

Central Government Shared Services

April 2008

Guidance for Customers and Providers



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Governance

Introduction

This section outlines the key considerations when defining the governance arrangements for an operational Shared Service Organisation (SSO). Governance processes are responsible for ensuring that the shared services organisation delivers services in an effective, efficient and ethical way, and determine the decision making processes which will be applied in a range of different circumstances. In particular, this section will discuss the impact of moving from delivering shared services for an individual Government Department to potentially delivering services to a number of additional customers.

Good governance depends upon well-defined principles, organisation structures, policies and processes. Clearly defined roles should be assigned the authority to complete designated tasks to specific outcomes. In the case of shared services, it is also important to identify clear boundaries between organisations as end-to-end processes will span both providers and customers.

Principles

The Governance approach should:

- Be aligned with the SSO business strategy and business plan as it will provide the mechanism by which performance is measured against intended outcomes.
- Be driven by the chosen delivery model for the shared service (see section on Delivery Models).

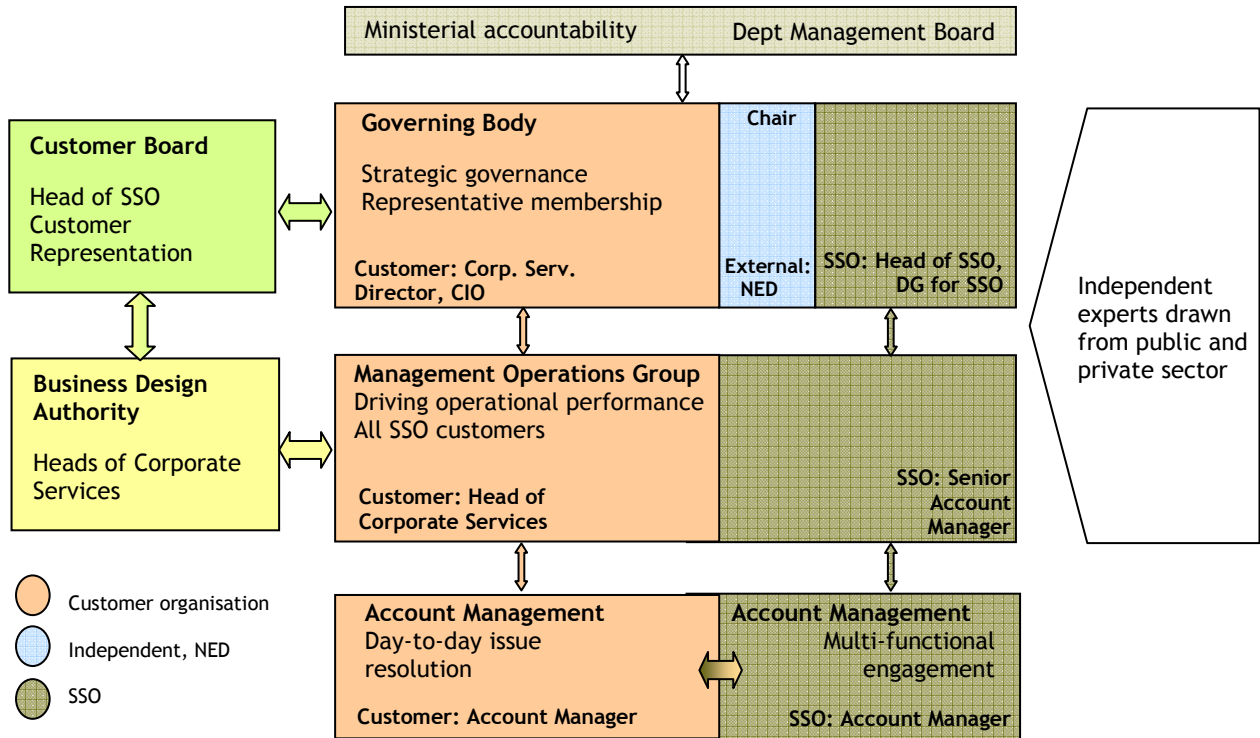
- Cater for the different requirements and services consumed by various customers.
- Be as simple as possible, to avoid becoming unwieldy and costly to administer.
- Be transparent and open to ensure that all relevant parties can be assured that the Shared Services Organisation is being governed appropriately.
- Support customers in demonstrating the value for money of the services they receive.
- Support the SSO in both on-going business and the take-on of new customers.
- Provide different forums to reflect the different interest groups, including strategy, business development and user experience. Each forum will need clear terms of reference.
- Provide the mechanism for brokering decisions and resolving disputes between the various parties involved.

