



CabinetOffice

Central Government Shared Services

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Guidance for Customers and Providers

**Making
government
work better**

Contents

| | |
|--|--|
| <p>Introduction 4</p> <ul style="list-style-type: none"> • About this guidance document, its contents and intended audience | <ul style="list-style-type: none"> • Overview of delivery options including main advantages and disadvantages • Examples of delivery models adopted by live shared service organisations |
| <p>Commercial Approach 6</p> <ul style="list-style-type: none"> • Establishing and operating robust, good practice and pragmatic commercial arrangements • Principles underpinning commercial arrangements between public sector organisations • Contents of MoUs and SLAs | <p>Governance 40</p> <ul style="list-style-type: none"> • Key considerations when defining governance arrangements for operational shared services • Principles of good governance • Example governance structures and roles and responsibilities |
| <p>Service Offering 15</p> <ul style="list-style-type: none"> • Requirement for providers to clarify their service offering • Types of service offering • Contents of a service offering | <p>Up-front Investment 47</p> <ul style="list-style-type: none"> • Types of spend required during the set-up phase • Constraints over funding compared to the private sector • Guidance on agreeing the customer investment during business case development |
| <p>Provider Business Plan 22</p> <ul style="list-style-type: none"> • Producing and maintaining a provider business plan • Importance of the business plan to shared service employees, customers and senior stakeholders • Key contents of a business plan | <p>Sharing Benefits 50</p> <ul style="list-style-type: none"> • Types of benefits • Principles for benefits realisation • Process for evaluating improvements and sharing benefits |
| <p>Delivery Models 26</p> <ul style="list-style-type: none"> • Guidance to providers in selecting the most suitable model for delivery of services | |

Customer Take-on 56

- Framework for take-on of new customers
- Suggested process and timeline for customer take-on
- Key considerations for providers and customers

Software Licence Transfer 65

- The options available for the acquisition/transfer of software licences
- Snapshot of the on-going bi-lateral discussions between the providers (DWP, HMRC) and software vendors (Oracle, SAP)
- Guidance on the treatment of legacy application licences

Annex 70

Examples of Cross Government Service Delivery

- DWP Customer Information System
- DirectGov
- The Club
- Government Gateway
- Government Secure Intranet

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.

Introduction

In March 2007, the Cabinet Secretary, Sir Gus O'Donnell wrote to Government Departments to encourage them to review the performance of their corporate services and consider moving to a shared services delivery model in order to improve efficiency and accelerate transformation of the Government's HR and Finance functions. Two large Departments, Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC), which have already established corporate shared services organisations were identified as "providers" of shared services with smaller Departments encouraged to consider joining one or the other offering as "customers".

The process of migration to shared services is now underway. Cabinet Office and the Department for Children, Schools and Families (DCSF) are planning to join DWP's service during 2008, and HMRC has successfully migrated the Valuation Office Agency (VOA) onto its own platform. Within the Ministry of Justice National Offender Management Service, the HM Prison Service operates a National Shared Service Centre which is already providing Corporate Services to the Home Office.

Significant efficiencies are anticipated from the migration to shared services, with public spending being channelled away from administration and 'back office' activities and towards front line services.

In spite of these early successes, shared services should not be seen as an end goal in its own right. Instead each potential customer of shared services must consider its own corporate services requirements and make an informed decision on how best to effect the necessary transformation. This may involve sharing services provided by DWP or HMRC, offering its own services to others, outsourcing to the private sector or maintaining the status quo.

In addition to the experiences of DWP, HMRC and other departments in delivering corporate shared services, this guidance also draws upon the experiences of other services that are being delivered by government departments to other public sector organisations. These include:

- The DWP **Customer Information System (CIS)** whose customers include HMRC, DVLA and local authorities;
- **Directgov**, the central portal for public services to which all Government Departments are signed-up customers;
- **The Club**, a partnership between the Department for Children, Schools & Families (DCSF), the Department of Health and DirectGov, which offers a fully managed e-infrastructure for the delivery and support of government web services;
- **Government Gateway**, a common IT infrastructure investment used by citizens and business to transact securely with a wide variety of government organisations; and

- **Government Secure Intranet (GSI)**, the secure network for the public sector.

These cross-government services have all faced similar challenges, for example, in the areas of investment, customer take-on, operating agreements and governance. Further details of these examples are provided in an Annex to this guidance.

This guidance is intended to assist in the decision making process for taking up shared services, and focuses on a number of the key challenges identified by both providers and customers. In particular, it shares best practice on the commercial arrangements required to ensure successful delivery of shared services, and covers a range of potential challenges which need to be addressed in doing so.

The guidance is not intended to address areas which, although vitally important to a successful shared service implementation, are not specific to shared services themselves. Such areas include project and programme management, developing a business case for investment and change management.

Cabinet Office has also developed a Shared Services Toolkit which addresses these areas and provides assistance to organisations throughout their shared services journey. The toolkit can be found at:

http://www.cio.gov.uk/shared_services/toolkit/

The guidance and toolkit together provide essential reference material for

everyone looking to implement shared services, whether as providers, customers or policymakers.

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Commercial Approach

Introduction

This section provides guidance on establishing and operating robust, good practice and pragmatic commercial arrangements between a public sector provider of shared services and a public sector customer.

The approach to contracting is heavily dependant on the selected delivery model. The guidance in this chapter focuses on a public sector organisation contracting with a public sector shared service organisation operating as an Arms Length Body.

Ideally, the agreement between public sector providers and customers should comprise the same principles and be of similar robustness as a commercial contract between a Government organisation and a private sector service provider. However in practice, given that unlike a legal contract, this agreement will not be enforceable, the style of the agreement and associated documentation is likely to be more collaborative in nature.

Principles

The following principles should underpin the commercial arrangements between public sector organisations:

- The principle of "Indivisibility of the Crown" means that there is no option for Government Departments and agencies to enter into contracts which are legally binding and enforceable in courts
- Government accounting rules mean that Government Departments are not allowed to make a profit out of the provision of services to another Department
- A simple approach to documentation is recommended. This should include a Memorandum of Understanding (MoU) or Heads of Agreement (HOA) setting out the relationship during the migration framework and a more detailed Service Relationship framework of Service Level Agreement (SLA) for the operational service.
- The SLA should include detailed descriptions of each element of the service, associated performance levels, frequency of reporting and roles and obligations of both the provider and customer.
- The provider and customer should be aware that, as the agreement between them is not legally enforceable, there is a need to have key stakeholder sponsorship and commitment at the highest appropriate level.
- Invoicing and payment terms must be agreed and approved between the provider and customer.
- There should be transparency of service offering and charges.
- The charging structure should be as simple as possible and based on the most appropriate unit of service consumed, for example per user or per transaction.
- There should be flexibility built into the charging to allow for changes in the cost and customer base. The mechanism for agreeing such changes and implementing them must be defined.
- The method of charging must be in accordance with the prevailing Public Accounting Rules.

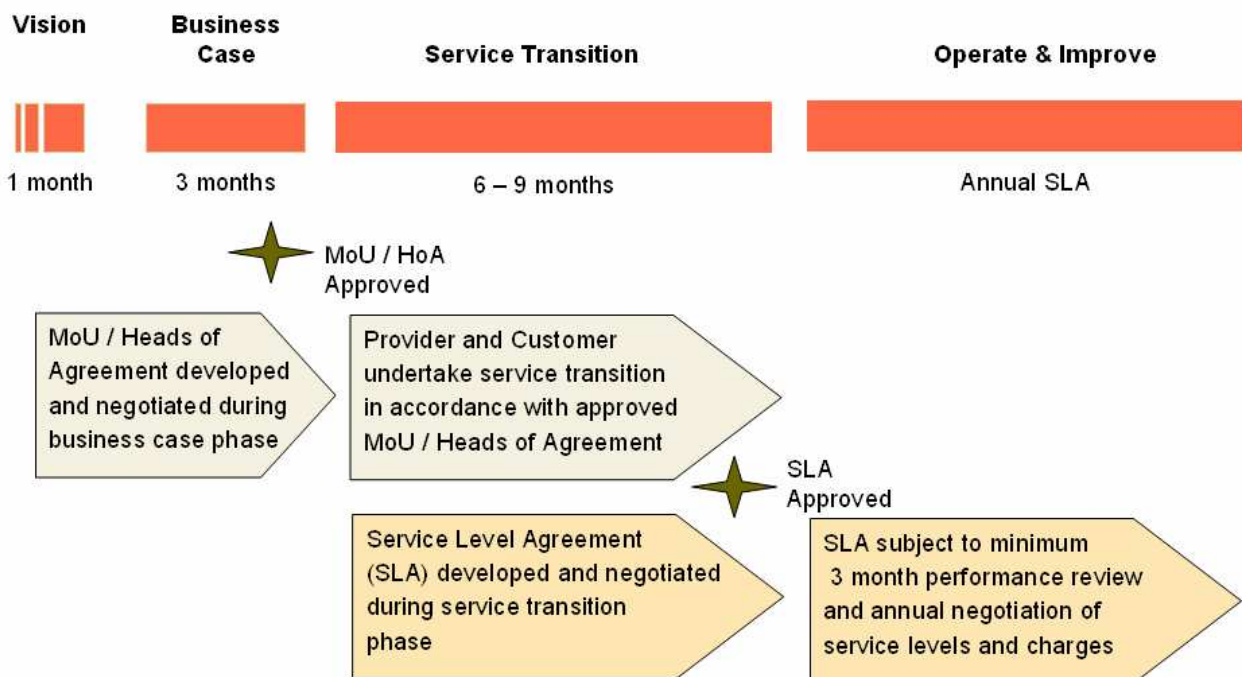
- The customer should provide projected volumes and based on these the provider should give projections on operating costs going forward.
- The liabilities of the provider and customer(s) should be set out and agreed, along with any costs associated with them.
- Risk Ownership and Transfer must be identified and agreed between the provider and customer.
- The approach to benchmarking of charges and efficiencies in terms of how they compare to the marketplace should be agreed between the provider and customer.
- Documents should have clear owners and be subject to change control. The SLA should be

reviewed and performance levels agreed at the beginning of each fiscal or contract year.

- The duration and notice periods for the agreement should be agreed and clearly stated.
- The customer should have a responsibility to provide accurate current and forecast information regarding volumes e.g. number of users/average number of transactions per user.
- The provider and customer should consider what exit strategies and plans they need to have in place.

The following diagram illustrates the timing of development and duration of commercial documents between providers and customers.

Development and Adoption of Commercial Arrangements



The Memorandum or Understanding or Heads of Agreement (MoU/HOA)

Overview

The purpose of this section is to set out the principle terms of the agreement between the provider and customer of a shared service and covers the period before the shared service goes live. It should be produced as soon as a customer has completed a feasibility study into service delivery options and selected a service provider. This is likely to be after the customer's initial business cases which identify long and short lists of options resulting in a chosen provider, but before work commences to develop and agree the service specification and a final business case is produced.

Typically the MoU or HOA will include the following sections:

Purpose

The reason for needing the MoU, for instance to set out the agreement between organisation x and organisation y with the specific intent of supporting the migration phase of the shared services migration programme.

Background

The context within which the MoU fits. This may include the programmes key objectives, e.g. improving efficiency and effectiveness by migrating administrative functions to shared services, transforming the retained functions, implementing an ERP solution including employee and manager self service.

Scope/Provisions

Set out the:

- key principles for working together and the provision of the shared service;
- key objectives and indicators of success; and
- a high level description of the shared service.

Out of Scope

Clarify service components that are agreed as being out of scope of the shared service. For example this may include parts of HR that are out of scope such as strategy and policy.

Terms of agreement

Include roles, responsibilities, accountabilities and obligations. For example they may include the customer's obligations to provide a team with the appropriate skills during the transition for testing etc and to cleanse legacy data before extract and migration.

Also set out expected activities and key deliverables during the initial exploration, design and migration phases phase and milestones for their completion.

Governance

Explain how the project will be governed, e.g. who is the senior responsible officer, what are the terms of reference and membership of the Project Board and how often will they meet? Will there be other forums and what will be their role?

It may also be useful to set out an agreed series of key checkpoints during the exploration and design phase, at which both organisations can agree whether to proceed to the next phase.

Dispute Resolution

Arrangements for resolving any disputes, e.g. escalation procedures, accountabilities, independent arbitration.

