, frameworks, policies and processes that support the **organisation** and those that support the individual **people** within the organisation.

Organisation

Strategic workforce planning – understanding the people and role requirements for the future – skills, volumes, roles and then translating this into plans which will:

- Match supply to demand
- Increase retention and increase the opportunity to redeploy people/skills
- Best use of people's ability/capability – maximising performance through development and career opportunities
- Plan effectively for future needs – early entrant programmes.
- Design the optimal organisation, future proofed and flexible enough to avoid the need to regularly re-organise

People

The core processes to support people filling roles and their development to progress further and/or improve performance:

- Resourcing – being able to source people to fill roles now and into the future, minimising the loss of productivity through vacancies
- Retention – keeping people in the business rather than needing to incur cost, disruption and time of recruiting replacements.
- Talent/succession – getting the best out of people to improve performance and support people to deliver their best
- Development – including supporting managers to deliver their people related accountabilities well. Supporting people to develop new skills to meet the changing roles in the business
- Performance management – linking individual contribution to overall business performance

Enablers for core HR capabilities

The successful delivery of the organisation and people capabilities will be enabled by having the right level of flexibility and agility with working arrangements fit for employees and business needs to meet changing demands including hours, location, [role] employment models:

- Flexibility built into work/roles to attract and retain a diverse and inclusive workforce
- Agility of the company to react to changing business and customer needs – mobility of skills across the business, control of costs [associated with re-orgs], policies and processes to support mobility and agility
- Having an industrial relations climate that enables changes to be made including appropriate terms and conditions
- Harnessing of technology to support both flexibility for employees and agility for the company
- Better cost control – reduction in unnecessary employment costs through reviewing and understanding the need for costs to be incurred

Organisation enablers and dependencies

As a function, HR is supporting the wider business in creating the right environment for people to be engaged and productive. This includes:

- A culture that is safe, caring and open
  - o Being safe – everyone home every day. Safety leadership demonstrated in every part of the business so passengers and members of the public are safe on our assets.
  - o Caring – our people will know the business cares for them and their wellbeing by the way we engage with and develop them. This will mean people taking better care of each other and the public will see more obviously that we care about their safety and journeys.
  - o Open and inclusive – we will be a truly open, transparent and diverse organisation, with high ethical standards and a working environment that allows people to perform of their

best all of the time.
- SCI – an environment where there is a focus on making improvements and reducing waste
- Engagement
- Policy frameworks and compliance – we fully understand our legal obligations and risks, they are met to the required standards with minimum impact on cost
- Governance – clear and transparent decision making, clear responsibilities accompanied by simple processes.

By delivering in these areas we will:

- Improve productivity – having people with the right skills to fill roles when needed, less productivity loss through vacant roles, have skilled resources available to meet customer demands, supporting people to be their best through the culture (safe, open, inclusive) and meeting flexibility needs
- Improve performance – through an engaged workforce
- Improve our reputation as an employer
- Reduce legal risks/ be legally compliant
- Improve retention – avoid the cost of training and recruitment, retain key knowledge and skills through fewer people leaving [key roles] voluntarily or reducing the need for redundancies through more agility and flexibility

- Reduce the time [and delays] for people managers in dealing with issues such as disciplinaries and grievances through better quality people management/leadership and preventing/pre-empting issues and resolving them before they escalate
- Reduce overall employment costs through lower reliance on contractors and third party labour, reduce recruitment advertising costs through better effective planning for roles/skills, ROI on training/investment in people/skills

Scorecard

A HR scorecard is currently being developed to measure HR performance and delivery.

The proposed scorecard measures include:

- Safety – including close calls, safety visits, volunteering
- Financial performance
- HR milestones
- HR measures such as completion of mandatory training, customer satisfaction and engagement
- Team measures

3. What HR is

3.1. Structure

The function is structured into three core areas based on the Ulrich model.

- **Client facing HR** teams to deliver HR support and advice to business areas – this is primarily devolved into each business. The route and IP HR teams are directly embedded within the business areas.

- **Centres of expertise** providing a core of frameworks, policies advice and assurance across
    - o D&I
    - o IR
    - o Reward, benefits & engagement (including perf mgmt.)
    - o Talent, succession, resourcing, strategic workforce planning and learning and development
    - o Pensions
    - o Operations including ER advice framework

- **A shared services function** within Route Services to deliver volume and transactional/process support.