Role & Structures

The governance model will be determined to some degree by the chosen delivery model. However whichever model is used, effective governance will require clearly allocated roles and responsibilities which are documented and communicated.

Outlined below are suggested key roles and responsibilities for each area:

EXAMPLE GOVERNANCE ARRANGEMENTS



Head of Shared Service Organisation
<p>Key Responsibilities</p> <ul style="list-style-type: none"> Identify and develop Shared Services Strategies Manage day-to-day operations of the Shared Service Organisation Lead definition of services and associated Service Level Agreement Build effective relationships with key stakeholders
<p>Reports to: Director General of Provider Government Department</p>

Governance/Executive Board
<p>Key Responsibilities</p> <ul style="list-style-type: none"> Define strategy, including growth and commercial model Prioritise Investment Secure resources Deliver SSO business plan Monitor operational performance Resolve escalated issues
<p>Membership</p> <ul style="list-style-type: none"> Head of Shared Service Org DG in charge of SSO Head of Audit Independent Non-Execs Chief Information Officer
<p>Reports to: Government Department Board</p>

Management Operations Group
<p>Key Responsibilities</p> <ul style="list-style-type: none"> • Day-to-day operational management responsibility • Performance, headcount, account management, service levels etc. • Manage the end-to-end shared services solution (process, technology, documentation etc.)
<p>Membership</p> <ul style="list-style-type: none"> • Head of Shared Service Organisation • Head of SSO's direct reports
<p>Reports to: Director General of Provider Department</p>

Business Design Authority
<p>Key Responsibilities</p> <ul style="list-style-type: none"> • Ownership of the end-to-end SSO solution • Evaluate impact of new developments on existing design • Recommend policy and process changes to the Customer Board • Manage the change control process • Manage the release management process for new functionality
<p>Membership</p> <ul style="list-style-type: none"> • Business Design Lead • Process Owners • Lead Technical Architect • Security Officer • Representatives of each Heads of Profession (e.g. HR, Finance, Procurement) drawn from customer organisations • Representatives from key suppliers (e.g. ERP vendor)

Business Design Authority
<p>Reports to: Head of Corporate Services Team lead for Account Management</p>

Account Management Team
<p>Key Responsibilities</p> <ul style="list-style-type: none"> • Day to day contact and issue resolution with existing customers • Manage take-on process for new customers
<p>Membership</p> <ul style="list-style-type: none"> • Account management representatives
<p>Reports to: Team lead for Account Management</p>

Customer Board
<p>Key Responsibilities</p> <ul style="list-style-type: none"> • Provide the “voice of the customer” into SSO strategy • Provide a forum for the debate of new services and common approaches • Support the SSO in their responsibility to manage the budget, SLAs , risk and compliance targets
<p>Membership</p> <ul style="list-style-type: none"> • Head of Shared Service Organisation • Directors or SROs of Corporate Services within customer base
<p>Reports to: SSO Governing/Executive Board</p>

Processes

In order for the governance structures to deliver the key aims of accountability, transparency and a sense of fairness, it is important that several key processes

are defined within the governance approach and owned by the appropriate individual or function. These are outlined below.

Process	Responsibility
Audit and Quality Assurance arrangements should be defined and agreed between the provider and customer.	Governance/Executive Board
Performance Management metrics, processes and procedures need to be defined and agreed between the provider and customer.	Governance/Executive Board
The Dispute Resolution procedure needs to be defined and agreed between the provider and customer.	Governance/Executive Board
The ownership of processes and data between the SSO and the retained organisations within the Business Units. The SSO should be seen as a custodian of customer data which is owned by the customer.	Business Design Authority
Change Management processes enabling customers to transition to the shared services governance model and to facilitate continuous improvement.	Management Operations Group
Extension of the shared service to a new customer.	Management Operations Group
Service development planning and the investment appraisal process – what investments will be made and when.	Governance/Exec Board with input from Customer Board
Evaluation of requests for process changes.	Business Design Authority

Other Considerations

SSO as a Standalone Operational Unit

When an operational SSO is looking to move from providing services to their own Department to providing services to other Government Departments, it is critical that the right organisational approach is taken. It is important that the

SSO is an operational unit in its own right, ideally reporting to the Department Board through its own Director General. This will provide assurance to customers that the organisation delivering the Shared Services is highly focussed on that specific task. If a Shared Service Organisation is a unit within an existing business unit of the Department, such as HR or Finance, it can

become difficult to separate out the role of provider of services from customer of services, so there may be an implicit conflict of interest. As the potential pool of customers expands, then this conflict can challenge the objectivity of decisions.