Termination

Set out the criteria and process for termination during the migration period.

Status

Set out the status of the MoU. Arrangements between Government Departments do not have a legal status. This section could also provide details of any confidentiality requirements.

Supporting Information

The MoU should also include:

- a glossary of terms
- A list of the assumptions on which the MoU is based
- A list of key risks and the risk management process.

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The Service Relationship Framework or Service Level Agreement (SLA)

Overview

An SLA or service framework is a document which defines in detail the relationship between the provider and customer and its parameters.

Its development should start during the service design phase after the service specification or design blueprint has been produced and its approval should be a pre-requisite to go-live.

It is an extremely important document for both the customer and provider and an appropriate level of resource should be assigned to its production.

The SLA should include; a detailed description of the service; measurable service levels, frequency of reporting; the roles, responsibilities and obligations of BOTH the provider and the customer; issues resolution process and the approach to continuous improvement and service development.

It should be revisited at the end of each fiscal year or contract period, or when a significant change in service requirements occurs (managed via the change control arrangements set out in the SLA).

Although not exhaustive, typically an SLA will include the following sections:

Introduction

This would set out the background and purpose of the SLA.

The Agreement

This would set out: the statement of intent; the parties involved in the agreement; signatories; period of operation; the principles of partnership working; terms of the agreement; obligations; document sign-off and security.

The Service

This would include services in scope and a description of the service. For example services in scope may be listed as follows:

| Finance and Procurement | |
|-------------------------|--|
| Procure to Pay | |
| | Manage policy, contracts & quotes |
| | Manage suppliers, materials & catalogues |
| | Raise purchase requisition |
| | Raise purchase order |
| | Receive goods and services |
| | Manage stores and inventory |
| | Process invoices |
| | Process expense reimbursements |
| | Make payments |
| Order to Cash | |
| | Enter, process and track |
| | Manage customer balances and credit |
| | Invoice customers |
| | Process receipts |
| | Manage collections |
| | Manage adjustments |
| Record to Report | |
| | Perform accounting |
| | Manage period and year end |
| | Perform budgeting and forecasting |
| | Perform reporting |
| | Perform fixed asset accounting |
| | Manage programmes |
| | Manage bank accounts |
| | Manage cash |

| Finance and Procurement | |
|--------------------------------|---|
| | Activity recording and charging |
| HR & Payroll | |
| Planning and Policy | |
| | Employee Diversity |
| Source and select | |
| | Manage unsolicited applications |
| | Manage vacancy |
| | Process applications |
| | Appoint employees (external & internal) |
| | Manage non-acceptance of offers |
| | Manage feedback and appeals |
| Develop and Counsel | |
| | Manage performance |
| | Learn and develop |
| | Industrial and labour relations |
| Reward and Retain | |
| | Establish work pattern |
| | Record time |
| | Record activity based costing |
| | Manage time approvals |
| | Process worked time |
| | Submit absence applications |
| | Approve leave applications |
| | Manage changes to approved leave |
| | Manage leave resumption |
| | Manage pay details |
| | Payroll processing |
| Redeploy and Retire | |
| | Manage voluntary terminations |
| | Manage involuntary terminations |
| | Manage personnel death |
| | Manage career breaks |
| | Employees outplacement services |
| Manage Information | |
| | Manage Organisation structure information |
| | Manage job and position information |
| | Manage personnel details |
| | Management reporting |

Service availability should be included. E.g. 8.00-18.00 Monday to Friday plus any out of hours provision.

Detailed service schedules should be annexed. These will include a detailed description of each element of service and the roles and responsibilities and obligations of both the provider and customer in delivering it. For example payment of invoices to the agreed performance levels are dependant on customers correctly following the acquisitions process and recording receipt of goods on the system; timely and accurate payment of overtime is dependant on the employee inputting the data in a timely and accurately manner via self service and the line manager checking it and approving it promptly.

Performance

This would set out the performance levels for each element of the service. This may be included in the schedules described above, e.g. all invoices paid within 30 days, all overtime claims entered before x date paid with that month's salary.

It would also pull out the Key Performance Indicators (KPIs), i.e. the performance metrics to measure the 'key' process drivers for the performance of both parties.

Frequency of reporting, performance report formats and performance management roles and responsibilities should also be described.

Governance

This section should set out all bodies that are involved in governing the shared service, their terms of reference, membership, frequency of meeting, standard agenda items and papers, e.g. performance reports. It should also describe the interrelationship between these bodies. This is likely to include a Shared Services Executive Board, a Shared Services Management Board, a Customer Board and a Change Control Board.

It may also be helpful to describe arrangements for communications and liaison outside of the formal bodies. For example, should all communication between the customers be channelled through a customer account manager on the provider side and “contract” or commissioning manager on the customer side? Should there be direct liaison between the Service Line Heads and Heads of the retained functions?

Volumes

Customers would be expected to provide current and expected volumes. These would be detailed here. For example the customer would provide information about numbers of employees, suppliers; volumes of overtime payments, expenses claims and supplier payments.

It would also set out any tolerance levels and what happens if volumes exceed these tolerances.

Charging and Payments

This section should set out charges. These should be simple and transparent, e.g., per unit, or per transaction and type of transaction.

Linked to volumes there should be reference to volume tolerance levels and the impact on charges if volumes go above or below tolerance levels, e.g., will lower volumes lead to an increase in unit price and by how much.

Details should also be provided of how non standard services and requested changes to the service or solution scope will be priced.

Payment process, timescales and accountabilities should also be described.

Issues Management

Describe the definition of an issue, how issues are captured, categorised, resolved and timescales for resolution. It should also include the issues management process and roles and responsibilities.

Disputes and Resolution

Arrangements for resolving disputes between parties involved in the provision of the shared services including: definitions, roles, timescales, escalation routes and independent arbitration. This should be linked to the governance arrangements.

Audit Rights and Processes

Describe audit processes and the rights of auditors working on behalf of the customer and provider. This should list recognised internal and external audit bodies and roles and responsibilities in relation to the development of an audit plan, agreeing audit reports and responding to weaknesses.

Change Control

Types of change, change control processes, timescales, roles and responsibilities, decision making and prioritisation. Again this should link to the governance arrangements.

Service Development including Funding and Risk and Benefit Sharing

Development plans including planned technical upgrades, scope expansion and process review and improvement. How developments will be charged and funded and how risks and rewards will be shared across the customer base.

It should also set out the approach to continuous improvement including the customer's role in this.

Compliance with Statutory Requirements, Regulations and Organisational Policies

The statutory requirements and regulations that all parties must adhere to, for example, Data Protection Act, Equal Opportunities Act. It should also set out any organisation specific requirements, e.g. around security accreditation of systems or security clearance of individuals.

Confidentiality requirements, conflicts of interest and arrangements for preventing, assessing and dealing with suspicion of fraud would also be covered here.

Other examples include adherence to UK and organisation finance and HR practices.

Intellectual Property Rights

This section would set out the ownership of systems and documents etc. The systems themselves will in all probability be the property of the shared service provider. However customers will wish to satisfy themselves that any of their data which is present in the systems, along with customer-specific processes will remain their own intellectual property.

Disaster Recovery and Business Continuity

Describe the disaster recovery and business continuity arrangements including priority processes, priority system users, priority customers, procedures and accountabilities for revoking plans, communications and timescales for service restoration.

Considerations need to include:

- What is required from IT providers?
- Will a percentage of users be given IT access first, and if so who?
- Payment of employees and suppliers are usually priority processes does this determine the priority users?
- Will self service be suspended? if so how will information get to the payroll team or will you simply pay a flat rate?
- What happens if the building floods?

Incentives and Penalties

It is recommended that service penalties and credits should be avoided and the focus be on working in partnership.

However, clear governance arrangements, reporting arrangements and escalation procedures need to be in

place for when performance falls below accepted levels on either side. It may also be useful to document what constitutes an acceptable level of performance, e.g. 5% below the agreed performance level.

Termination and Exit

Describe the arrangements for termination and exit. This would include reasons for termination, notice periods, roles and responsibilities, process, charges.

Annexes

Annexes are likely to include detailed service descriptions, performance levels, volumetric schedules, charging schedules and a glossary of terms and definitions.

DWP Approach

DWP Shared Services currently has in place a single Service Level Agreement for the deliver of services to all customers within the DWP family.

An MoU/HOA is currently in development to describe the relationship between itself and the Cabinet Office. A detailed SLA will develop as part of the transition project.

HMRC Approach

HMRC has agreed a set of service principles with the Valuation Office Agency (VOA) and are working towards sign off of a full SLA. The VOA also has a direct agreement with HMRC's IT partners for software support.

Other Examples of Good Practice

Supporting tools and examples to assist in design of the commercial approach and development of SLAs can be found in Cabinet Office Shared Services Toolkit at:

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

The example documents include the Flex shared service IT contract guide and a service relationship framework paper and template service level agreement based on the commercial arrangements agreed between the Defra Shared Service Organisation and customers.

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Service Offering

Introduction

In order for a customer to assess the suitability of a shared service to meet their requirement, it is vital that they first define that requirement through consultation with their users, and then compare how well that requirement matches with a clearly articulated definition of the services the provider is able to offer. This definition of available services is what is termed the “service offering” and its contents are discussed in this section.

The service offering may vary widely from one shared service provider to another. Some will offer a standardised, all-encompassing “one size fits all” offering. This approach has the considerable advantage of simplicity for the provider, and is also likely to facilitate greater long term efficiencies and economies of scale for all customers of that shared service. On the other hand, the transition effort required to move to this model is likely to be considerable.

Other shared service providers may choose to offer a “pick and mix” approach where each customer can choose from an extensive menu of individual services. They may even have the ability to customise these services in order to allow them to accommodate existing processes and essential local variances. Others still will fall in between these ends of the spectrum, with the customer expected to commit to taking a “core shared service” and then being able to choose from a number of additional optional services.

This section describes what should be incorporated in such a service offering in order that customers can easily evaluate it against both their needs and the service offerings of alternative providers.

Contents of the Service Offering

The Service Offering should comprise a number of elements including:

- The service catalogue, describing which services are available and whether they are standard or optional for each customer;
- Clearly defined processes associated with each element on the service catalogue;
- The delivery platform, describing the technology for delivery of the shared services and the channels which are used to do so;
- A set of Key Performance Indicators (KPIs) which will be used to monitor the overall performance of the service as well as appropriate reporting mechanisms used to indicate the level of performance of the service against these KPIs;
- The service roadmap, detailing planned enhancements and extensions to the service.

These elements will form the Service Level Agreement (SLA) which details the basis of the agreement to provide and consume services between a particular customer and provider. It will help ensure that both parties understand their responsibilities, the customer has a clear picture of what services they can expect to receive, that performance is measured and communicated and that any issues arising can be resolved

promptly to the satisfaction of both parties.

Equally, providers will have a clear picture of the expectations of their customers, and should be motivated by the terms of the SLA to meet those expectations.

Service Catalogue

The Service Catalogue should provide a detailed description of all products and services currently provided to existing and potential customers.

This document should be updated on a regular basis by the provider as the service evolves

A Service Catalogue for Shared Corporate Services is likely to include some or all of the following service elements:

Finance

- General Ledger maintenance
- Cash management
- Production of sales Invoices
- Fixed Asset Accounting
- VAT Processing
- BACS payment
- Management of financial ledgers
- Production and submission of statutory accounts
- Debt management
- Staff expenses processing

HR

- Provision of advice and support in recruitment of staff
- Professional skills development, administration of training courses, provision of e-learning

- Administration and maintenance of employee records, terms and conditions
- Provision of service desk for HR queries
- Provision of self-service tools to allow employees to maintain their own records and on-line
- Management of the interface with payroll systems
- Logging of time for temporary and agency staff
- Employee onboarding and exit management
- Performance management
- Discipline and grievance management

Payroll

- Payroll processing
- Pensions administration

Purchase-to-pay

- Sourcing of products and services
- Maintenance of catalogues of standard goods and services available
- Provision of electronic procurement solutions allowing self-service raising of requisitions
- Approval and payment of purchase invoices
- Management and processing of purchasing cards and associated transactions
- Credit note handling

Management Information

- Generation of standard and bespoke reports in connection with any of the above services
- Automated distribution of reports on a scheduled basis

Support

- Provision of end user support in connection with any of the above services

In order to provide greater clarity of the division of responsibilities between provider and customer, it is also recommended that the service catalogue should detail which tasks are not within the scope of the shared service, and which are expected to be performed by the retained function within the customer organisation.

