

Central Government Shared Services

April 2008

Guidance for Customers and Providers



**Making
government
work better**

Sharing Benefits

Introduction

The focus of this section is how proposals for improving shared service offerings are evaluated, funded and the benefits shared across customers.

When assessing any new customer migration or proposal to enhance the core solution offered by a shared service provider, the development of a robust business case is an essential first step.

Both the shared services provider and prospective customer should develop separate business cases that explain the service impact and show the implementation and operating costs measured against the potential benefits.

This section sets out good practice guidelines for the evaluation of solution improvements and principles for funding and sharing the benefits, including a summary of:

- the range of benefits expected from transforming the delivery of Corporate Services through moving to a shared service model; and
- the principles for successful benefit realisation.

Considerations

Supporting customers identify the benefits

The benefits from moving to shared services are wide-ranging and include qualitative and financial savings. An illustration of the type of benefits is provided below:

- Economies of scale delivered from shared solution development and service delivery and aggregated purchasing of services
- Transfer of best practice processes between customers
- Better decision-making due to access to improved Management Information and more focus on the analysis of information rather than preparation of data
- Access to “deeper functionality” through use of ERP solutions for instance workflow tools
- Sharing training and development costs
- Headcount reduction for services which will in the future be delivered through the SSC;
- IT system de-commissioning savings
- Savings on IT support, training and consultancy
- Physical savings in buildings and estates
- Upgraded and standardised processes (electronic approval, exception reporting, greater visibility of source documents, audit trail)

Shared service providers’ own experience of moving to shared services and delivering local benefits provides a vital source of guidance and material that should be shared with customers. During the Business Case phase, it is recommended that experts from the provider organisation attend customer benefit workshops to highlight the benefit potential and share experience on the practical issues regarding benefit realisation. Providers should also share material on benefit tracking, testing and delivery.

The key tasks for the shared service **provider** are:

- to provide the customer with details of expected benefit areas including case studies and lessons learnt during the realisation of benefits
- to provide specialist input from a benefit manager at the customer benefit workshop
- to supply details of process improvement targets based on real customer experience
- to provide guidance on the actions taken by other customers to realise the benefits including any dependencies or additional tasks which need to be completed (for example, the cleansing and rationalising of supplier and customer master data)
- to benchmark service performance against external providers and communicate improvement plans

The key tasks for the **customer** are:

- to understand and articulate their service requirements
- to review the benefit information supplied by the provider and compare with the organisations vision for service delivery and performance targets
- hold benefits workshop with stakeholders to agree the benefit areas,
- set benefit targets and assess the implementation effort
- develop these into a business case;
- produce a benefits management plan that details the actions necessary to realise each benefit

area, identifies roles, responsibilities and ownership and gives clear timescales for realisation of each benefit area

- appoint benefit managers responsible for either a specific benefit area across the Organisation or responsible for driving benefit realisation across all benefit areas for a defined part of the organisation
- to build benefit testing, tracking and reporting into the overall transformation programme.

Principles for Successful Benefits Realisation

Key principles behind successful benefit realisation are outlined below:

- Benefits do not just happen – they require careful planning and proactive management
- Clearly define and engage Benefit Owners and provide dedicated resources to focus on benefit realisation activities
- Keep focus on expected benefits during initial design of the SSC and new investment decisions
- Actively update the benefits cases as more information becomes clear – use this information to drive project decisions
- Ensure that benefits are aligned with what people can control
- Build benefit goals into annual budgeting cycle
- Use benefits to drive scope/schedule decisions
- Define specific Key Performance Indicators (KPIs) and performance milestones to drive/monitor technology investment program

- Articulate a clear approach for managing on-time realisation of the benefit stream

The Business Case is often a one-off activity completed to secure investment approval, and once this is gained, it is “filed”. Through the development of a benefits management plan and effective benefits management process, the business case becomes a “living document” that is carefully managed to ensure that the anticipated benefits are delivered.

Many of the potential benefits identified by prospective customers will be as a result of previous investment made by the provider and existing customers. The addition of new customers should provide some payback to the existing customer base through lower unit charges as a result of further economies of scale. The existing customers may also benefit from solution improvements identified and part-funded by the prospective customer. It is recommended that the impact of customer growth and solution improvements is made as transparent as possible.

A good example of this is the Flex Shared IT Service contract where as the number of registered users of the shared service increases, a shared services volume rebate of the core charges will be distributed by way of service credits to the Customer base.

Each organisation will maintain its own benefits delivery plan; however the contents should be shared across the two organisations to ensure that dependencies and any duplications are

identified and managed. It will be aligned to the governance model and managed by a dedicated benefits manager.

The customer needs to carry out a baselining activity of their current processes in order to be able to measure the service and performance improvements. The base lining activity will also help to map current performance management metrics to the future shared services performance metrics which will drive the service level agreements. In order to be able to prove that the benefits are being delivered going forward it means that KPIs will need to be integrated into the customer’s retained processes.

