Shared Services

Learning and Skills Shared Services
Programme
Current State Assessment v0.1
18 October 2006

Paul Ennew
Contents

• Overview
• Objectives and Rationale
• Starting Point
• Approach
• Tribal Report
  • Scope
  • Analysis
• Data Gathering
• Gaps/Limitations
• Further Development
Overview

The Current State Assessment is a snapshot of how “in-scope” services are currently delivered by provider organisations in Learning and Skills

The Learning and Skills Shared Services Programme (LSSSP) are conducting a Current State Assessment (CSA) to inform the Strategic Business Case and engage stakeholders with the programme.

The CSA will include a report by Tribal Education Benchmarking, commissioned to:

- Identify the existing number of FTE’s carrying out HR, Finance and Learner MIS transactional processes within the sector
- Provide the related pay costs of undertaking these activities

This report will supported by a short questionnaire and a number of semi-structured interviews to:

- Validate the Tribal cost and FTE numbers with college functional units
- Identify any related issues with current ways of working
- Gather supporting evidence such as process maps, transactional volumes where applicable

Constraints on the outcomes of the CSA were:

- The Tribal Education data was restricted to a sample of 156 colleges
- The Tribal Education benchmarking method was not an exact match for the programme requirements
- The numbers of colleges able to undertake the questionnaires and interviews were restricted due to short timescales
Objectives and Rationale

The Learning and Skills Shared Services Programme must have a credible evidence base to inform the business case for shared services

The Learning and Skills Shared Services Programme (LSSSP) are conducting a Current State Assessment (CSA) to provide a baseline of how “in-scope” services are currently delivered by provider organisations in the Learning and Skills sector. The CSA is the evidence base for making a case for change and provides the foundation for the both the business case and benefits realisation planning.

A critical success factor for the programme is that stakeholders buy-in to the strategic benefits of shared services. For them to do so requires the programme to prove that there is a compelling case for change that addresses both their strategic and operational challenges.

Therefore, the overall objectives of conducting the CSA are to:

- Establish a compelling case for change
- Build credibility with stakeholders
- Provide an improved baseline of the costs and FTE of “in-scope activity”
As part of developing the FE Shared Services Sector Plan we conducted a number of analyses and engaged with principals and finance directors of around 40 colleges in order to determine an initial view of the potential scope of activity for shared services\(^1\). In conclusion of this we identified two key activities that offer immediate potential to move towards a shared services approach:

- Transactional corporate services in Finance, Human Resources and Procurement
- Some elements of Student Management especially in the provision of Learner Management Information Systems

In quantifying these in-scope activities in terms of staff numbers and related pay costs we used the LSC College Accounts 2004/2005 data and the costs for Administration and Central Services (A&CS) in particular.

Using the A&CS data as a base we estimated that there are at least **17,000** Full Time Equivalents (FTE) involved in delivering Corporate Services and Learner MIS within the FE sector. The pay costs of this were estimated to be **£420m per annum**. Savings from moving to a shared services delivery model were estimated as being between **20 – 40%** of annual operating costs, depending on take-up of the service.

\(^1\)FE Sector Plan 20060624 v0.2
The LSSSP Current State Assessment is influenced by the nature and scale of the stakeholder groups and the.

In building on the work undertaken in the FE Sector Plan the LSSSP Current State Assessment is structured into two key activities:

1. **Tribal Education Benchmarking Report**

   This report was commissioned to improve our understanding of the current costs of providing Corporate and Learner MIS services and to get a more detailed picture than that available from the LSC Annual College Accounts 2004/2005.

2. **Primary Data Gathering**

   A decision was taken to conduct further data gathering and analysis to support and test the data from the Tribal Education report. Both Qualitative and Quantitative data was to be gathered using:
   - A short questionnaire to capture quantitative data such as transaction volumes, performance metrics, pay costs and non-pay costs.
   - A series of semi-structured interviews to capture more qualitative information. The questions were structured into the following themes:
     - Overall View
     - Operational Realities
     - People
     - Processes
     - Technology & Sourcing
The Tribal Education Benchmarking data provides a robust methodology for comparing different colleges and reflects the true costs of providing services.