Service Availability

The Service Catalogue should also describe, for each service, what the

hours of both operation and support are. In a self-service environment, it is highly likely that services will be available around the clock, but the service desk for example may well be available during business hours only.

Processes

For each of the available service elements, a process should be detailed which describes precisely what tasks will be performed, who will perform them and to what agreed service level.

E.g. for an Invoice Processing and Payment service, the process description might be as follows:

| Process Element | Responsibility |
|--|------------------------|
| Complete goods receipt note (GRN) | End User |
| Process, load and validate invoice (reject where no purchase order number) | Shared Services Centre |
| Match invoice against purchase order and GRN | Shared Services Centre |
| Identify mismatches and send for resolution | Shared Services Centre |
| Resolve mismatches | End User/Supplier |
| Post accruals | Shared Services Centre |
| Pay supplier within agreed term | Shared Services Centre |
| Send remittance advice | Shared Services Centre |
| Conduct check for duplicate payments | Shared Services Centre |

Examples of process maps can be found in the Shared Services Toolkit at: http://www.cio.gov.uk/shared_services/toolkit/

Service level:

- Invoices checked and loaded on day of receipt into Shared Services Centre
- Supplier paid within 30 days for 95% of transactions

Delivery Platform

A move to shared corporate service will in all probability also entail a move to greater automation of those services, using browser access channels and employee self-service. This approach is intended to maximise the efficiency of the services offered, and can also help enhance employee satisfaction.

The Service Offering should include details of the delivery platform used by the shared service (typically an Oracle or SAP ERP system). A single

technology platform may offer a variety of different access channels for a customer's use. Browser access will be particularly useful for customers with a highly mobile workforce. For permanently office-based staff, a standard application platform may suffice. Other access channels used by the solution are likely to include email for notification of required actions, and a fallback to telephone for any transactions which cannot be completed online.

Where the shared service encompasses multiple areas of corporate services, a single sign-on approach will also be beneficial, allowing customers to access all functions with a single user name and password, possibly automatically linked to their network logon details.

The Service Offering should also include detail of any business continuity and disaster recovery provisions which are in place for the service, and which can be used in the event of problems with continuity of service at either the provider's or the customer's sites.

Data Security

Providers should clearly set out the day to day controls and audit arrangements in place over the security of customer data, for example, employee, financial and third party data. This should include the controls over the physical transfer of data and system controls over user access, segregation of activities between roles which would be reflected in the system roles and associated access, system audit controls and reports.

Key Performance Indicators (KPIs)

Providers of shared services should develop and lay out in their Service Offering a clear set of KPIs to judge the success of the solution. Without this, it will be impossible for the provider to know whether or not they are achieving their customer's expectations, and the customer will have no ability to judge the quality of the service they are receiving. The critical factor here is to define the most important things to measure.

While service levels are likely to be defined against each process as detailed above, the chosen KPIs should be few in number, simple, easy-to-measure, and most importantly have a clear alignment to business goals. Ideally these KPIs will also facilitate easy comparison with other providers of similar services, and periodic benchmarking against industry standards. Measurement should be done regularly and the results widely disseminated to provide wide visibility of the performance of the service, promote successes and help motivate improvements in both customer and provider organisations.

As well as the "hard" measures which are likely to be automatically produced by the technology solution, it will also be important to gain subjective feedback. Customer satisfaction surveys are likely to be a key means of collecting such data.

Example KPIs might include:

- **Procure-to-pay:** 95% end-to-end transactions completed within 30 business days
- **Service desk:** 80% of calls resolved at first contact

- **Portal:** 99.9% application availability within business hours. Average page load time <2 seconds.
- **Payroll:** On time completion of transaction processing each month. 99.5% payroll accuracy
- **Customer satisfaction:** 80% of surveyed users scoring 1 or 2 (“delighted” or “happy”) on a scale of 1 to 5.

Effective reporting will be a key method of communication of performance against service measures to the customer. A set of reports should be offered which are prepared by the provider and which demonstrate the performance of the shared service to each customer

Service Roadmap

The Service Roadmap will be an importance document in helping customers to decide whether a shared service matches with their own future plans as well as their current requirement.

The Service Roadmap should include details of:

- what new service elements are planned for introduction into the shared service in the future
- what enhancements to existing service elements are planned
- a timetable showing when these changes will be made and any dependencies

In addition, it would be helpful to provide detail in this document as to the procedure for making defining [?] the roadmap and introducing change. It is recommended that a user group

comprising representatives of all customers should be able to feed into this process, although the final sign-off of the roadmap and development plans is likely to be the responsibility of the Shared Service Business Design Authority (see section on Governance).

Service Level Agreement (SLA)

The elements described above and which make up the Service Offering, will come together to form the Service Level Agreement, the heart of the “contract” between the provider and customer of the shared service.

Bringing all of the above elements together, the SLA will detail:

- Scope of services to be provided
- measures of service effectiveness which are directly aligned with the business goals of the customer
- the basis of two-way accountability of the service, as agreed between the two parties
- the basis for continuous improvement of the service over time
- Key principles for the service relationship between the shared services organisation and customer organisations;
- Responsibilities of both the shared services organisation and customer organisations;
- Definition of how issues regarding service performance are escalated by either the shared services organisation or customer organisations.

DWP Approach

The DWP Shared Services offering is based on the Oracle (Finance and HR) suite, and offers the following services as part of their shared services offering.

Accounting Services

- Financial accounting
- Financial reporting
- Cash forecasting
- Financial processing
- Business development
- Analysis and Management Information support

Employee Services

- Integrated HR & Payroll services
- Pensions administration
- Expenses processing
- Services delivered through self-service where possible
- Recruitment
- Employee Contact Centre
- HR Advisory Service

Purchase to pay

- Administration of payment
- Transactional purchasing
- Accounts payable control

Customer Payments

- Making and facilitating payments
- Correcting payment errors

Debt management

- Recovery of overpayments
- Compensation Recovery
- Bulk Letter Forwarding

The offering is a standard one, with the intention to maximise efficiency and effectiveness of the service by avoiding the need to customise it for individual customers wherever possible.

The initial service specification will be capable of future enhancement to allow for continuous improvement of the services and thus support the achievement of longer-term benefits contributing to better management of people and resources

Other Examples of Good Practice

Defra

The Defra Shared Services Offering (SSO) includes:

- the full Estates function providing strategic development, advisory and transactional services reporting to a small retained informed client function;
- HR, Finance and Procurement transactional services and some advisory services. The expanding employee and manager self-service capability currently includes personnel administration, staff appraisal, learning and development, expenses and procurement.
- A customer-facing online portal used to access information and perform transactions.

Defra's ambition is to continuously improve and extend the shared services capability to other support functions and potentially front-line services depending on the needs of customers and the business case for transformation.

The SSO expects to provide a wide range of advisory services with transactional services which will be entirely delivered through self-service and the SSO.

Toolkit

Supporting tools and examples including Service Design documents can be found in Cabinet Office Shared Services Toolkit at:

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

The example documents include the Defra shared service blueprint and the HMPS shared service vision and roadmap.

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Provider Business Plan

Introduction

This section outlines the importance of producing and maintaining a business plan for the shared service. The business plan should highlight the vision and objectives of the shared service as well as its achievements, capabilities and key plans for service growth for employees, existing and prospective customers. As the shared service evolves, it should be possible to monitor its success by reference to this business plan.

The plan should outline:

- The “proposition” for potential customers
- The method used to prioritise potential customers for adoption
- How additional capacity can be added to meet demand

The business plan will be an important document for a number of stakeholders including:

- **Executive and Senior Management** – the business plan will be the key reference document to establish the vision and strategy for the organisation and to allow them to measure performance against objectives.
- **Customers** – the business plan will detail the services provided for prospective customers both now and in the future and provides customers with a strong insight into the provider’s organisation.
- **People** – the business plan will allow the organisation’s employees to understand how well their organisation is performing and how the plans for the future are likely to

affect their working lives and careers.

Considerations

Business Plan Contents

The potential contents for a business plan are listed below; each area is described in more detail in the subsequent sections.

- Executive Summary
- Strategy
- Proposition
- Capability
- Target Market
- Marketing Plan
- Operations
- People
- Finance

Executive Summary

The Executive summary should briefly highlight the key points of the plan including conclusions, recommendations, actions and planned return on investment.

The summary could outline:

- A brief description of the shared service organisation including history and target market.
- An “elevator pitch” (or very brief summary) of the Service Offering
- An explanation of how the shared service organisation will succeed in the future and what has already been achieved.
- A description of funding requirements, approach to benefits and planned investments.

Strategy

The strategy section should focus on the long-term goals and action plan and include:

Mission Statement

A brief, “big picture” statement outlining the vision for the shared service.

Long term goals

This section should include stretching but achievable targets that the shared service could attain within five to ten years. These could include some or all of:

- Numbers of customers adopted;
- Volume of users;
- Performance against industry benchmarks; and
- VfM savings achieved.

Action plans

Steps needed to achieve those goals. This should identify existing areas which will need to be changed in order to achieve them, for example to the governance arrangements, capacity and cost base of the shared service organisation.

Shared service assessment

A brief analysis of the strengths, weaknesses, opportunities and threats of the shared service organisation, to provide context for the plans outlined in the business plan.

Proposition

The proposition detailed in the business plan should summarise the Service Offering to customers in terms of its benefits.

For example, the proposition might be:

“The provision of comprehensive shared HR, Finance and Procurement services to customers using an Oracle platform and supported by a professional service management team.

Services provided will be in the upper quartile of industry performance benchmarks, and, by offering standardised processes to all customers, are expected to provide significant cost savings over customers’ existing services.

Our shared service organisation is independent of any one customer, and is focussed solely on delivery of customer-focussed services. Its governance structure is designed to maximise cooperation and by including representation of all customers will ensure alignment of services and each organisation’s strategic objectives.”

Capability

The Capability description should provide an overview of the Service Offering discussed elsewhere in this document.

It should provide brief details of the range of services currently on offer, and any improvements currently in progress. It could also provide an indication of the capacity of the shared service and reference some of the existing customers.

Target Market

It is important to consider who are the most likely customers of the shared service, or the ones which it is considered most important to attract.

Factors to consider include:

- Will the services be available to Central Government Departments only or to any public sector body?
- Is there a minimum or maximum size of customer which the organisation will consider taking on, or which is likely to reap the most benefits?
- What is the overall size of this market (in terms of customers and users)?
- What attributes of a particular customer are likely to make the shared service a good “fit” for them, e.g. a common ERP system, similarity of existing processes, close geographical proximity.

Considering these factors will help to prioritise those potential customers which are mostly likely to be able to generate significant efficiencies by joining the shared service.

Growth and Capacity

This section should consider the expectations of customer take-up within the target market, based on best, worst and expected cases. It should also detail the current capacity of the shared service organisation to cater for growth, highlight the additional capacity requirements which will need to be delivered for these growth forecasts to be met.

Cost and Pricing

The pricing strategy for the shared services should be detailed along with the cost drivers which inform that strategy. If the cost case for the SSC is largely based, for example, on transaction volumes or user numbers, then the pricing offered to customers should reflect those drivers.

Marketing Plan

This section will describe the marketing plans for the shared service, and in particular:

Who is the target audience for marketing?

This is likely to include board members, Corporate Service Heads, Finance Directors, users, and other stakeholders and influencers such as union representatives.

How will the target market be addressed?

The most successful marketing campaigns incorporate a variety of methods to reach the market. Channels used to do so may include articles in trade press and other media, briefings aimed at board members, workshops aimed at corporate services practitioners, mailshots and marketing-focussed websites. This section should identify the most suitable channels to reach each part of the proposed audience.

Attraction and Take-on

Describe the opportunity management process to be followed with prospective customers, who will be responsible for managing the pipeline of prospective customers, and how this process will interface with the customer take-on process.

Operations

This section should outline how the shared services organisation is run, including:

- An organisational chart
- A list of key functions, showing who is responsible for each area and how they interact.