Some key services have been outsourced to provide a tailored, expert, business support. The primary one is employee relations advice for managers, as well as an employee assistance program (EAP) and employee benefits provision.

3.2. Operating model – present & future

Client facing HR teams are embedded in each business area and provide the direct service to business leaders and employees.

Services and descriptions from the centre of expertise (COE) functions are documented. Engagement on services with routes/business areas is continuous – providing the services, obtaining feedback on them, making improvements and two way dialogues to further develop or adapt services needed.

The delivery of day to day transactional/ HR processes is through the Route Services team. The service schedule for Route Services is being defined with SLAs being defined.

The delivery of training is through Network Rail Training, part of Route Services.

To make sure the HR function operating model is optimal; a review is being undertaken as part of the planning for the delivery of the HR strategy for CP6. The first stage of the review will be completed by the end of FY 2017/18.

Delivery Strategy

The approach to deliver this strategy will include the following elements:

- Adopting a structured approach, running as a business change programme using MSP4NR
- Engage with customers to understand needs – translate into strategic priorities with clear benefits and then re-test with customers.
- Collaborate across HR function rather than working in separate business areas on the same issues – harness collective expertise and experience

Identify what will make the biggest difference/impact for our customers and deliver the benefits needed, then focus work on those key areas. Filter work being done so focus on key areas and don't get distracted.

- Create clear line of sight between work being done in HR and business strategy. If no line of sight, then will not be a priority or focus.
- Good governance structure to regulate/decide on priority focus for HR.
- Longer term view on technology requirements – more holistic and less tactical, but needs to be part of the overall company IT strategy
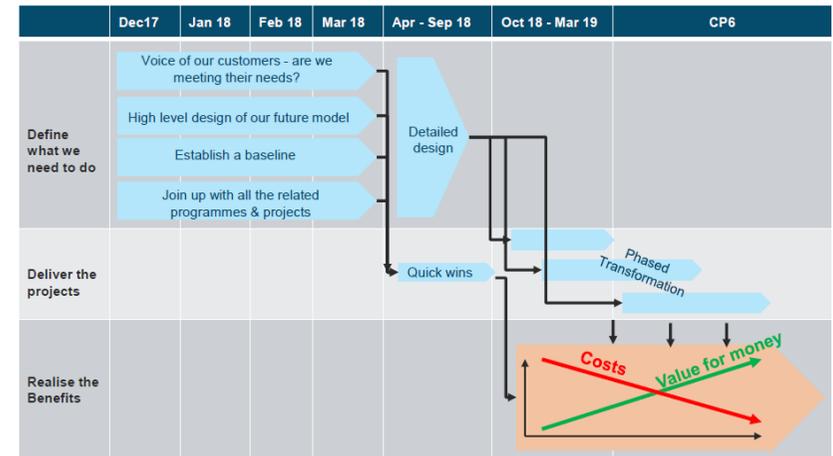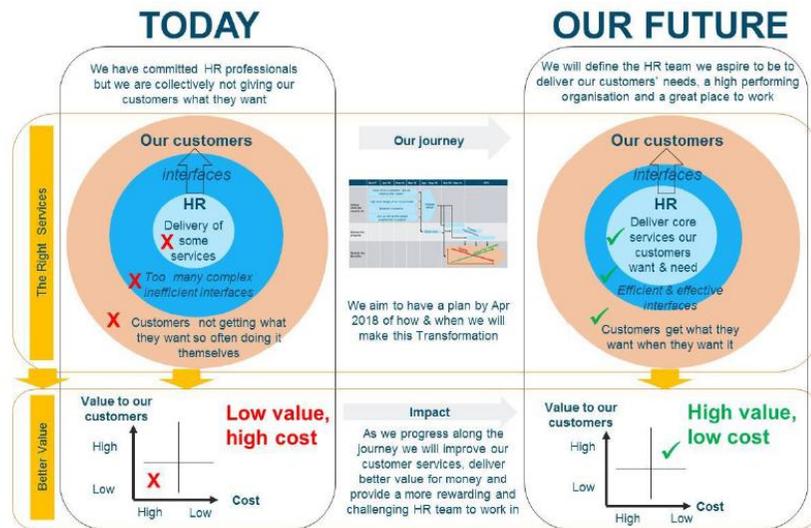
4. Risks, opportunities, constraints & assumptions

