HM Government

Next Generation Shared Services

The Strategic Plan

December 2012

Foreword

This Strategic Plan for Next Generation Shared Services describes how central Government will implement, operate and manage an innovative programme for Government shared services. It will enable core back office functions including HR, finance, procurement and payroll to be shared across two independent and three standalone shared service centres in order to drive efficiencies and enable savings of £400-£600 million each year.

The Civil Service requires greater sharing of services, capability and expertise in order to provide the step change in efficiency that is needed. Shared services is a core deliverable of the Civil Service Reform Plan which was published in June 2012. Through the utilisation of this strategy, shared services will be a platform to support Civil Service Reform and enable a better way of working in central government.

Departments and arm's-length bodies have been working together with the Cabinet Office to create this plan and ensure that the appropriate solutions are found for all five shared service centres. The programme is looking to harness the best of the private and public sectors with appropriate commercial models to maximise value for all stakeholders.

The programme is ambitious, yet achievable. Goals include improved service quality, value for money and price certainty. Performance benchmarks have been set to monitor the shared service centres which will be supported by robust governance.

As Chief Operating Officer for the UK Government and Senior Responsible Officer for the Next Generation Shared Services programme, I endorse this plan and will fully support the drive to full implementation.

Stephen Kelly
Chief Operating Officer, UK Government

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1. Executive Overview

Introduction

Central government has been working towards shared services, particularly for back office functions, since the Gershon Review in 2004.

There have been many public pronouncements of failure and some, less public, successes in this arena. What is indisputable is that the second generation of shared services needs to go further in terms of service and deliver greater savings faster, as the back office looks to play its part in the deficit reduction programme.

This Strategic Plan for Next Generation Shared Services (NGSS) presents how central government intends to implement, operate and manage a more effective programme of back office shared services across departments and arm's-length bodies (ALBs), by building on prior investments and successes and learning lessons from experiences to date, most recently documented in the National Audit Office (NAO) report titled *Efficiency and Reform in Government Corporate Functions through Shared Service Centres*,[1] published on 7 March 2012.

What will the programme deliver?

The current landscape across government indicates a high variance of costs and levels of service currently being applied and it is therefore the mission of this new Next Generation Shared Services programme to **deliver a significant reduction in costs while raising the customer experience**. It will look to achieve this through consolidation of volumes and services, standardisation of processes and leverage of IT, buildings and people assets.

Based on the due diligence carried out by the Programme Team working with departments over the past year, we are confident that savings of £400m-£600m from back office administration costs will be enabled by a coherent shared services strategy. This saving will raise all departments to upper quartile efficiency levels, a commonly used benchmark in the private sector to measure the success and value of shared service centres. Currently no government departments are operating in this upper quartile, although the Department for Work and Pensions (DWP) is close in terms of costs due to the scale of their operation (servicing over 100,000 internal customers).

What's different this time?

This is the most comprehensive plan for shared services ever produced by Government, brought together by the Cabinet Office with the participation of all its customers – the departments.

It also has backing at all levels of the Civil Service, from Ministers through the Public Expenditure Committee (Efficiency & Reform) (PEX(ER)) which agreed the plan in February 2012 and the backing of the most senior civil servants in both Sir Bob Kerslake, as Head of the Civil Service, and Sir Jeremy Heywood, the Cabinet Secretary. This sponsorship and recognition is endorsed with its inclusion within the recently published Civil Service Reform (CSR) Plan:

> "Action 3: Execute the current programme to create five centres for transactional services (eg finance, payroll, HR, procurement) creating the necessary infrastructure by the end of 2013, with full delivery of the programme by 2014, with potential cost savings of £600m a year."
>
> Chapter 1 – **Clarifying the future size and shape of the Civil Service**

All of this comes at a time when departments need an alternative to help them to deliver savings and to protect resources for the front line.

The key objectives

The key actions in the NGSS strategy, covered in more detail in Section 2, are as follows:

- To create and operate a Crown Oversight Function that works with departments to deliver improvements in the quality of service and reduction in the operating costs of shared services towards upper quartile performance and will drive the strategy forward in co-operation with departments.
- To create two Independent Shared Service Centres (ISSCs) that will operate in a contractual relationship each of which will operate with its customer departments. Targeted departments will transition current services to one of these two centres.
- Our planning assumptions are that ISSC 1 will be provided through the divestment of the Department for Transport (DfT) Shared Service Centre (SSC) to an outsourced provider and ISSC 2 will be built on the DWP SSC in a way that will lock in the value to government that a centre of that size should command.
- To provide oversight, sharing of best practice and benchmarking facilities to those three departments where it has been agreed they can remain standalone, specifically the Ministry of Defence (MoD), HM Revenue and Customs (HMRC) and the Ministry of Justice (MoJ).
- To ensure that a lower cost Enterprise Resource Planning (ERP) solution is available as part of the ISSC solutions, to reduce the cost of the current ERP solutions, and to remove the barriers to entry for smaller departments and ALBs by reducing software and maintenance costs through consolidation. Without the provision of single ERP systems and therefore single processes the Government will struggle to reach its upper quartile efficiency targets and therefore testing this will be an early part of the programme.