- A list of all locations in which staff are based
- A list of suppliers and subcontractors, detailing how strategic each is to the effective delivery of services, and what supplier management processes are in place to maintain those relationships

People

The success of the organisation will depend on its people. This section should summarise the people management strategy for the shared service and consider, amongst other items:

- Whether all essential skills are in place within the organisation
- What staff training needs should be addressed?
- What additional recruitment may be necessary?
- Which staff are key to successful delivery of services?
- How will performance be measured and rewarded?
- Will customers joining the shared service be expected (or able) to TUPE transfer staff into the Shared Service Organisation, and what processes need to be in place to support this?
- How will the organisation retain/develop resources and skills?
- How will the organisation attract the right people to support the growing new business?
- What is the knowledge management strategy to support the future?

Finance

This section should summarise the organisation's current financial position, including key information such as:

- Income and Expenditure Statement
- Statement of Assets
- Cash flow forecast
- Provide two years of history and two-five years projections

A financial proposal should also be included, outlining:

- How much money is required to support future growth?
- What use will those funds be put to?
- What is the projected return on investment for those funds?
- Where those funds are to come from?

Other Examples of Good Practice

Examples of strategies and business plans can be found in Cabinet Office Shared Services Toolkit at:

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

Private Sector

Other sources of good practice are the annual reports of commercial providers of corporate services, such as Capita, Liberata and Serco.

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Delivery Models

Introduction

The purpose of this section is to provide guidance to providers of shared services in selecting the most suitable model for the delivery of those services. The Delivery Model is the method by which the provider legally establishes the shared services in order to deliver the Service Offering to its customers. Each Delivery Model will require a different level of time and investment to set up and implement, and will result in a different degree of overall control, accountability and risk ownership. These factors must be assessed and incorporated into the decision making process and business plan at the outset of shared services implementation.

The Delivery Model will determine the nature of the relationship through which the organisations sharing services will establish the means of working together effectively. The selected Delivery Model must be linked to the long term vision for the Shared Service, for example, future outsourcing strategy, and should also facilitate the appropriate long-term planning and continuous improvement desired.

The Delivery Model will also have implications for Shared Service Organisation employees, in particular around their terms & conditions of employment. These must be assessed, understood and assimilated into the provider and Customers' change management plans. Depending on the option chosen, early trade union consultation may be necessary, and plans for TUPE Transfer of Undertakings (Protection of

Employment)) transfer of employees may also be needed.

A number of different possible Delivery Models have been identified in this guidance, but there is no one size which fits all circumstances. The section on "Making a Decision" offers advice on how providers might proceed in arriving at the most appropriate option for the Shared Service. Potential customers of existing shared services may wish to consider these same issues when evaluating the "fit" of those shared services to their requirements.

This section addresses the characteristics of the following delivery models available to providers of shared services, with each successive option putting the delivery capability at increasing distance from the creator of the Shared Service:

- Creation of a Business Unit within an existing Central Government Department
- Creation of Public sector Arms Length Body (Executive agency, NDPB, Trading Fund, Public Corporation)
- Creation of a Joint Venture with a private sector supplier
- Outsourcing service delivery through the establishment of a framework agreement with a private sector supplier

Options

The following diagram illustrates the broad range of delivery options available to providers of shared services and some of the main advantages and disadvantages associated with them.

These options range from full 'In-house' public sector delivery through to full private sector outsourcing.

Options Consideration

| <p>100% Public sector control</p> <p>Departmental Business Unit or Arms Length Body</p> | <p>50 / 50</p> <p>Joint Venture with Private Sector Supplier</p> | <p>100% Private sector control</p> <p>Outsource to Private Sector Supplier</p> |
|---|---|--|
| <p>Increased commercial characteristics and are increasingly at arms length</p> <p>Low barriers to entry in terms of time/cost with control retained by the public sector</p> | <p>Increased customer focus and continuous improvement, includes flexibility for government to influence and to share in risk and rewards</p> <p>Blend of public and private creates opportunity to maximise benefit from each ethos.</p> | <p>More straightforward contract as control within single entity</p> <p>Productivity and cost saving expected to be high</p> |
| <p>Treasury fees & charging rules apply, limits on performance related pay, some potential people issues, customer focus, commercial culture may take longer to establish</p> | <p>Will require public sector investment</p> <p>TUPE or secondment of staff could lead to staff concerns. Negotiations may be time consuming as levels of control between public and private partners are agreed.</p> | <p>Little prospect of sharing revenue unless negotiated in contract (see previous)</p> <p>Potential for concerns on change of employment circumstances</p> |

It should be noted, however, that it is possible to migrate between the various delivery models, and it may be desirable to do so as the shared service becomes more mature.

For instance a period of operation as a separate Departmental Business Unit delivering shared services internally might be a sensible pre-requisite for a subsequent move to an Arms Length Body such as a Executive Agency or Trading Fund.

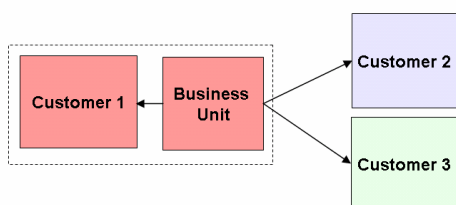
Once this Arms Length Body has proven its ability to trade successfully by providing services to other public sector

bodies, then the creation of a Joint Venture might offer a route to gaining significant additional investment and scale.

Central Government Department Business Unit

The most straightforward option available to shared service providers is to establish a separate Business Unit within the existing Department. This Business Unit will then be tasked with delivery of the shared services to all customers, both within and outside of the Department.

Departmental Business Unit



Advantages

- The public sector (and the Department creating the Shared Service) maintains full control over the management and governance of the service.
- This option will almost certainly be the fastest and lowest cost option to implement.
- No need for any transfer of employees (whether TUPE or otherwise) so little possibility of staff concern.

Disadvantages

- Potential customers may be put off by the lack of perceived independence of the Shared Service
- The lack of private sector involvement may mean a lack of commercial focus and entrepreneurial drive.
- The shared services organisation will be tightly bound by Government accounting rules,

particularly the ability to retain excess income from customers to provide for future investments and service improvements

- Due to the principle of indivisibility of the Crown there is no option for Government Departments and agencies to enter into contracts which are legally binding and enforceable in courts. Consequently any provider-customer service level agreements will not offer full commercial rigour
- The organisation will have no access to external funds for investment or to manage cash flow
- The delivery organisation will need to establish customer service capability
- Internal IT capability may be stretched
- Need capability to receive employees from joining Departments when TUPE will apply.

Examples of Departmental Business Unit providing Shared Services

The DfT Shared Service Centre is currently operated by the DVLA Business Unit. The Shared Service Centre provides Finance, HR and Payroll services to a number of DfT Business Units. A Memorandum of Understanding was agreed between DfT(c) and DVLA in September 2007 which sets out operations, budget and management arrangements for the SSC.

The HM Prison National Service Shared Service Centre located in Newport, Wales operates as a standalone business unit within the National Offender Management Service which is an executive agency of the Ministry of

Justice. It provides finance, procurement and HR services across the prison service and also provides managed corporate services to the Home Office.

HMRC, Local Authorities, DVLA, Legal Services Commission are customers of the DWP Customer Information System (CIS) which operates as a business unit within the DWP.

Public Sector Arms Length Body (ALB)

Where the shared services are to be delivered by the public sector itself rather than by a private sector supplier, it may be beneficial to allow the shared service provider to carry out its functions at 'arm's length' from its departmental sponsor and potential customers. This ALB could take the form of an Executive Agency, Trading Fund or an NDPB.

The degree of independence this arrangement offers may be appropriate for a variety of reasons. In particular, the shared services organisation will be able to focus on clear and specific functions and objectives around delivery of the shared services and will be able to operate with a greater degree of autonomy.

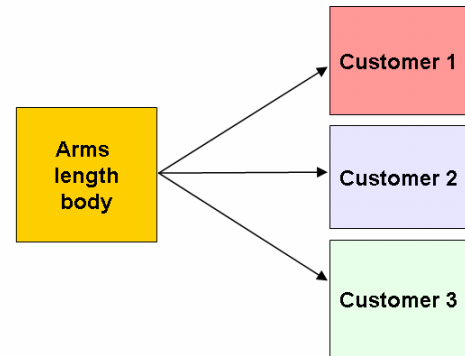
Depending on the particular vehicle selected, the Shared Service Organisation will be able to:

- Make autonomous decisions
- Enter into contracts with private sector suppliers
- Own and dispose of assets
- Employ its own staff
- Make its own funding and budgeting decisions

Comprehensive guidance on the various types of public sector bodies may be found at

<http://www.civilservice.gov.uk/about/public/bodies.asp>

Arms length body



Advantages

- The public sector would maintain full control over the management and governance of the shared service.
- The Arms Length Body will be seen by customers to be independent of an individual Department
- Each customer can have its own commercial relationship with a customer-focussed organisation responsible for providing the shared service, providing clear lines of accountability and helping to provide a more responsive service
- The provider will be able to focus on its core activities of delivering corporate shared services
- The above factors are likely to enhance additional customer take-on and thus efficiencies generated
- Although setup costs are higher than for a Departmental Unit, they are low when compared to Joint Ventures
- Staff would retain civil servant status, minimising the likelihood of trade union challenge, retaining existing skills and knowledge and avoiding the need for TUPE

transfer to a private sector organisation

Disadvantages

- Cost and elapsed time will be required to establish the ALB
- If future customer take-on is low, the necessary restructure costs may be incurred without any subsequent benefit
- The lack of private sector involvement may mean a lack of commercial focus and entrepreneurial drive.
- The organisation will not have access to external (e.g. private sector) funds for investment or to manage cash flow
- The organisation will be bound by Government accounting rules, and in particular the obligation to surrender any unplanned income to HM Treasury
- There may still be a lack of perceived independence if all staff transfer from the sponsoring Department
- Lack of Departmental control may create a disconnect between policy and delivery unless embed robust governance
- The new ALB will have no track record of delivery

Types of Arms Length Bodies

Executive Agency

An Executive Agency is a public sector organisation established to carry out delegated executive functions of Government. Each Agency falls within the “family” of an existing Government Department. Policy & resources are determined by the parent Department,

although the agency is free to implement within these bounds as it sees fit.

Other characteristics of an Executive Agency are that:

- It is 100% publicly funded and resourced.
- It must publish accounts and a performance statement separately from the parent Department.
- Chief Executive has operational responsibility but is accountable to the parent Department.

The option to create an Executive Agency for shared services delivery may be attractive when services are being provided to multiple organisations within a departmental “family”.

However compared to other ALBs discussed here, Executive Agencies have the following disadvantages:

- As with a Departmental Unit, an Agency will still be bound by Treasury fees and charging
- Agencies are restricted by legislation in their ability to implement performance related pay, which may reduce their ability to incentivise improved productivity when compared, for instance, to a Joint Venture.

Trading Fund

A Trading Fund is an organisation created under the Government Trading Act 1990, and which is financed out of its own trading income. This income comes from the customers of the Trading Fund, and not directly from HM Treasury. Before creating a Trading Fund, HM Treasury will need to be satisfied that the proposed organisation is commercially viable, and will expect it

to generate a level of return to its owner commensurate with the level of risk of the business in which it is engaged.

These organisations are essentially similar to Executive Agencies (as above) but have the benefit of operating under more flexible financial arrangements. Specifically, the significant advantage of a Trading Fund over an Executive Agency is that it has the power to borrow money and create reserves. As a Trading Fund is “off-vote”, it has no requirement to seek advance Parliamentary or Treasury approval of its planned income and expenditure. This flexibility is intended to encourage managers and staff to think commercially, find opportunities to cut costs and introduce more efficient ways of operating and to grow the revenue stream. A Trading Fund should therefore enjoy a greater degree of financial flexibility and also generate a more corporate, entrepreneurial, incentive-style culture and ethos.

A further advantage of Trading Fund status is the ability to retain revenue reserves to fund long-term planning and future investments. Excess income may alternatively be distributed to the parent Department as a dividend.

Disadvantages are that the tests set by HM Treasury for the creation of a new Trading Fund are demanding. In any event, successful operation as an Executive Agency is often regarded as a pre-condition for establishing a Trading Fund.

NDPB

A Non Departmental Public Body is an organisation which is not an integral part of any one Government Department and which carries out its work at arm's length from Ministers and parliament. As it is not created to carry out ministerial orders and policy, an NDPB is more or less self-determining and enjoys greater independence. NDPBs are particularly suited to situations where political considerations play little part in decision-making.