Summary of objectives		A brief statement summarising the main objectives detailed in section 2.		
No.	**Key constraints, risks and opportunities**	**What we plan to do**	**Owner**	**Timescale (start/ finish)**
1	R: Skill shortages	• Develop and deliver a Talent & Succession strategy o Focus on succession plans for key roles and career progression for individuals at all levels • Develop, deliver and embed Strategic Workforce Planning • Develop Line Manager capability • Develop and roll out a plan to attract, recruit and retain employees	Head of Talent, & Resourcing	
2	R: Inability to attract and retain top talent	• Develop and roll out a plan to attract, recruit and retain employees • Develop and deliver a Talent & Succession strategy	Head of Talent and Resourcing	
3	R: Industrial relations disputes	• Develop, deliver and engage constructively and in a progressive way in Industrial relations with our recognised Trade Unions • Evolve the contractual landscape	Head of Industrial Relations	
4	R: D&I – Not being an open, inclusive and diverse organisation	• Deliver a D&I strategy and programme of activities • Company & reputational • Deliver 20/20 programme to increase number of women in the organisation	Director of Diversity and Inclusion	
5	R: Impact of deteriorating employee wellbeing	• Educate and develop Line Manager Capability to identify, support and intervene appropriately. Impact of lost time.	TBC	
6	R: Impact of Government policy on Pay and Reward, reducing ability to attract and retain staff	• Individuals will be managed and assessed against their personal objectives, which will relate directly to scorecard and in turn, pay increases and performance related pay will be directly related to the achievement of these objectives.	Head of Reward and Benefit	
7	O: Greater efficiency of process; lean; better every day.	• HR Lean and Continuous improvement programme Develop and deliver processes and procedures that are fit for purpose and drive the achievement of HR's people strategy	Head of HR Operations	
8	O: Benefits of diversity strategy attracting new talent.	• Deliver and embed NR's Diversity &Inclusion Programme - "Everyone" o Our vision is to be an open, diverse and inclusive organisation.	Director of Diversity & Inclusion	
9	O: Improved flexibilities from more modern industrial relations and employment contracts.	• Develop, deliver and engage constructively and in a progressive way in Industrial relations with our recognised Trade Unions • Evolve the contractual landscape	Head of Industrial Relations	
10	O: Identify and evolve the opportunity technology provides for HR	• Consider technology as part of delivering HR's Lean and Continuous improvement programme	Head of Industrial Relations	

5. Expenditure & efficiency

5.1. Cost and volume summary

(Expenditure (post headwinds and efficiencies in cash prices)

Unit of measure		CP5	CP6						CP7	
		18/19	19/20	24/25	21/22	22/23	23/24	CP6	24/25	25/26
Renewals	£m									
Controllable opex	£m	20.0	20.3	19.6	20.0	19.9	20.5	100.2	20.5	20.5
Non-controllable industry costs	£m									
Total	£m	20.0	20.3	19.6	20.0	19.9	20.5	100.2	20.5	20.5
Permanent Headcount		238	228	225	225	225	225	225	225	225
Agency		9	0	0	0	0	0	0	0	0
Total headcount		247	228	225	225	225	225	225	225	225

Basis for costs

70% of HR costs are pure head count related, 30% of costs are non-wage costs. We have completed a full review at RF8 of our base and core requirements before efficiencies and risks and reviewing current staffing level. Our CP5 £94m closing position is CP5 compliant. We expect to remain compliant in CP5 this will mean we will have achieved circa £4M of additional efficiencies in the CP, significantly challenging our operation. This has been achieved through reviewing ways of working, making changes to be more efficient, including the delivery of new, value add services.

Summary of costs by team or activity within the function

Activity/team	CP6 total (£m)	Comments
Reward, benefits & engagement	15.3	Development of frameworks and policies (including pay,benefits, performance management and engagement) – consistent polices which mitigate risks, aligned to labour market and support attraction and retention
Industrial Relations	7.1	Managing Industrial Relations and legal risk - developing collaborative working to secure TU support through working groups to mitigate risk and disruption to the business. Support business agility through developing appropriate terms and conditions of employment.
Diversity & Inclusion	5.6	Subject Matter Expertise/Consultancy - for employees, people managers, ERR, HR Business Partners and policy makers. Culture and Behaviour Change. Inclusive Design Strategy and Framework
GDR&STE	10.7	Business support
Talent & resourcing	12.0	Strategic workforce planning, talent, and succession planning and resourcing strategy,
HR Operations	12.4	Management of employee relations advice contract, national HR policies and HR risk management.
Corporate Functions	17.1	Business support
Central Recruitment	10.4	NR Group emerging talent recruitment strategy and programme delivery
Route Teams	5.4	Business support
Pensions	4.1	Management of all pension schemes and risks within the business
Total	**100.2**	