Regular benchmarking of services and the thoughtful interpretation of the results will also assist in maintaining benefits for the customer and provider. Using industry standard metrics will allow for comparison with the private sector and the use of professional advances on best practise. The benchmark folio should be reviewed regularly and the benefits of their collation agreed. Collecting the data implies a willingness to investigate and act on the results.

As the customer’s solution design is confirmed during the design phase, the expected benefit areas should be mapped and documented against each process area with benefit owners defined in the benefits management plan. Any dependencies on any other activities to deliver the expected benefit areas, such as role /headcount re-organisation, rationalisation clean up of data etc also need to be documented. The provider will work with the customer

to identify the dependencies between benefit areas and performance management targets and Service Level Agreements.

Evaluating, funding and sharing the benefit of solution improvements

The shared service provider business plan should outline the single process for deciding with customers how to invest in the core solution going forward. The process should cover the need for on-going service improvements for existing customers and the development of new functionality required by new customers. The approval process for new investment needs to be in line with the SSC's Governance model, with investment decisions being validated and approved by the Business Design Authority and the Customer Board. This will give forward visibility of investment plans, including business as usual improvements.

Government providers of shared services are only able to recover any investment costs from customers within the financial year of spend, as Treasury rules prevent them from spreading the costs over future years' service charges. This provides a major constraint on both providers and customers. Private sector shared service providers would typically recover the up-front investment costs through service charges over a 3 to 5 year period or longer depending on the customer contract. As part of long-term business planning, private sector shared service providers would agree with their customers' proposals for solution enhancements, system upgrades, technology refreshes, etc and spread the cost of this investment over future

years to avoid wide fluctuations in annual service charges.

Under current Treasury rules the spreading of investment costs is not possible across Government as pricing must be based on cost recovery with surpluses and deficits repaid / recovered within year. As a consequence, the ability to invest is dependent on in year budget availability creating little incentive to invest for future improvement and efficiency gains. However, there are actions that providers can take to even out operating costs. For example, building into the shared service organisation, a small solution improvement team who would focus on delivering the solution improvements approved by the Business Design Authority and Customer Board. The structuring of the team should be kept flexible to allow specialists to be engaged to work on specific solution improvements.

Process

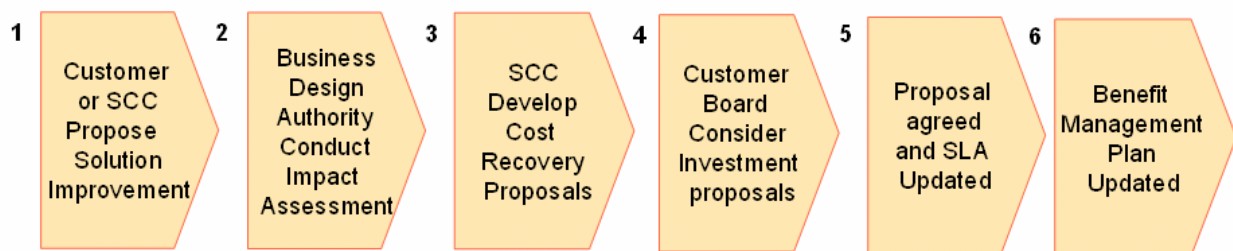
All new investment requests should be supported by a robust business case. This will identify if the business case is relevant for all customers, and therefore whether the cost can be spread correspondingly or if it is for an individual or smaller group of customers.

All new investment business cases will also need a corresponding benefits management plan. The benefit management plan should clearly set out the actions required across customers and by the SSC to realise the full benefit and include the assignment of roles and responsibilities to make it happen. The calculations supporting the financial benefit should be clearly set out, e.g.

monthly profile, target time saved per transaction, volume of transactions and average cost of a transaction.

A good practice process for managing new investment decisions is described below:

Managing new Investments



1. Standard template used to document new requirement / proposed solution improvement. The template captures service impact, benefit potential, relative priority, implementation and operating costs and other options considered (including do nothing). Request submitted by customers or SSC staff to the Shared Services Business Design Authority (represented by the Head of the SSC and Heads of Profession from the customer base)
2. Business Design Authority assess service impact, benefit potential, costings, relative priority and whether the benefits are customer specific or for all customers
3. Cost recovery proposal prepared by SCC which sets out proposed contribution to the overall investment from the SSC and the required contribution from each customer. The default position for customer funding is pro-rata to the anticipated benefits for each customer
4. Prioritised list of investments with cost / benefit analysis submitted to Customer Board for approval including calculation of benefits for each customer
5. When proposal agreed, charges and SLA revised to reflect the agreed funding for new investments.
6. Benefits management plan developed which identifies how benefits will be shared across the customer base, approved by the Customer Board

Other Examples of Good Practice

Supporting tools and examples on the subject of benefits planning can be found in Cabinet Office Shared Services Toolkit at:

http://www.cio.gov.uk/shared_service_s/toolkit/tools/biz_case.asp

Further information on the measurement of benefits can be found in the toolkit at: http://www.cio.gov.uk/shared_services/toolkit/tools/operate.asp

The example documents include a template benefits tracker.

The information and opinions which this guide contains are not intended to be a comprehensive study and should not be relied upon or treated as a substitute for specific legal or policy advice concerning individual situations.