Advantages of NDPB status are that:

- Unlike an Executive Agency, an NDPB is independent of any one sponsoring Department, which may make it more attractive to potential customers of the shared service
- Unlike a Trading Fund, an NDPB may be centrally financed

One disadvantage is that staff of NDPBs are not civil servants, so the staff transition is likely to be more problematic than migration to either an Executive Agency or Trading Fund.

Examples of Arms Length Bodies providing shared services

Firebuy Ltd

Firebuy was set up by Communities and Local Government in 30 March 2006 to procure equipment nationally for the Fire and Rescue service.

Firebuy enable savings by negotiating better deals for buying in bulk and also eliminates the duplication of procurement of fire-specific equipment by individual Fire and Rescue Authorities (FRAs). Rather than all 47 FRAs negotiating separately for service-

specific items such as vehicles, protective clothing and respiratory equipment, Firebuy Ltd negotiates contracts on their behalf and takes the lead in contract monitoring and service level monitoring.

Firebuy was established as a Non-Departmental Public Body (NDPB) and was funded by grant in aid from CLG during its setup. It will be reclassified as a Public Corporation once fees and charges received from its customers exceed 50% of its income. This will also allow more flexible financial management and provide for the holding of reserves.

For further information see:

www.firebuy.gov.uk

Joint Venture with a private sector supplier

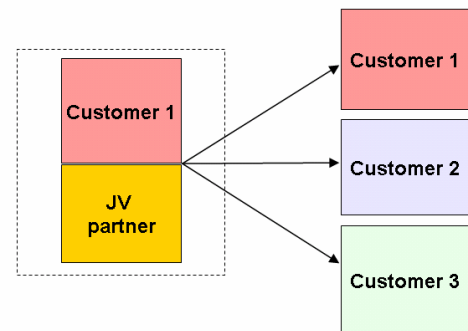
A Joint Venture (JV) is an entity formed between two or more parties to undertake economic activity together. Such an arrangement may be desirable where there is an objective of transferring skills & technology from the private to the public sector.

Under this arrangement, as with Arms Length Bodies referred to elsewhere in this document, a separate vehicle is established to deliver the services. The parties agree to create a new entity by both contributing equity, and then share in the revenues, expenses, and control of the enterprise. Revenue, expenses & control are all shared in proportion to equity stake.

In common with the Arms Length Body approach, commercial drivers and disciplines may be put in place to support the expansion of the shared service to new customers and the evolution of the services delivered.

However, a JV also offers the opportunity to share risk and reward with a private sector partner through joint ownership. With both parties contributing equity and resources into the JV, revenue, expenses & control are all shared in proportion to these equity stakes.

Joint Venture



Advantages

- Shared services organisation is incentivised to gain new customers and create efficiencies by its commercial structure
- The public sector maintains an element of control and share in benefits.
- There is an opportunity to benefit from up-front private sector investment
- Risk and reward is shared with a private sector partner
- Staff may retain an element of public sector status and culture, especially if they are seconded rather than transferred to the JV.
- Headcount reductions for customers possible if staff are TUPE transferred
- Public sector gains the ability to benefit from private sector expertise and capacity
- The opportunity to align incentives between public and private sector partners

Disadvantages

- Strong project management for transition required.
- Significant up-front investment is likely to be required to form JV (and potentially to exit)

- Transfer process (TUPE) to JV may cause staff concerns
- Risk of investing in JV with uncertain demand for services
- Financial risk subject to vehicle selected, as there will be an investment subject to future demand
- Staff secondment rather than TUPE transfer may highlight cultural differences which need to be addressed

Examples of Shared Service Joint Ventures

NHS Shared Business Services

NHS Shared Business Services is a Joint Venture between the Department of Health and Xansa (now part of Groupe Steria following their acquisition of Xansa in September 2007).

The shared service was initiated in April 2005 and now provides finance, accounting, payroll and purchase-to-pay services to over 25% of NHS organisations. Control of the JV is split 50/50, while profits are distributed through a gainshare arrangement in a 2:1 ratio in favour of the DoH. These profits are passed by the NHS back to individual customers (e.g. NHS Trusts) on a proportional basis.

The shared service made an initial pledge to provide customers with 20% savings on in-house provision plus ongoing savings of 2% year on year. Evidence from the customers is that actual savings have averaged 34%. The National Audit Office, in its 2007 review of shared services, commented that SBS was on target to deliver £250 million over 11 years.

For further information see:

<http://www.sbs.nhs.uk/NHS%20Annual%20review06.pdf>

Liverpool Direct Ltd

Liverpool Direct Ltd was established in 2001 as a 10 year Joint Venture between Liverpool City Council and BT with BT owning 80.1% of the company.

The shared service provides ICT infrastructure, Revenue & Benefits, Call centre, HR & Payroll services. It employs 800 members of staff and has annual revenue of £260m.

Rather than migrating to Liverpool Direct by TUPE transfer, staff were seconded from both partner organisations, allowing them to retain existing pension rights and terms and conditions, minimising the risk of staff concerns.

The service has achieved significant performance improvements in areas such as support call resolution, where fewer than 10% of calls are abandoned and 90% are resolved at the first point of contact and council tax collection which are at record highs of 97%. Due to this success, the Joint Venture has now been extended for a further five years to 2017.

For further information see

<http://www.liverpooldirectlimited.co.uk/>

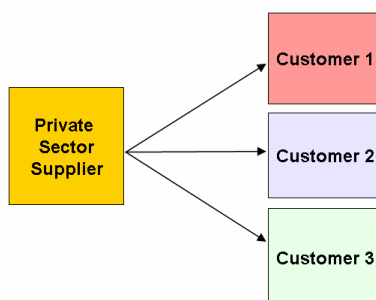
Outsource through Framework Agreement

Where it is appropriate to outsource delivery of shared services to the private sector, the establishment of a Framework Agreement is likely to be the most appropriate way to do so. Under this structure, one Government body acts as a Central Purchasing Body (CPB) to put in place a contract to purchase services from a private sector supplier.

This contract (known as a Framework Agreement) can then be used by other public sector bodies to award contracts for goods and services without needing to conduct a full, open procurement exercise.

OGC guidance on CPBs under the procurement rules can be found at http://www.ogc.gov.uk/documents/Guide_central_purchasing.pdf. Further information on the wording to be included in OJEU notices and PQQ when letting frameworks for shared services can be found in this document in the section on “Software License Transfer”.

Outsource to private sector



Advantages

- This option may offer efficiency savings which may not be available through public sector service delivery, for example through the offshoring of some activity.
- Possibility of headcount reduction through transfer of staff to the private sector supplier
- Take-up of services by new customers is possible without the need for further procurement, saving considerable cost and elapsed time.
- The private sector supplier is incentivised to standardise the services being delivered, resulting in greater economies of scale.
- Customers benefit from the economies of scale brought to the shared service by other customers. Where these economies of scale can be predicted in advance, appropriate volume discount structures may be embedded in the framework agreement itself so that the price reduces as the number of customers increases.
- Customers gain access to a robust contract and service level agreement negotiated on commercial terms.
- Commercial risk may be transferred to the private sector supplier.
- An established service delivery approach, backed up by contractually binding service level agreements gives strong assurance of quality
- Each customer can maintain its own commercial relationship with the supplier, providing clear lines of

- accountability and helping to provide a more responsive service
- Low set-up costs

Disadvantages

- Strong contract management will be required for the success of this model.
- Framework contracts can only be let for four years under recent 2006 changes to the EU Procurement Directive. This may seem a relatively short timeframe given the major change management implications of moving to shared services, and customers will have no guarantee as to what service will be in place beyond the end of the framework period. However, it should be noted that contracts let under a framework may extend beyond the lifetime of the framework itself, and can be for longer than four years duration.
- The services which can be provided are tightly bound by the scope of the initial framework agreement, which can be difficult to change subsequently without recourse to another procurement.
- Customers may wish to change the “standard” services delivered under their contract to more closely match their own needs, having the effect of reducing economy and efficiency. To counter this possibility, the legal and commercial terms of the framework agreement should be constructed in order to discourage both the supplier and customers from bespokeing the service in this way. Similarly the Central Purchasing Body should be prepared to police the use of the framework

effectively in order to avoid possible legal challenge resulting from a customer misusing the framework.

- Such outsourcing arrangements (and particularly offshoring) is a politically sensitive issue
- Public sector staff who are currently engaged in delivering similar services may be reluctant to transfer to the private sector supplier.

Examples of Shared Service Framework Agreements

Public Sector Flex

Flex is a framework let by the Cabinet Office which allows any UK public sector body to outsource their ICT provision. The service, provided by Fujitsu Services Ltd, consists of a “Core Shared Service” using common infrastructure and service delivery, as well as the ability to tailor the service around the needs of a particular customer by taking advantage of a range of additional services. Contracts may be let under the framework for up to seven years, and pre-defined volume discounts were negotiated and embedded into the framework agreement.

For further information, see

<http://www.fujitsu.com/uk/industries/government/flex/>

Zanzibar

Zanzibar is a framework agreement let by OGCbuying.solutions for a purchase-to-pay electronic procurement service. This agreement provides UK public sector bodies with access to a hosted eProcurement software solution provided by PA Shared Services Ltd.

For further information, see

<http://www.ogcbuyingsolutions.gov.uk/zanzibar/zanzibar.asp>

Making a Decision

In order to arrive at a decision on the most appropriate Delivery Model, each option should be considered to assess the best option from a financial perspective.

This should take account of:

- Implementation costs including service set-up, input of working capital, transition costs for provider and customers
- Ongoing operational costs
- Projected cost savings and the likelihood of realising them
- Financial risks
- Potential to generate third-party revenues
- Potential exit costs in event of service failure
- Freedom from constraints of Government Accounting rules (e.g. the ability to retain unplanned savings or income.)
- Access to external funding – overcome fiscal constraints on affordability of initial investment/smoothing of cash flow

In addition to these financial criteria in the decision making process, a qualitative evaluation should also be undertaken to identify the best fit from the perspective of:

- Cultural fit with the sponsoring organisation and potential customers
- Means of establishing clear accountability
- Appropriate allocation of risks
- Appropriate controls and governance arrangements
- Making best use of public and private sector skills and resources

- Mitigation of employment issues (TUPE, secondment etc.)
- Providing for long-term sustainability of the solution.
- Enhancing the reputation of the shared services provider with potential clients
- Urgency and timing

Other Examples of Good Practice

Supporting tools and examples to assist in selecting a suitable delivery model for shared services can be found in Cabinet Office Shared Services Toolkit at:

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

The example documents include a paper on shared service contracting options and an Institute of Public Finance occasional paper on shared services with a specific section on choosing the right shared services model.

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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).