5.2. Route Business Scotland details

	CP5	CP6					CP6 total	CP7	
	18/19	19/20	20/21	21/22	22/23	23/24		24/25	25/26
National Cost (£m)		20.3	19.6	20.0	19.9	20.5	100.2	20.5	20.5
Scotland Cost (£m)		1.9	1.8	1.8	1.8	1.9	9.2	1.9	1.9
Scotland (%)		9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
Basis for allocation to Route Business Scotland	Headcount supporting Scotland teams, and central teams split by headcount								
Activity	Reward & Benefits, Industrial Relations, Diversity & Inclusion, GDR & STE, Talent & Resourcing, Strategic Workforce Planning, Central Recruitment, Corporate HR Route, Teams & Pensions								

5.3. Cost drivers, headwinds and efficiency

Summary of cost changes between CP5 and CP6. CP5 base at £93.9m, scope increase cost (£3m) impacted by the introduction of new services such as strategic workforce planning and improvements in talent and succession. The increase in costs will be offset through efficiencies across the overall HR function to deliver better overall value for money, without increasing costs. The offset will include items such as review of other services, realignment of resources, and review of existing contracts. The list is not exhaustive and further work is being undertaken. Headwinds represent inflation to the cost base.

CP5 to CP6 cost drivers including scope and cost impacts.
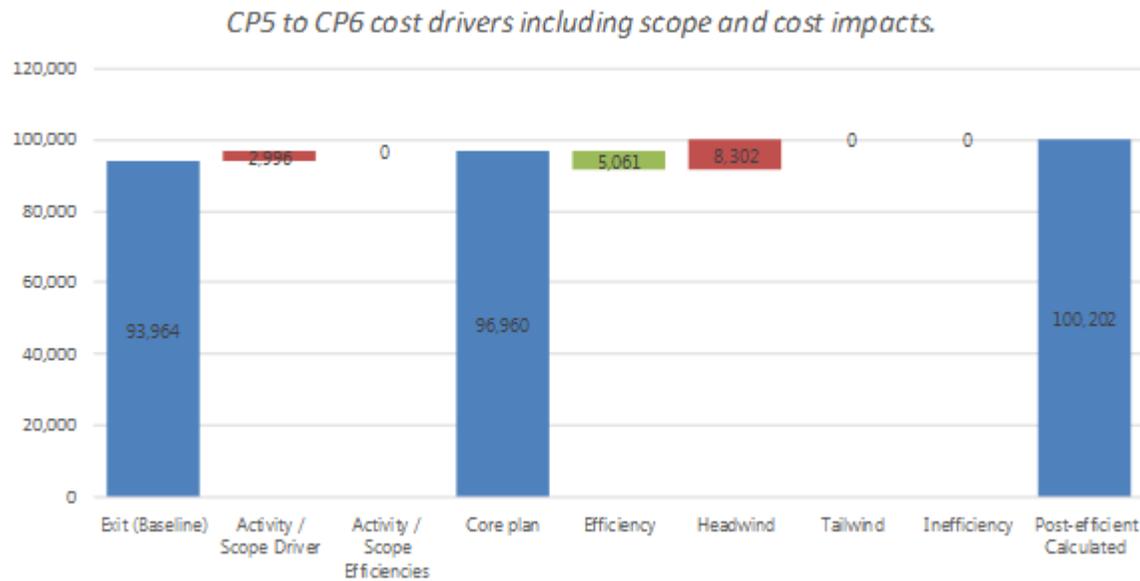
Summary of HR efficiency