The Tribal Education Benchmarking Report was commissioned to use their benchmarking data to provide FTE and pay cost information for the following functions:

- Finance
- Human Resources
- Learner MIS

The data provided covered the full sample but also split by college type (GFEC, Tertiary & Sixth Form and Specialist) and by region to enable the programme to identify and take into account those diversity factors due to size, type or location. The dataset for report consisted of the 156 colleges that have undertaken a detailed financial benchmark in the past two years with the sample consisting of:

- 112 GFEC studies (72% of the sample)
- 30 Tertiary and SFC studies (19% of the sample)
- 13 Specialist studies (9% of the sample)
Analysis – FTE Definitions

Senior/Strategic Management FTE

Finance
- Finance Mgmt/Professional
- Finance Admin

Human Resources
- Human Resources/Personnel
- Staff Development

Learner MIS
- MIS Mgmt/Analysts
- MIS Admin/Verification
- Admissions FTE
- Examinations FTE
Analysis – Total FTE

Total FTE Staff Numbers by College Type

- Grand Total: 71,512
- GFE: 56,453
- Tertiary & Sixth Form: 12,216
- Specialist: 2,942
Analysis – FTE

### Tribal Sample (156 Colleges)

<table>
<thead>
<tr>
<th></th>
<th>Finance</th>
<th>HR</th>
<th>Learner MIS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>508</td>
<td></td>
<td></td>
<td>548</td>
</tr>
<tr>
<td>Professional</td>
<td>354</td>
<td>1121</td>
<td></td>
<td>461</td>
</tr>
<tr>
<td>Administrative</td>
<td>1304</td>
<td></td>
<td></td>
<td>1304</td>
</tr>
<tr>
<td>Total</td>
<td>3287</td>
<td>3212</td>
<td>3760</td>
<td>7047</td>
</tr>
</tbody>
</table>

### Sector Wide (382 Colleges)

<table>
<thead>
<tr>
<th></th>
<th>Finance</th>
<th>HR</th>
<th>Learner MIS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>1244</td>
<td></td>
<td></td>
<td>1342</td>
</tr>
<tr>
<td>Professional</td>
<td>867</td>
<td>2745</td>
<td></td>
<td>3602</td>
</tr>
<tr>
<td>Administrative</td>
<td>3193</td>
<td></td>
<td></td>
<td>3193</td>
</tr>
<tr>
<td>Total</td>
<td>8049</td>
<td>548</td>
<td>9207</td>
<td>17256</td>
</tr>
</tbody>
</table>

The Tribal Benchmarking Data Analysis shows that the total number of FTE in Corporate and Learner MIS services across the Sector is around **17,000 FTE**. This includes all types of activity: Managerial (strategic), Professional (advisory) and Administrative (Transactional). Corporate Services and Learner MIS FTE (7047) is roughly 10% of the Total FTE for the sample (71, 512).
### Analysis – Pay Costs

#### Tribal Sample (156 Colleges)

<table>
<thead>
<tr>
<th>Category</th>
<th>Finance (£m)</th>
<th>HR (£m)</th>
<th>Learner MIS (£m)</th>
<th>Total (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>39</td>
<td></td>
<td></td>
<td>21</td>
</tr>
<tr>
<td>Professional</td>
<td>16</td>
<td>32</td>
<td></td>
<td>61</td>
</tr>
<tr>
<td>Administrative</td>
<td>26</td>
<td></td>
<td></td>
<td>195</td>
</tr>
</tbody>
</table>

#### Sector Wide (382 Colleges)

<table>
<thead>
<tr>
<th>Category</th>
<th>Finance (£m)</th>
<th>HR (£m)</th>
<th>Learner MIS (£m)</th>
<th>Total (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>96</td>
<td></td>
<td></td>
<td>51</td>
</tr>
<tr>
<td>Professional</td>
<td>39</td>
<td>78</td>
<td></td>
<td>149</td>
</tr>
<tr>
<td>Administrative</td>
<td>64</td>
<td></td>
<td></td>
<td>201</td>
</tr>
<tr>
<td>Total</td>
<td>277</td>
<td>201</td>
<td></td>
<td>478</td>
</tr>
</tbody>
</table>