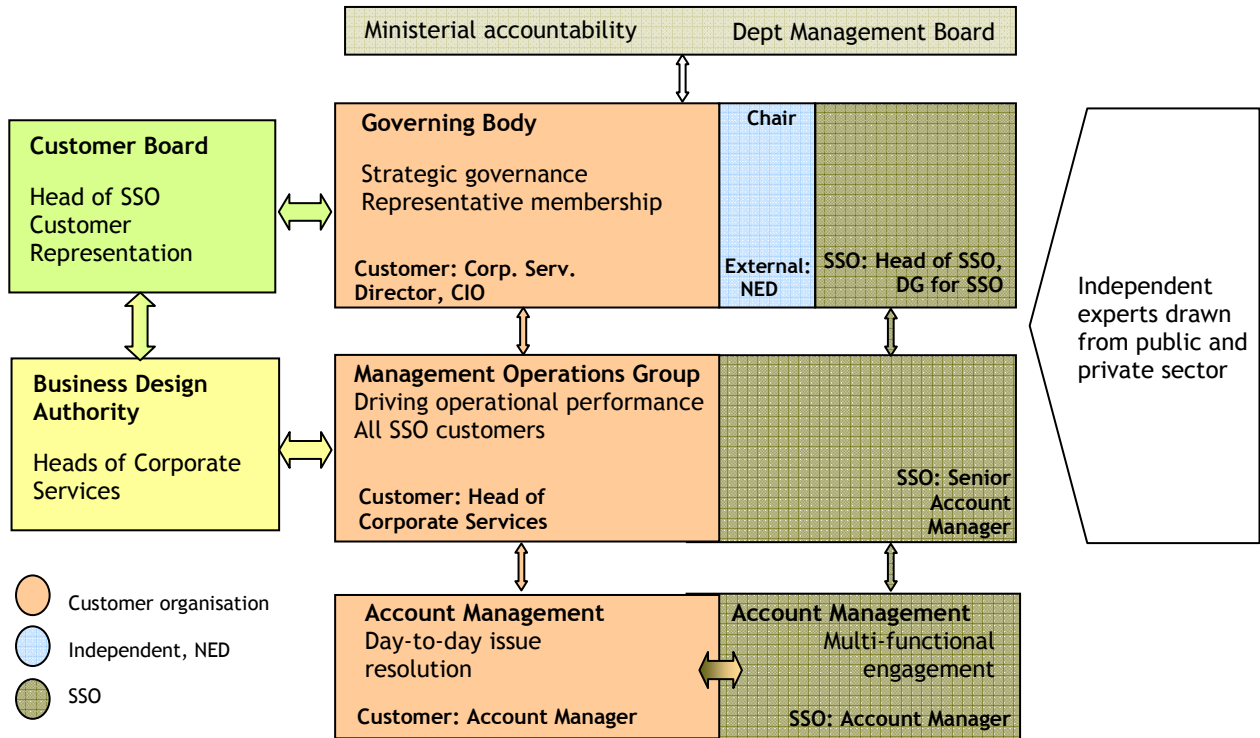
- Cater for the different requirements and services consumed by various customers.
- Be as simple as possible, to avoid becoming unwieldy and costly to administer.
- Be transparent and open to ensure that all relevant parties can be assured that the Shared Services Organisation is being governed appropriately.
- 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

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Up-front Investment

Introduction

This section covers the funding of up-front investment costs for cross government shared services. The prerequisite for a customer migration to shared services is the development of robust business cases for both the provider and customer organisation for approval by their respective boards. In common with any other investment

decision, if there is not a viable business case with benefits exceeding costs with an acceptable pay-back period, there should be no migration.

Considerations

Required Up-front investment

The following table illustrates the types of spend required during the set-up phase for a customer migrating to shared services.

| Investment type | Providers | Customers |
|-----------------|--|--|
| Project | Dedicated migration team to explain core solution, regression test any changes against the existing solution, assess customer requirements, design and build customer solution, provide training | Dedicated project team to evaluate core solution against business needs, specify requirements, test the solution, manage business change, negotiate SLAs |
| Infrastructure | Additional software | Enhancements to infrastructure and PCs, Additional software |
| | Additional servers, infrastructure, network set-up | Systems de-commissioning costs |
| | Additional accommodation, office refurbishment | Extraction and migration of data into shared service |
| People | Take-on and train additional delivery staff | Additional staff during transition |
| | | Redundancy and redeployment costs |

Migration costs will fluctuate depending on:

- The scope of service to be provided, e.g. delivery of an ERP (Enterprise Resource Planning) solution to a full managed service
- closeness of fit of the service offering to customer requirements
- availability of software licences which have already been purchased
- shared service centre capacity
- people policies; and
- the mix of internal and external project resources.

However, even for a small Government organisation of say, 2,000 staff, adopting a standard managed service offering of finance, HR and payroll services, overall migration costs are likely to be in measured in millions of pounds.

Constraints over Funding

Private sector shared service providers would recover the up-front investment costs through service charges over a 3 to 5 year period or longer depending on the customer contract. There is currently no financial regime that would allow Government shared service providers to spread investment costs over future years' service charges.

The HM Treasury guidance on Managing Public Money states:

“Shared services often need funding to set up infrastructure, e.g. specialist IT for procurement. This could be agreed in a spending review, or customers could buy in by transferring budget provision to the lead provider. Each of the Accounting Officers involved will need assurance that the project offers value for money for the public sector as a whole. The provider's charges should be at cost, following the standard fees and charges rules within Central Government:

“Charges within and among Central Government organisations should be made at full cost, including the standard cost of capital. To charge otherwise would risk creating unwarranted subsidies or distorting competition”.

There is currently no central funding available or facility that would allow a Government shared service customer to obtain a loan to help fund the up-front

costs and allow this to be repaid as benefits are realised.

Agreeing the Customer Investment

As part of the initial feasibility study into shared services, the provider should supply the customer with a best estimate of the set-up costs for inclusion in the customer business case. As part of the business case approval and decision on whether to proceed, the customer and provider would need to agree the financial arrangements for the recovery of actual set-up costs during the migration phase.

The negotiation on solution requirements and set-up costs should consider if any of the required solution improvements / system changes would benefit existing customers or result in additional set-up and / or higher operating costs for existing customers

If there are additional benefits then it is reasonable to expect the existing customer base to make a contribution to the investment costs, for example pro-rata to the expected benefits.

If the solution / system changes would result in additional costs and not be of benefit to existing costs, then it would be reasonable for the customer requiring this change to meet the additional cost. This may result in the new customer changing its requirements, look at alternative solutions or potentially to decide not to proceed with the migration.

A similar process is required for the assessment and funding of solution improvements and new business requirements post go-live. Guidance on

this can be found in the Section on Sharing Benefits.

Other Examples of Good Practice

Supporting tools and examples to assist in assessment the investment requirement and business case development can be found in Cabinet Office Shared Services Toolkit at: http://www.cio.gov.uk/shared_services/toolkit/tools/biz_case.asp

The example documents include a business case financial checklist and the Defra shared service business case.

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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

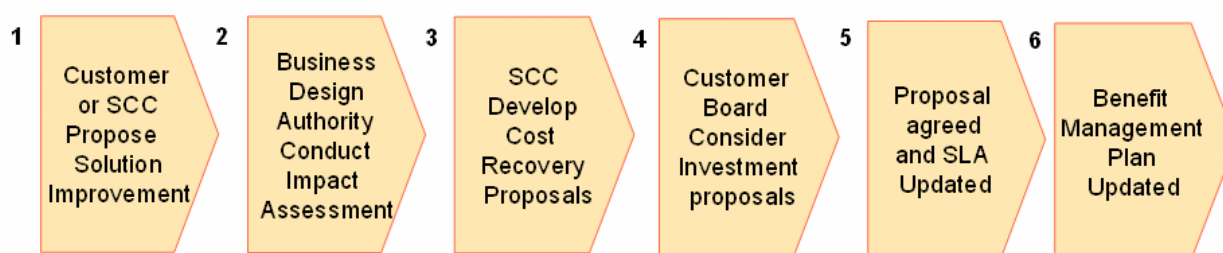
All new investment requests should be supported by a robust business case. This will identify if the business case is relevant for all customers, and therefore whether the cost can be spread correspondingly or if it is for an individual or smaller group of customers.

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.

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Customer Take-on

Introduction

Purpose

This section outlines a framework for take-on of new customers setting out the key considerations for providers and customers. The customer take-on process facilitates the transition of the customer's current services to the providers shared service. This chapter should be read in conjunction with the Shared Services Toolkit which provides advice on the shared services journey from vision setting and business case through to go live and continuous improvement. The toolkit can be found at:

http://www.cio.gov.uk/shared_services/toolkit/

Key Principles

There are a number of key principles which need to be considered as part of the customer take-on. These include:

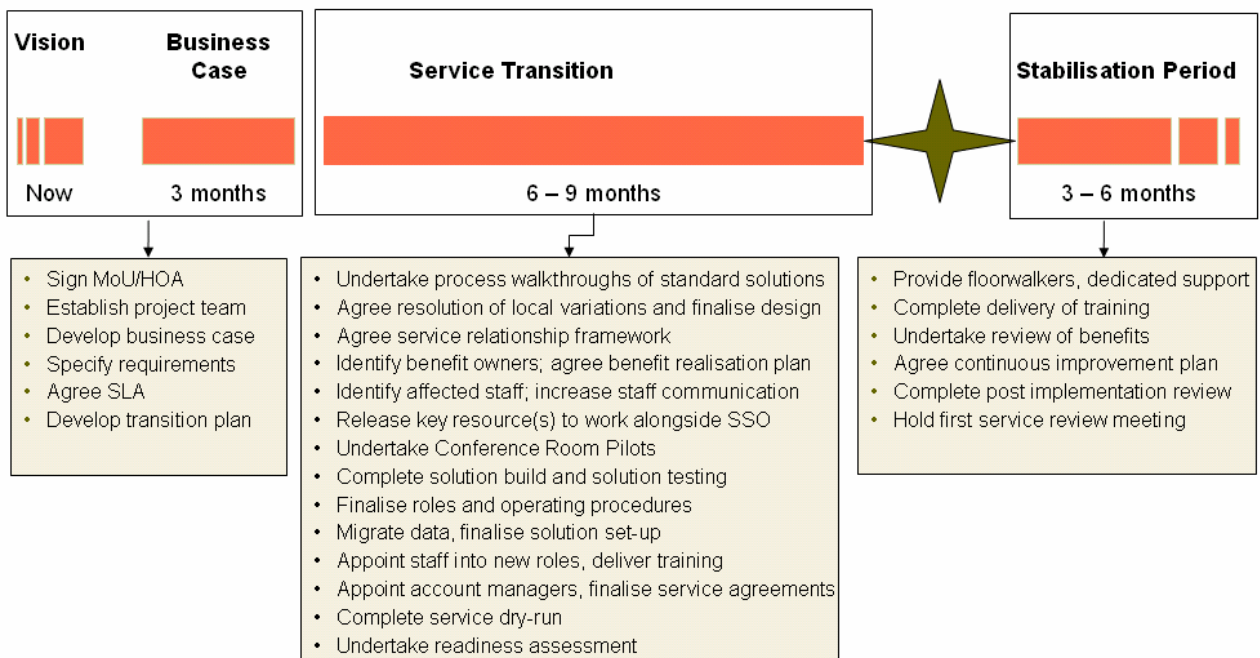
- The differences between the customers existing service and processes and those provided by the shared service will greatly affect the degree of transition effort required. These differences can be catered for by customer-specific modifications of the shared service itself, or ideally by changes at the customer end to align the processes with the standard shared service offering.
- The higher the percentage of difference between the customer's legacy processes and the shared services solution, the higher the change management effort required by the customer to adapt their current business practices to the shared service model. It is critical that this effort is not underestimated. A strategy for change management should be developed upfront.
- Development and agreement of the solution for the customer should start as early as possible to enable the take-on and transition to the shared services model to be well scoped and planned. This service should be documented in a service specification or design blueprint.
- The customer take-on process is a collaborative one. It is important that a collaborative partnership model for working is agreed upfront between the shared service provider and the prospective customer. This will provide the basis for working relationships from the early planning stages through go-live into business as usual activities.
- Both providers and customers need clear decision making processes with responsibilities and accountabilities assigned, and agreed escalation routes for issues requiring Board level resolution. A stakeholder engagement and communications strategy and plan need to be produced as early as possible.
- Clear roles and responsibilities for the transition process need to be agreed jointly and be transparent to all parties concerned.

- The need to consult at an early stage with employees and unions and to provide for this engagement in stakeholder, communications and change management strategies.
- Be aware that confidence within the user community will dip during the take-on process as they move

from their own solution to the provider’s solution. The impact of this can be minimised through a good collaborative working model being established upfront and managed on a day by day basis.

The following diagram illustrates a suggested process and timeline for customer take-on.

Customer Take-on



Considerations from a Provider Perspective

This section outlines those areas which we believe are essential to be in place before a shared services provider will be ready to take-on new customers.

Capacity to Deliver

There are a number of areas which will directly impact on the provider’s capacity to deliver. The primary areas are listed below:

Strategy

A provider will have determined their customer take-on strategy as part of their strategic plan.

Resources

Taking on a new customer will impact resource levels across a number of areas. This includes:

The impact on SSC staffing levels needs to be planned and factored in. If there is a need for new staff, recruitment and training plans need to be developed and factored into the transition plan.

An account management function will be required to manage the day to day relationship between the shared service and the customer.

A dedicated full-time project team required to manage the customer take-on process. This would be expected to include the following roles:

- Project Manager
- Finance and HR Leads
- Technical Architect
- Change Manager

The extent of changes to the solution will determine the size of the provider project team. For example, whilst not recommended, changes to the IT solution will require development and testing resource. Similarly differences in the overall solution and service will increase the change management effort required in the shared service centre.