Totex (O,M,R)	CP5	CP6						CP6 total	CP7	
	18/19	19/20	20/21	21/22	22/23	23/24			24/25	25/26
Pre-efficient plan[1] (£m)	20.0	19.8	19.3	19.3	19.3	19.3	97.0		19.3	19.3
Activity/scope efficiencies (%)	0%	0%	0%	0%	0%	0%	0%		0%	0%
Core plan (£m)	20.0	19.8	19.3	19.3	19.3	19.3	97.0		19.3	19.3
Head winds (%)	0%	3%	6%	9%	11%	15%	9%		15%	15%
Efficiency (%)	0%	(1%)	(4%)	(5%)	(8%)	(8%)	(5%)		(8%)	(8%)
Tailwinds (%)	0%	0%	0%	0%	0%	0%	0%		0%	0%
Inefficiency (%)	0%	0%	0%	0%	0%	0%	0%		0%	0%
Post-HW, post-Eff spend (£m)	20.0	20.3	19.6	20.0	19.9	20.5	100.2		20.5	20.5

Efficiencies made in CP5 total £4M, FY18 to achieve £1.9M and FY19 target £1.5M, main efficiencies achieved by consolidating work, trying to be more efficient and challenge way of spending overhead costs. FY18 & 19 also impacted by increase of strategic workforce planning and talent & resourcing, circa £0.8M, cost offset by additional efficiencies through review/alignment of resources, reviews of services and efficiencies through a focus on SCI. Headwinds represent the impact of inflation on cost base.

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[1] Note that pre-efficient plan is equivalent to core CP6 plan + 2a (activity/scope efficiencies) in the waterfall

Headwinds and efficiency by theme

Theme	Area	Description	Net % change
Access (3)	Efficiency (3a)	CP5 has seen HR deliver circa £4M efficiencies including additional CP challenges making our CP6 starting position challenging.	
Workbank planning (4)	Efficiency (4a)	Investment in Lean, reviewing process & controls, aim to reduce overheads and process time Reviewing activity contracts that are currently outsourced and bringing them in house will save cost over CP6, as well as increase capacity to do additional activity.	
Technology (5)	Efficiency (5a)	Using technology to reduce duplication, process & value for money is also within scope. This will predominantly impact the rest of the business, through less manual intervention, lower duplication; increased compliance and increased ability for add value activity.	
Other (9)	Efficiency (9a)	We have considered further head count reduction, but believed this would impact services levels at this point. This can be revisited at some stage in CP6, must remember HR is CP5 compliant and within CP5 will have achieved circa £4M of efficiencies including the recent RF2 challenge.. Most head count is about right people in the right place.	

Relevant benchmarks

The HR function is based on the Ulrich model with client facing teams, centres of expertise and a Shared Service centre. A number of activities are currently outsourced including first line employee relations advice and guidance and occupational Health.

HR undertook external benchmarking exercises undertaken by The Hackett Group in 2010, 2012 and most recently in 2017. The Hackett Group benchmark report compares where we were in 2012 to where the HR function is currently in 2017 and includes the end to end process, including HR Shared Services. The analysis incorporates performance measurement across the HR community, stakeholder feedback gathered via a Stakeholder questionnaire (response rate 32%) and capability maturity assessment across HR processes undertaken by members of the HR leadership team.

Key findings of the 2017 Hackett Benchmarking report:

- The HR function in 2017 is more efficient but slightly less effective than in 2012.
- We are less cost per FTE v World Class which is reflected in a higher proportion of more junior/lower paid roles which would support an opportunity for automation.
- The FTE allocations by operating model show lower use of shared services and centres of excellence than external organisations with a

potential to refocus FTE allocation towards higher value processes.

- There might be some roles where we might use economies of knowledge i.e. Strategic Workforce Planning
- Capability maturity: Across all service delivery components "information management" and "technology" represent the largest gaps to target.
- Stakeholder's perceptions show a clear demand for HR business partnering, but we have some way to go to be seen as strategic and a valued HR Business Partner.