Membership and Influence of the Customer Board

A prospective customer of shared services will want to clarify that the governance model of a potential provider will provide them with the expected degree of influence over the shared service as a whole.

To ensure this, and irrespective of the delivery model, a customer board should exist, have a genuine power to influence the decision making process and include representation from all customers. Membership of the Board should be representative of the customer base and to safeguard small customers there should be independent or non-executive membership and clear procedures for dispute resolution.

The context for these guidance notes is one of a Central Government Department providing shared services to other Government bodies. In this context it is anticipated that all customers will have a place on the customer board. However if the customer base grows to large numbers, consideration may need to be given to different voting rights. The degree of influence and voting rights which an individual customer will be able to exert is likely to vary depending on their size and relationship with the SSO. For this reason it is recommended that there are always

external Non-Executives appointed to the Customer Board, whose role it is to ensure that there is a degree of “fairness” in decision making.

Accountability

For the Accounting Officer and Heads of HR and IT in the customer organisation, transfer to the SSC of delivery of elements of their financial, HR and IT services will represent a risk which must be carefully assessed.

Under shared services, the Accounting Office and Heads of HR and IT will still be accountable for service performance and, as with any contract with an external service provider; they will need to have a clear plan of how they manage this risk with clearly designated accountability to appropriate roles.

For example, during the service transition phase they will need to be satisfied that the end to end processes, business controls and reporting framework are fit for purpose and clearly defined in the service level agreement. On an ongoing basis, data security and budgetary controls are also likely to be significant concerns.

Governance Processes Spanning Two Organisations

As noted above, within the governance framework will be a number of processes which span organisational boundaries, such as audit and quality management processes and change management processes. It is important for existing providers that these are revisited to ensure that they are still appropriate in the new environment.

Some examples are given below:

Audit Processes

The shared services provider will be responsible for the regular audit of the end to end shared services solution and for publishing an audit plan which will, it is expected involve some consultation with customers. From the customer side, there will also be a responsibility to audit those elements of the end-to-end processes which are managed within the customer's retained function. For instance, in the case of purchasing transactions, raising a purchase order is likely to be the responsibility of the customer, whereas the payment of invoices may be performed by the SSO. There will also be audits around data quality, data security, delivering HR in line with legislation etc that the HR directors would have transferred to SSO.

Quality and Performance Management Processes

The service level agreement between the customer and provider will lay the foundation for quality and performance management processes. However there will again be a crossover with the customer's retained organisation where there could be a dependency on certain aspects of the retained process to deliver the expected SSO SLA. An example might be that timely input of expense claims by the customer is necessary if the provider is to ensure that they are paid on time. There is a responsibility on behalf of the customer to ensure that their retained processes will support the SLA delivery requirements of the SSO.

An alternative approach to avoid this interdependency is for providers to define their SLAs around those parts of the end-to-end processes which they

deliver. For instance an SLA for expense reimbursement may be the percentage of expenses items paid on the last day of the month where they were submitted by the 10th of that month.

The provider should also have contingency plans including a disaster recovery plan should there be any threat to their ability to deliver their services to the agreed service levels.

End-to-End Processes and Shared Data Strategies

In the shared services model, many end-to-end processes will span both the provider and customer organisations which can lead to a lack of clarity around ownerships of the process. One solution is to have the Shared Service Organisation own the end to end process, but also to designate a point of contact within the customer who liaises with the shared services team to evaluate and field enquiries on any potential design changes. In this way any impact on the retained function can be quickly identified and resolved.

Similar issues can arise where data elements are shared between the shared services Solution and legacy systems serving other areas of the business, for example cost centre codes or employee numbers.

Future Strategy Development in the Retained Business Function

Often the move to shared services is intended to enable the retained business unit functions to focus on higher value activities such as policy definition rather than transactional processing. However it is important that there is a clear

understanding of how much influence the retained function has to introduce new policy which could be operationally delivered by the Shared Service Organisation. Again clear accountabilities will need to be identified, and resolution processes defined should there be a conflict between new strategy introduction and current operational processes delivered by the SSO.

Other Examples of Good Practice

Supporting tools and examples to assist in design of governance arrangements can be found in Cabinet Office Shared Services Toolkit at:

http://www.cio.gov.uk/shared_services/toolkit/tools/vision.asp

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.