Accommodation

The identification of the extra physical space that will be required for staff supporting each new customer take-on will need to be determined.

Systems

A stable robust core solution is required, underpinned by a documented technical upgrade plan and release management process. This plan should identify both business as usual service improvements and the introduction of new functionality for customers transferring to shared services. The core solution covers not

only the core ERP solution but also any other systems included in the overall shared services solution.

Providers and prospective customers need to assess the closeness of fit of the service offering to customer requirements and consider if the solution requires adapting to a more cost efficient “generic” system. A key part of the feasibility study will be to determine which area of the service offering is “core” and therefore delivered as such to the customer, and those areas where adaptation of the service offering is permitted for customer’s distinctive requirements. A comprehensive testing plan will be required, not only to test new functionality but will also include regression, volume and stress testing with core shared service solution.

Licences

As part of the financial management plan, each provider will need to have identified the impact of new customers on their current software agreements with their ERP provider. For further details see the section of this document on Software Licence Transferability.

Readiness to Take on New Customers

The following elements need to be in place in order for a provider to be ready to start to take on new customers in an efficient and effective manner.

Customer Take-on Starter Briefing Pack

It is recommended that the following information is collated into a briefing pack for potential customers to enable them to undertake initial analysis about the suitability of the provider and the

effort that will be required to transition to a shared services model:

- Process/service descriptions identifying what is standard and what is optional;
- Technical Architecture - standards and connectivity requirements for the customer;
- Expected Benefit Areas;
- High Level organisational impact areas;
- High Level Plan setting out key phases and the customer resources required to deliver this.

This would be the first module of the provider's overall support materials for the customer's transition to the shared service.

Transition Process and Plan

This sets out a standard process and set of activities and outputs that need to be delivered to enable a successful transition of the customer to the providers shared service. It should be designed to be relevant to all new customers. Wherever possible a "template" approach should be taken to. The following points are important to note during the transition process.

A minimum stabilisation period between each migration should be defined by the provider and agreed with the customer to ensure that capacity for customer take-on is not exceeded.

The first stage of the transition process is a detailed planning session. It is important to recognise that headcount is not a reliable indicator of the relative complexity of a new customer take-on. Planning also needs to take into account

the amount of difference from the core shared service solution.

Guidance on the culture changes required needs to be provided for new customers upfront. These are often critical to the delivery of expected performance management improvements.

Governance and Check Points

A robust governance and project management process is required to ensure that critical decisions are owned and made by the appropriate people within appropriate timeframes and that the project delivers to plan.

Considerations from a Customer perspective

Many of the considerations mentioned above are also relevant for a buyer of shared services. However the following are identified as being of specific interest to a customer perspective.

Resources

Customers need to ensure that they understand the providers shared service solution, what elements are fixed and which are negotiable and that they believe that it can deliver their critical business requirements. They also need to ensure that they understand the effort that the transition to a shared services model will require from them. The greater the difference between the providers solution and the current solution the greater the change management effort required. This should not be underestimated.

A dedicated team will be needed to manage the transition; they will need to

work closely with the provider's team. This should include people with expertise in delivering the functions to be migrated as activities may include activities such as working with the provider to map legacy data to the provider's solution data fields. This team will also need to act as a point of contact for fielding questions to other people within their business. Roles within this team will include a project manager and a change manager.

Senior sponsorship and dedicated resource from the retained functions will also be required. Transition to a shared service model will usually require organisational changes in the retained function.

The provider may also require resource from the customer to be involved in user acceptance testing of the solution. The requirement will be determined by the degree of change from the provider's standard solution. The customer may want to position the transition to shared services as part of a wider corporate services transformation programme.

The customer should ensure that there is appropriate dialogue built in with unions and relevant staff groups. This should be identified as part of the development of the Stakeholder Management and Communications Strategy

The resource levels will be determined by the respective roles of the provider and customer, these need to be agreed as part of the planning process. For example, who will own the business implementation activities, who will

design and deliver any cultural change training required?

Planning

It is critical that the provider and customer work together to plan the transition upfront.

During the transition planning it is important that the full breadth of affected operations are covered including all elements of their operations, e.g. people (roles), IT systems (replacement and interfacing), processes, (end to end processes which will cross both their retained organisation and the shared service, strategy (impact of the introduction of shared services on service and target delivery).

Planning should cover the activities required to transform the retained function. All too often the majority of attention is focussed on the centralised or shared service operation and not the retained function.

Readiness for Transition to a Shared Services Model

The following elements need to be in place in order for a buyer to be ready for transition to the shared service in as efficient and effective manner as possible.

Transition Process

The shared services provider will define the transition process. A number of principles need to be defined and agreed by the customer organisation in order to complete their side of the transition plan. Key principles include:

Ensure that the rate of transition is such that their organisation can absorb the

changes and embed them into their retained business;

- Ensure that the rate of transition is one which minimises disruption to the on-going business operation and services;
- Ensure that the systems are delivered in a timely manner and do not become the sole determining factor relating to when to make the transition in the respective customer business;
- Recognise any limitations of when the shared service will be available with the required capacity and standards of accommodation needed;
- Minimise the need for dual working on both old and new processes/systems concurrently;
- Determine the arrangements for the migration period, i.e. the period between close down legacy systems and go live of new. This should only be a short period whilst data is migrated but consideration needs to be given to what employees will do if they have expenses claims etc in this period;
- Capture the learning from earlier work and applying it to the next phase of work.

It is important to ensure that the right people are available to attend the right sessions during the transition process, particularly during the design phase. People are needed who have the ability to see beyond the current way of operating, but who also know enough detail to be able to quickly assess the

impact a change will have on your business.

Employee Consultation and HR Guidance

A Senior HR officer should be engaged to assist the customer migration team throughout the transition. For example, to provide guidance on:

- The adherence / development of people policies re changes to roles and responsibilities, transfer of posts to the shared service provider
- Employee and Manager briefing sessions
- Consultations with Trade Unions

Consideration must be given as to when to give notice of headcount implications which is expected to be ahead of formal HR requirements. Once it is known within the organisation that a move to shared services is an option, there is a risk that staff will already start to move on. Therefore it is often not enough just to comply with HR and Industrial Relations procedures, there is a requirement to anticipate the required changes and communicate them as early as possible in order to manage the potential impact.

Solution Definition

Each potential customer will need to ensure that they have up-to-date documentation of their current processes and a clear understanding of where their areas of “distinctiveness” lies and critical business requirements. These are business processes which are delivered differently from other Government Departments. These areas of distinctiveness will be where the majority of effort will need to focus

during the gap analysis to ensure that critical business requirements can still be delivered without compromising the service delivery capability and standards of the shared services provider. The process analysis/documentation work should be completed prior to the gap analysis workshops during the design phase and be fed into the provider evaluation criteria.

However, customers need to critically examine their business requirements and areas of distinctiveness, as any deviations from the standard solution are likely to increase both development and running costs and reduce benefits. It is recommended that customers adopt the standard processes, this may require changes to existing policy and process and time and resource to negotiate/agree changes, including with the Trade Unions where appropriate, needs to be built into plans.

Activities should include de-commissioning of existing IT systems, as part of this consideration needs to be given to if and how the data held in the legacy systems should be held and accessed, where not migrating to the providers solution. The cost of decommissioning or building/maintaining new interfaces will need to be included in the business case.

Front end access to shared service solutions also needs to be investigated, particularly for small organisations. If for example, the shared service solution is predicated on the widespread use of Employee Self Service, and there is a large mobile workforce then it is important that there are cost effective solutions available to allow staff to

access the solution, i.e. through kiosks or admin centres with pc access.

Customers should also consider identifying problems areas and implementing improvements in advance of transition to a shared service provider. One example of an area to focus effort on is the cleanse of data on legacy systems. Failure to do this will present issues when transitioning to the new solution and make the transition more complicated, longer and expensive.

Organisational Change Management

Managing the process of change at the customer site requires a Change Manager, supporting the Project Manager, who will work within the project team to manage and co-ordinate the change effort. Depending on the size of the organisation you may also need a network of change managers based locally, or with each functional business unit. Clear terms of reference for these roles need to be agreed and consideration given to whether it is a full time requirement. This also needs to be factored into the business case. The following areas will need particular focus:

- There are potentially important stakeholders who are outside the organisation who will be impacted by the move for example suppliers, customers, other service providers.
- Be aware that there could be difficulties for the HR department managing the change as well as being the recipient of change if HR processes are being transferred to shared services;

- It should be recognised that HR and Finance have a number of different customers/stakeholders to be managed and, in particular, that senior management within the business has to support the concept in theory and practice;
- It is important that communication to both the affected community and the wider business user community is managed throughout the transition process. If the introduction of Employee Self Service is part of the shared service Implementation, then every employee will be affected;
- If payroll is currently being outsourced to an external provider, ensure that there is sufficient time built into the schedule to include representation from the payroll provider on current processes and technical set up and any necessary negotiations around availability of staff etc are negotiated in good time. Existing providers also need to consider whether provider to provider TUPE will apply;
- Do not underestimate the requirement for culture change to a performance driven environment;
- Performance and service management functions will need to be integrated in retained processes, in order to manage end to end process. This will include a contract management function to act as interface with the provider and to commission changes from the provider,
- It is also important that expected benefits are mapped to the transferred and retained processes to ensure that the impact of any

changes to expected processes can be quickly evaluated.

Business Operations within the Retained Organisation

During the transition process, there is a tendency to focus most effort on those processes transferring to the shared service provider, however the customer's transition team will also need to ensure that the retained processes and procedures are clearly defined.

The role of the retained function needs to be defined; this is likely to result in changes to the organisational structure of the retained organisation. End to end process maps need to be developed which clearly articulate the role of both the retained function and shared service centre in processes and the interfaces between them, as well as with other suppliers.

In developing the service management framework and governance arrangements consideration needs to be given to how problems with hand-offs will be identified, escalated and resolved appropriately to avoid a blame culture.

Other Examples of Good Practice

Tools and examples to assist in the customer take-on process can be found in the Cabinet Office Shared Services Toolkit at:

http://www.cio.gov.uk/shared_services/toolkit/

The toolkit includes example business cases, shared service blueprints, implementation and cutover plans.

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Software Licence Transferability

Introduction

The purpose of this section is to assist buyers of shared services to understand the options available regarding the acquisition/transfer of software licences as they migrate to cross-government shared corporate services environments. The content provides a snapshot of the ongoing bi-lateral discussions between the providers (DWP, HMRC) with their respective software vendors, a description of activity underway with OGC and essential inclusions in future contracts.

Guidance regarding the treatment of legacy application licences is also provided.

To date individual Departments have acquired software licences on their own behalf, and transactions between vendors and Departments have not always made provision for the wider Government shared services agenda, nor to provide flexibility for the transfer of licences through changes in machinery of Government. In some cases Departments have previously bought more licenses than they have consumed. Any such volume of licences which are currently unused could be redeployed to the benefit of the tax payer should the principle of transferability be established.

Considerations

Vendor Overview

Oracle

With the greater share of licence and maintenance revenue from Central Government Departments, Oracle has continued to develop its offering through development of the core product (Oracle eBusiness Suite), in parallel with the acquisition of Peoplesoft, JD Edwards, Siebel and others. The new combined suite – branded Fusion – is due for release on 31st December 2008. Full product descriptions including functionality, product lifecycle, migration and support are described on Oracle's website (<http://www.oracle.com/applications/home.html>).

There are multiple bilateral commercial agreements between Oracle and Central Government Departments. Given the nature of engagements, there is substantial variation between the commercial agreements, generally based on volume, breadth of functionality, competitive environment and timing within the financial year. It is generally reported that each contract carries a surplus of licences, and as such there is a high volume of Oracle licences (at varying release) across Central Government.

SAP

Although it has less market share in Central Government than Oracle, SAP has expanded its footprint in recent years. SAP's product suite has developed to cover broader functionality

beyond the core of finance and HR, and is now delivered on an open architecture technology stack branded 'Netweaver'. Full product and lifecycle information is available at

<http://www.sap.com/solutions/index.px>.