The diagram below highlights areas that are highest priority to improve from the customer feedback:

Stakeholder perceptions of process effectiveness: Talent Management – Strategic Workforce planning, Recruiting and Workforce Development – the top priority to improve
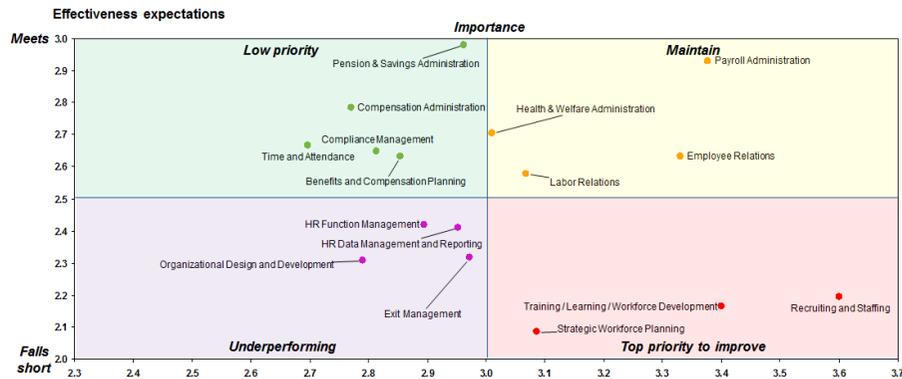
The report identified two service delivery components:

1. Communicate the HR Strategy
2. Leverage technology more effectively; and

The results of the Hackett benchmarking exercise is informing our HR strategy to focus on the above in our current and CP6 activities.

The HR function uses salary benchmarking and engagement benchmarking. Other benchmarking information for key activities is gathered from ONS, CIPD HR's professional body and other rail and non-rail companies that we collaborate with.

5.4. Risk and uncertainty in the CP6 plan

This section provides an explanation of how we have built up our overall plan and sets out our estimate of the degree of financial uncertainty within this plan.

Pre-efficient costs in our plan are based on 'current rates' but include any additional scope needed to deliver the outputs in the plan. We have used CP5 exit rates for support, operations and maintenance expenditure forecasts. We have no capital request within our submission, normal technology improvements are held within RS plan.

Drivers of rate increases (headwinds/inefficiencies), or rate reductions (efficiencies/tailwinds), where there is a reasonable expectation they will occur, have been identified separately from the core CP6 plan.

The combination of our core CP6 plan, headwinds/tailwinds and efficiencies/inefficiencies is our 'submission' and represents the 'most likely outcome' for CP6. The content of our plans reflect the funding that we understand to be available in CP6. We consider this plan to be realistic and, therefore, deliverable in CP6.

Current unit rates are likely to include some risks that were not originally included in CP5 plans but that have materialised during the current control period. As a result of this approach, it is likely that some risk and uncertainty is already be included in our core CP6 plan, as we have not sought to remove the impact of these unplanned events from our unit rate estimates.

Whilst it is difficult to precisely estimate the likelihood of delivering our plan in CP6, it seems reasonable to suggest that, overall, there is a 80% to 95% likelihood of the outputs in the plan being delivered for the forecast cost in our CP6 plan. This means that there is significant confidence, we will be able to deliver our plan for the forecast cost. However, this uncertainty varies between expenditure categories. For example, we consider that there is significantly more uncertainty in our operations and maintenance plans in CP6. The main drivers of uncertainty in our plan are identified in the table below.

5.5. Uncertainty ranges for CP6

The information in the table below, presents our estimate of the overall range of uncertainty across our expenditure and income for CP6. We have also identified the main drivers of the uncertainty ranges. The information in this table is based on the detailed inputs provided in our opex, renewals and income submissions. Headwinds/tailwinds and efficiencies/inefficiencies are included in the spot estimates.

Area	Potential range (low – spot – high)	Summary of key drivers of the uncertainty range	% of range	
		Driver of range	Lower %	Upper %
Support and operations		Core risks within the plan relate to supplier contracts	-8%	10%
Total expenditure		Core risks within the plan relate to supplier contracts	-8%	10%

Figure 5.6: CP6 financial uncertainty ranges

5.6. Financial Sustainability strategy

5.7. Digital Railway strategy

5.8. Telecoms strategy

5.9. Property strategy

6. Sign-off

- This document and accompanying templates are owned by the <title of relevant director within function>.
- Submission of this document indicates confirmation that:
- all appropriate level 1 assurance activities have been undertaken (see separate advice on definition of level 1 assurance);
- the <title of relevant director within function> is satisfied with the quality, currency and appropriateness of the content of this document as well as the cost, volume and activity projections to which it refers;
- the signatories are satisfied that the plan has been assessed as deliverable, subject to the assumptions articulated in Appendix B.