The Tribal Benchmarking Analysis data shows that the total annual pay-costs of Corporate and Learner MIS is in the region of **£478m**. This figure is more than the £420m estimated in the FE Sector Plan. This may be due to higher than anticipated Learner MIS figures. Based on a range of potential savings from Shared Services, from between 20 – 40%, annual operating cost could be reduced by **£95m - £191m pa.**
## Benchmarks - Finance

<table>
<thead>
<tr>
<th>Ref</th>
<th>Indicator</th>
<th>GFE</th>
<th>Specialist</th>
<th>Tertiary &amp; SFC</th>
<th>All</th>
<th>Target – Approx. Upper Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP1b)</td>
<td>Cost of Finance function as % of total expenditure</td>
<td>2.37%</td>
<td>3.25%</td>
<td>2.14%</td>
<td>2.37%</td>
<td>&lt;0.7%</td>
</tr>
<tr>
<td>FP3</td>
<td>Cycle time from period-end closure to distribution of financial reports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&lt; 4 working days</td>
</tr>
<tr>
<td>FS6</td>
<td>Cost per Accounts Receivable invoice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&lt; £4</td>
</tr>
<tr>
<td></td>
<td>Customer invoices per annum per FTE in Accounts Receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt;15,000</td>
</tr>
<tr>
<td>FS10</td>
<td>Cost per Accounts Payable invoice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&lt; £4</td>
</tr>
<tr>
<td></td>
<td>Customer invoices per annum per FTE in Accounts Payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&lt; 20,000</td>
</tr>
</tbody>
</table>

Source for indicators and Targets: Corporate Services Benchmarks for Government, Cabinet Office.

NB: The actual data comes from a very small sample to date; though this illustrates the current performance the data is not ready for use in full analysis.
## Benchmarks - HR

<table>
<thead>
<tr>
<th>Ref</th>
<th>Indicator</th>
<th>GFE</th>
<th>Specialist &amp; SFC</th>
<th>All</th>
<th>Target – Approx. Upper Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRP1b</td>
<td>Cost of HR function as % of total expenditure</td>
<td>1.25%</td>
<td>1.34%</td>
<td>1.07%</td>
<td>1.22%</td>
</tr>
<tr>
<td>HRP1c</td>
<td>Cost of HR function per employee</td>
<td>£440</td>
<td>£506</td>
<td>£357</td>
<td>£428</td>
</tr>
<tr>
<td>HRP2</td>
<td>Ratio of HR staff to employees</td>
<td>1:89</td>
<td>1:68</td>
<td>1:100</td>
<td>1:89</td>
</tr>
<tr>
<td>HRS3</td>
<td>Average elapsed time from vacancy to acceptance of offer</td>
<td></td>
<td></td>
<td></td>
<td>&lt;25 days</td>
</tr>
<tr>
<td>HRS4</td>
<td>Cost of recruitment per vacancy</td>
<td></td>
<td></td>
<td></td>
<td>&lt; £1000</td>
</tr>
</tbody>
</table>

Source for indicators and Targets: Corporate Services Benchmarks for Government, Cabinet Office.

NB: The actual data comes from a very small sample to date; though this illustrates the current performance the data is not ready for use in full analysis.
The Learning and Skills landscape is changing with a number of key strategic issues that are impacting how FE Colleges operate.

**Strategic Issues**
- Funding Reform
- Framework for Excellence
- Agenda for Change
- Managing Information Across Partners (MIAP)
- Further Education Information Standards Agency (FEISA)
- Centre for Procurement Performance (CPP)

**Operational Issues**
- Recruitment
- Staff Turnover
- Access to Skills
- Access to Technology
- Process Improvements
- Compliance
- Statutory Reporting
- Other Reporting
Gaps/Limitations

Information gathering also needs to focus on effectiveness and performance.

Issues:
- Tribal data not by process level/consistent level of granularity
- Non pay costs
- Performance Data for KPI's/Customer/Employee Satisfaction
- Transaction Volumes

Mitigation:
- 121 Meetings
- Questionnaires
- SSAG/TWG’s
The Current State Assessment, as part of the baseline for the Business Case will be further developed and refined during the following phases of the programme.

Future phases will increase focus more on effectiveness and will involve wider and deeper stakeholder engagement.

A broader sample of primary data will improve confidence in the accuracy and completeness of the baseline.
Leading learning and skills