Given the more recent engagement with Central Government, and with less coverage, there is less of an issue with respect to licences on the shelf. As with Oracle, SAP is well equipped to provide an assessment of licence take up across Central Government customers. There has been no activity by Government to date to quantify this issue/opportunity with respect to SAP licences.

Central Guidance on ERP licence procurement

OGC Memoranda of Understanding (MoU)

In order to support the shared services agenda across Government, OGC recently took the initiative to work with the vendors to establish MoUs. The objectives of the MoUs were:

- To position preferential procurement terms to Government organisations
- To signal commitment by the vendor to Government, while not eliminating appropriate OJEU process
- To underpin the vendor's relationship with 'one Government', recognising the spending power of the whole rather than the individual organisations

The MoUs are available for review by Government Departments on the

OGCbuying.solutions website.

Departments must be registered on the OGCbuying.solutions website in order to view full details of the MoUs. Each MoU is built around three main areas:

- Discount structure and aggregation
- Enterprise agreement
- Transferability of licences

While it is not appropriate to state explicitly the content of each in this document due to commercial sensitivity, the MoUs are similar between the vendors in most aspects.

To date very few Government Departments or agencies have reviewed the content of the MoUs, nor applied the content to their specific circumstances. It is strongly recommended that all customers and potential customers review these documents with some urgency in order to take advantage of the opportunities therein.

OGC is investigating how suppliers can help to improve their track record of delivery to Departments and to identify where they can improve procurement outcomes for Government. OGC also intend to develop a Common Assessment Framework with which to measure supplier performance on behalf of the CIO Council. Performance within the shared services arena will form a component of this framework.

Extensible Contracts

Notwithstanding the above, there will be situations where Departments need to upgrade licence status, procure additional licences or switch between vendors. For all of these situations appropriate procurement mechanisms

must be deployed, with full justification should a single tender action be executed. Each such procurement represents the opportunity to build extensibility into future contracts such that favourable terms may be used by other parts of Government as appropriate.

With the experience gained through project ISAAC - which delivered Public Sector Flex - precedent was set for establishing framework contracts which may be used by Departments over and above the initial procuring Department. In order to achieve the same flexibility going forward it is recommended that for future contracts, the following be addressed:

- To ensure that the original OJEU notice is sufficiently wide in scope, section 1.2 of the notice should be used to indicate that "The contracting authority is purchasing on behalf of other contracting authorities".
- In order to present the vendor with the opportunity to provide commercial arrangements which reflect the opportunity for the whole of Government, under the section entitled "Quantity and scope" it is suggested that the following form of words be applied:

"The XYZ Department's current ERP software licence spend is approximately XXX GBP per year. The minimum scope for the framework agreement will be the replacement of this solution and a significant reduction in cost per licence for like-for-like solutions

is anticipated. Government ERP licence expenditure is approximately YYY GBP a year. Shared services will form an increasing part of this in future years. The eventual scale of spend within the proposed agreement is difficult to estimate due to its shared nature and because we seek scalable and extensible solutions that will go beyond the organisational boundaries of the XYZ Department."

- It is also recommended that the OJEU Notice, PQQ (Pre-Qualification Questionnaire) and ITT (Invitation to Tender) include the following statement:

"The Contracting Authority intends to award a Pan Government Framework Agreement available for use by all UK contracting authorities including but not limited to Government Departments and their Agencies, Non-Departmental Public Bodies, NHS Bodies, Local Authorities, Police Authorities, Emergency Services, Educational Establishments and Registered Social Landlords who have a need to purchase this software"
- To reduce ambiguity and the risk of any potential legal challenge, it is also recommended that the lead authority includes either within the OJEU Notice or in a supplementary Information note, a list that enables potential suppliers to identify the

bodies that will be able to access the framework.

- Lead authorities may also opt to include a definition of the types of contracting authorities who may access the framework, e.g. Non-Departmental Public Bodies. An example form of wording might be:

“The term ‘public body’ is a general one which includes: Non-Departmental Public Bodies (NDPBs); Public Corporations; NHS Bodies and Public Broadcasting Authorities. There are four types of NDPB. These denote different funding arrangements, functions and types of activity. They are Executive NDPBs, Advisory NDPBs, Tribunal NDPBs and Independent Monitoring Boards. In 2006 there were in excess of 800 NDPBs in existence. For the most current information go to <http://www.civilservice.gov.uk/other/agencies/>”

Overall guidance on the roles and responsibilities of central purchasing bodies is contained in an OGC document entitled ‘Central Purchasing Bodies in the New Procurement Regulations’ (http://www.ogc.gov.uk/documents/Guide_central_purchasing.pdf)

Customer Review of Licence Requirements

During the Business Case Phase customers should undertake a stock take of current licences, maintenance agreements and user categories. This should include a review of current software usage and assessment of future requirements and the

development of a de-commissioning plan.

DWP Approach

During the feasibility stage of the Cabinet Office and DCSF acquiring corporate services from DWP’s shared service centre, the DWP engaged with Oracle to discuss new licence arrangements. DWP is very keen to ensure that during these discussions, precedent is established for a repeatable process which ensures benefits across Government during future such discussions.

Despite DWP’s extensive Oracle footprint and the groundbreaking nature of Cabinet Office’s move to DWP shared service centre, early indications are that Oracle has a preference for continuing to deal with individual Government Departments as separate contracting authorities without transfer of licences, rather than treating Government as a single entity.

With respect to implementation of new licences, Departments are advised to assess carefully whether it is binding or cost effective for this to be delivered by the extant DWP/IBM contract.

This section will be updated as the negotiation between DWP and Oracle progresses.

HMRC Approach

To date there have not been specific negotiations between HMRC and SAP to discuss the allocation of software licences for a specific Department to join HMRC’s shared services offering. However, conditions appear to be advantageous due to the vanilla

implementation approach adopted by HMRC, which will support standardisation of processes, efficient upgrade and transparency of process design. Additionally, the OGC-SAP MoU further supports the shared services initiative.

It is anticipated that as additional Departments and agencies join, then they will participate through the HMRC software contract, which already carries substantial volume based discount. Specific terms of the HMRC contract, and comparison with the terms within the MoU, may be accessed through appropriate channels.

With respect to implementation of new licences, Departments are advised to assess carefully whether it is binding or cost effective for this to be delivered by the “Aspire” contract with HMRC’s IT partner CapGemini.

This section will be updated as the negotiation between HMRC and SAP progresses.

Other Examples of Good Practice

To date there appears to be no examples of where SAP and Oracle have contracted with Central Government in a way in which the contract may be accessed across Government.

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Annex

Examples of Cross Government Service Delivery

Introduction

Outside of the delivery of shared corporate services, there are already central government business units who are providing a range of services to other government departments. These business units have all had to deal with the issues of investment, customer take-on, agreeing service provision and effective governance arrangements. Three examples of cross government service provision are highlighted below.

DWP Customer Information System (CIS)

The DWP CIS went live in 2006 and provides key data on customers on an individual account basis. CIS is an asset of DWP who funded the original investment. Other public sector organisations including HMRC, Local Authorities, DVLA, and Legal Services Commission are customers of the CIS.

Currently, these customers take the service “as-is”. MoUs are in place and the customers make a nominal contribution to operating costs.

Existing and potential customers are seeking enhancements to the CIS solution. This has led to the development of a new single MoU which will be supported by individual SLAs that will set out the different levels of service agreed between the CIS and each

customer. The cost of developing and providing specific solution improvements will be recovered from the sponsoring customer(s).

Service delivery remains the responsibility of DWP as the Provider and reports through to the CIS Programme Steering Committee.

New governance arrangements for CIS are being introduced based on the following two layers of governance that will sit above service delivery:

A **Joint Management Group (JMG)** of Agency CIOs (or equivalent) and non-voting secondary user representatives. This group is chaired by the CIO for Government to ensure neutrality. Members of the Joint Management Group have both an Agency and a cross-government perspective.

A **Joint Supervisory Group (JSG)** of Agency CEOs (or equivalent) and relevant non-voting secondary user representatives to ensure a business perspective.

DirectGov

DirectGov is the central portal for public services that was set up in 2004 and initially funded by each government department. The funding from each department was determined following a feasibility study with varying contributions based on the expected benefits.

Not all departments bought into the original funding arrangements which made it difficult for DirectGov to deliver against a business plan. Following the Varney review the funding arrangements

for DirectGov changed with direct funding from the Treasury.

Operational Level Agreements are in place with government departments. These clarify the services to be provided by DirectGov and by the customer and also provide details of the governance arrangements, service levels and operational management arrangements such as escalation routes for issue resolution.

Customers fund the development of transactions that are made accessible from the DirectGov portal. For example, the DVLA funded the integration of their on-line solution for payment of car tax with the DirectGov portal.

A DirectGov Board supports the Senior Responsible Officer in successfully delivering Directgov and providing guidance and direction for the Directgov business. The Board is chaired by a non-executive director and its membership comes from stakeholder Departmental Directgov Representatives, Directgov SRO and the Directgov Delivery Director.

The Club

The Club is a partnership between the Department for Children, Schools and Families (DCSF) and the Department of Health and DirectGov. The Club offers a fully managed e-infrastructure for the delivery and support of government web services procured from Xansa and routinely handles in excess of 30 million page requests each month. The service is a fully hosted and managed commercially off the shelf based Content Management System.

A Club services agreement was signed between the funding members and Xansa in February 2006. The agreement allows for extension to include any government department as a full member or use of the club services through another member as a related organisation.

A MoU is in place with each customer department that includes the details of the services to be provided and the arrangements for cost recovery.

Key challenges faced by the Club have included:

- Dealing with complex and non-standard requirements across all members
- Developing good working relationships across and inside member departments to enable effective service delivery
- Agreeing a roadmap of service improvements and cost recovery arrangements.

A central team, intelligent customer function, was jointly funded by the three participating departments to design the solution, run a procurement and manage the provider. Two other government departments are negotiating to join the Club.

The Club is governed by a Senior Stakeholder Board comprising one member from each participating department and the Club Director.

Government Gateway

Since its launch in 2001, the Government Gateway has become one of the most widely used IT shared services in the public sector and sits at

the heart of the Transformational Government agenda. Spanning over 125 public sector services, it enables over 12 million citizens and businesses to communicate and transact securely with government, for example to pay parking fines, file income tax and VAT returns, claim child benefits or check pension entitlement.

The Cabinet Office's e-Delivery Team (EDT) is responsible for the development, implementation and management of Government Gateway. Governance is achieved through the Government Gateway Board on which Her Majesty's Revenue and Customs, Department of Work and Pensions, and Communities and Local Government are represented.

EDT works to promote Gateway across Government, and provides support to other public sector organisations in both Central and Local Government to assist in bringing new transactional services online.

EDT also acts as an "intelligent client" on behalf of all public sector users of Gateway. It works with outsourced technology providers ATOS and Microsoft and other private sector partners (who have been through the Government Gateway Partnering Alliance Programme) to provide and develop the Gateway.

EDT is fully funded using a cost share model to distribute the costs across users of the Gateway to cover the infrastructure, developments and the operational services.

Government Secure Intranet

The GSi (Government Secure Intranet) provides secure network connectivity for over 200 public sector organisations and 20 suppliers to the public sector covering some 420,000 individuals. English Local Authorities are also being brought onto the network.

OGCbuying.solutions acts as the commercial and contractual authority for the GSi and manages the Framework Agreement with the service provider Cable & Wireless. Individual customers contract directly with Cable & Wireless for services provided, using a standard Service Contract, maintaining separate invoice and paying relationships. Governance is achieved through a Board chaired by Cabinet office with representatives from many customer organisations – both large and small – and also including suppliers in some instances.

OGCbuying.solutions' GSi Team seeks to ensure smooth end-to-end GSi service to customers, working with the Pan Government Accreditor and CESG to ensure accreditation of the GSi infrastructure, authorising connecting customers, and acting as a central point of contact for queries and problem escalation. They also conduct sales and marketing activity to promote take-up of GSi.

This team is funded by a levy on customers using GSi. This levy is collected by Cable & Wireless along with payments for the service itself, and is passed back to OGCbs. The levy is designed to cover only the direct and indirect costs of the teams, rather than as a profit making enterprise.

Neither OGCBuying solutions nor the service provider has any Intellectual Property Rights over the GSi architecture or infrastructure, ensuring that GSi can be migrated between contracting suppliers with a minimum of legal restrictions.

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