Authorised by:

Alison Rumsey   08.02.19
Group HR Director
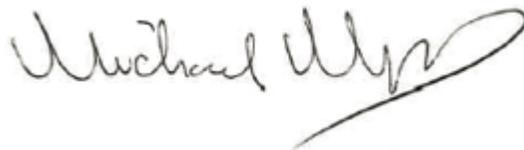
Michael Murphy   08.02.19
Finance Director

Appendix A Supporting strategies

Contracts & Procurement

Corporate Communications

Human Resources

Information Management (e.g. IMS)

Information Technology

Quality

Appendix B Key assumptions

[It is vital that the assumptions provide a clear description of what costs or activity are assumed to be in route or other National Functions' plans, and therefore excluded from the plan of this National Function.]
[If highly material, the assumption should also be articulated in section 4.1 above for greater visibility]

[It is vital that the assumptions provide a clear description of what costs or activity are assumed to be in route or other central functions' plans, and therefore excluded from the plan of this central function.]
[If highly material, the assumption should also be articulated in section 4.1 above for greater visibility]

Ref no.	Topic (e.g. dependency, deliverability, climate etc.)	Assumption	Areas of spend impacted (e.g. all opex, single team, all spend etc.)	Is this a change of assumption for CP6?
1		HRSS delivers HR processes and volume activity including: recruitment offers, payroll and payment services to employees, process, transaction and payroll helpdesk/query handling, benefits administration (excluding pensions),	Opex –HRSS cannot deal with volume of work, process / letters HR have to pick up. Comp&Ben	No Change vs CP5
2		Data integrity on people data will be maintained and kept up to date by managers/employees with assurance activity on payroll data through the payroll team and local assurance in each business area for other people data.	Opex – data not maintained by HR, but used to make decisions. Cost to business if information not correct.	No Change vs CP5
3		HRSS is accountable for payroll systems and processing including obtaining and responding to customer requirements.	Opex – clear separation of payroll (RS) & HR system :- risk not reflective business needs	No Change vs CP5
4		Network Rail training in Business Services is accountable for learning delivery and HR is accountable for training policy.	Opex – if HR had to do both, resource costs would increase.	No Change vs CP5
5		Apprenticeships and funding continue as planned. (As industry leader we have to change with government decisions)	Opex – Government change in policy drive	No Change vs CP5

Ref no.	Topic (e.g. dependency, deliverability, climate etc.)	Assumption	Areas of spend impacted (e.g. all opex, single team, all spend etc.)	Is this a change of assumption for CP6?
			increase business costs & HR rec, adv, employee costs.	
6		Training costs are funded through the relevant business area's (STE, Finance, DR etc) funding devolved (Skills, Prof, Leadership etc.) in CP5	Opex – if training was to be charged to HR we do not hold budget except for HR	No Change vs CP5
7		Training budget is the correct level to deliver training HR needs to function successfully through CP6.	Opex – if additional training required, policy changes would be a direct increase.	No Change vs CP5
8		National company with national T&Cs. Contracts of employment co-ordinated on company wide basis. Core contractual benefits provided on a company wide basis, with costs met on a proportional (headcount) basis across the company.	Opex – assuming that we are not separate companies with different T&C – as is.	No Change vs CP5
9		No additional legislative changes in relation to employment, skills or apprenticeships, IR35, Gender pay reporting, Holiday pay ruling, pension/tax rulings, auto enrolments, another Shaw review	Opex – all these events have happened in CP5, they take time drive increased costs.	No Change vs CP5
10		Outsourced HR services continue including HR direct, pensions administration, engagement survey. Not actively looking to outsource anything further. Same as current state.	Opex – if something in insources or out sourced beyond this our labour would have to flex.	No Change vs CP5
11		Technology/automation can be funded by RS and implemented, improving speed of service and reducing duplication.	Opex – without investment we would struggle to reduce core head count and be more efficient.	Change vs CP5 (service the same, delivery more efficient)

Ref no.	Topic (e.g. dependency, deliverability, climate etc.)	Assumption	Areas of spend impacted (e.g. all opex, single team, all spend etc.)	Is this a change of assumption for CP6?
12		NR status as an ALB doesn't change and the current flexibilities remain in place. Assuming as is state.	Opex – reclassification in CP5 , changing this would drive increased labour costs.	No Change vs CP5
13		Assuming we receive the same level of services in CP6 from the rest of the business as in CP5.	Opex – increased labour costs if we have to do more	No Change vs CP5
14		Assuming no further devolution of the HR function during CP6	Opex – devolution could cost more or less, change shape service.	No Change assumed vs CP5
15		Assume resource levels needed by the business remain the same as CP5	Opex – if core business structural decision was made - capacity to deliver would be different	No Change vs CP5
16		Assuming no national industrial disputes	Opex – Increased pay out, HR time & effort.	No change vs CP5
17		Assume continued level of local disputes in CP6 as seen in CP6. (Route specific and normally operational)	Opex – no expected change, public sector pay gap if enforced drive cost.	No Change vs CP5
18		Assuming core location of HR staff remains the same, no large relocation. (happened in CP4 London – MK)	Opex/Capex costs to relocate people.	No change vs CP5
19		Assuming HR direct retender is in line with current spend and KPI reporting does not drive higher charge. Factored into risk	Opex £0-£2M	No change vs CP5

Appendix C N/A

Appendix D Scenario planning

Part (1): Tactical scenario planning for CP5

Provide information on the impacts on CP5 of each of the following scenarios:

- Scenario 1: 20% increase in total remaining expenditure

Part (1): Tactical scenario planning for CP5

Provide information on the impacts on CP5 of each of the following scenarios:

- Scenario 1: 20% increase in total remaining expenditure

Details and benefits of additional expenditure in CP5

Area of spend	Yr 4-5 outstanding spend (£m)	Potential investment increase (£m)	Comment on benefits
Human Recourses	£30.7M	£6.1M	Accelerate the delivery of core HR capabilities (e.g. Talent management, succession planning, performance management, resourcing, retention, strategic workforce planning) in an integrated way, using technology to automate and integrate. Potentially provide better service to customers (higher spec)
Total	£30.7M	£6.1M	

- Scenario 2: 20% decrease in total remaining expenditure

Details and impacts of reduced expenditure in CP5

Area of saving	Yr 4-5 outstanding spend (£m)	Maximum potential saving (£m)	Comment on impacts/issues
Human Resources	£30.7M	(£6.1M)	20% less - de-scope capabilities above, take longer to deliver and with less technology/automation to support.
Total	£30.7M	(£6.1M)	

Part 2: CP6 scenario planning: investment options

This section describes the benefits of additional investment in the function, over an appraisal period of 30 years.

Given the type of function HR are there is limited scope for capital investment. Some improvement has been identified within the technology space. This is already captured within the RSIT CP6 Submission, and is within the core plan.

The key benefits from this investment in technology/automation are below:

- Time saving for managers – less time on transactional HR activities (recruiting, A2CO, data changes etc.), more time on value add activities – coaching, developing, succession planning etc.
- Simpler, easier to use – better levels of 'compliance' rather than people creating work arounds or just avoiding doing things – more customer centric processes
- Less manual intervention so reduce likelihood and opportunity for errors – right first time
- HR spend more time doing value add activities (strategic workforce planning, resourcing, talent management) and less either doing or helping managers with transactional activities.

Most of the benefits do not drive a direct saving but allow increased governance, improved use of time and resource.

[Business case 1]	CP6 total: (£m)		CP6 capex: (£m)		CP6 opex: (£m)		Total BCR		Appraisal period	30 years
Description		Qualitative benefits					Quantitative benefits			

[Business case 2]	CP6 total: (£m)		CP6 capex: (£m)		CP6 opex: (£m)		Total BCR		Appraisal period	30 years
Description		Qualitative benefits					Quantitative benefits			

[Business case 3]	CP6 total: (£m)		CP6 capex: (£m)		CP6 opex: (£m)		Total BCR		Appraisal period	30 years
Description		Qualitative benefits					Quantitative benefits			

Appendix E HR efficiencies and devolution journey

CP6 strategy delivery
- Focus on priorities for customers
- Deliver more/better services without increasing costs

2017/18 clarity what needs to be consistent and what not
- Criteria based
- Clarifies accountabilities

2016 further NR devolution
- ER case management devolved

2013 Devolution of HR for client facing roles
- Core HR headcount reduced from 219 to 106
- Core HR costs reduced from £33m to £19.7m
- Reporting lines and cost centres changed

2011 HR model introduced
- HRSS for transactional work
- Admin roles removed from HR
- Managers responsible for transactions
- HR direct for case management

Appendix F   N/A

Appendix G Glossary of terms

[This appendix is optional; please change top "N/A" if
not required.]