Moving the plan forward

The plan to deliver the Target Operating Model (TOM) is further articulated in Section 3 but we are looking to deliver at pace to the following major milestones:

- Crown Oversight Function and benchmarking process established by the end of 2012.
- ISSC 1 operating partner in place by March 2013.
- ISSC 2 operating partner in place by March 2014 or earlier.
- The majority of migrations and transformational activity complete by the end of 2014.

This is a plan that reflects the fact that we are not starting with a green field solution but building on existing capability and experience.

Key to the success of the programme is the positive involvement of the departments which will benefit from the strategy. The Programme Team has already worked extensively with all departments during this planning and design phase to arrive at the position where we can identify which of the five centres each department and key ALBs will be directed to, subject to final sign-off and approval by each Permanent Secretary in their role as Accounting Officers. These planning assumptions can be found in Section 3.2.

An effective governance model has been established and is operating, including a Programme Board. To ensure that all departments are represented in implementing the plan, a Crown Oversight Forum will be created, which is particularly relevant for the smaller departments but will also enable the sharing of best practice for all departments that are not immediately impacted by the programme. The governance structures are further explained in Section 3 including the need to interlock this programme with the other shared services programmes that are being implemented as part of CSR.

Conclusion

The Civil Service recognises that it needs to reform to ensure that it can continue to deliver government policy in the current economic climate.

Shared services for the government back office is the best immediate opportunity to make a real difference to how cross-departmental services are delivered and reduce the cost to the taxpayer. It has momentum, experience and sponsorship that it has never had before and, alongside the compelling need to shift resources to the front line, it is now time to deliver, and this plan is the foundation that all departments have agreed to.

ENDNOTES

1 The NAO report on efficiency and reform in government corporate functions through SSCs is available at www.nao.org.uk/publications/1012/shared_service_centres.aspx

2. The plan for shared services

The case for the sharing of any service has been well made over the last decade, in both the private and public sector. Issues, of course, arise but these generally result from poor implementation, poor leadership or a combination of both. There is no longer any dispute about the fact that well implemented and organised SSCs produce a lower cost and a better quality of service for their customers, leaving them able to concentrate on their front-line mission.

While the publicity on shared services tends to highlight the negative side of shared services in government, we believe that we need to build on the experience and investment to date and take advantage of the positives that have arisen out of programmes, such as the Adelphi Shared Services programme in the Home Office, which has been commended by the NAO for its intelligent client function and delivery of benefits.

2.1 Delivering a lower cost of service

The first and main driver of cost reduction is economies of scale. Once the service is created and reaches a critical mass, costs will fall due to:

- **a standard way of working** across more customers, enabling greater staff synergies;
- **fewer errors** or types of errors resulting in fewer staff to ‘fix’ problems;
- greater customer income enabling **greater investment in automation tools**;
- the **sharing of management expertise** across many customers;
- greater volumes of business giving the **leverage to obtain better prices** from providers for the same level of service;
- **shared systems** across more customers resulting in lower expenditure on hosting, supporting and maintaining systems;
- **common processes and systems**, reducing the cost to support, maintain and upgrade these systems compared to unique and bespoke systems;
- SSCs having the scale to justify their own facilities away from expensive front-line locations;
- the ability to offer **more opportunities to staff** which should result in lower turnover and lower recruitment costs; and
- improvements in **financial control and transparency**.

Further cost savings, for both departments and government as a whole, will result from:

- consistent and efficiently produced management information, enabling faster and better decision making on the front line;
- the ability for departments to update OSCAR, the Treasury finance system, resulting in less resource required to support and maintain the process;
- implementing the new Treasury chart of accounts in fewer systems and quicker than departments could do on their own; and
- quicker and cheaper responses to Freedom of Information requests at both departmental and cross-government level.

Overall, shared services should see a reduction in departmental transaction costs of 25%-40%.

2.2 Delivering a quality service

Shared services is now an industry in its own right and, while providers can deliver all types of services including back office transactional services, their management expertise is focused on customer service.

The strategy will provide a mix of commercial models for different SSCs but two of the centres will be operated independently of any major department. Customer service, while good in some circumstances, will improve overall through:

- a focus on performance management through key performance indicators and outcome-based delivery;
- experienced providers delivering services that they have delivered for customers many times before;
- customer involvement in the governance of the SSC through customer forums and even shareholdings;
- the professionalisation of SSC roles along with engendering a pride in being involved in the organisation by delivering customer service training alongside technical training; and
- consistent service through a single customer service management structure.

The aim of the SSC is to have not only satisfied customers but also loyal customers – customers who are not afraid to look for improvements and innovation but who are prepared to work with the providers to achieve it.

Departments have in the past been reluctant to take services from large central government departments as they fear that their service requirements will take second place to the main department. The independent centres will be facilitated by the Cabinet Office who will look to ensure that departments have an equal voice in respect of customer service – irrespective of size.

2.3 The financial case

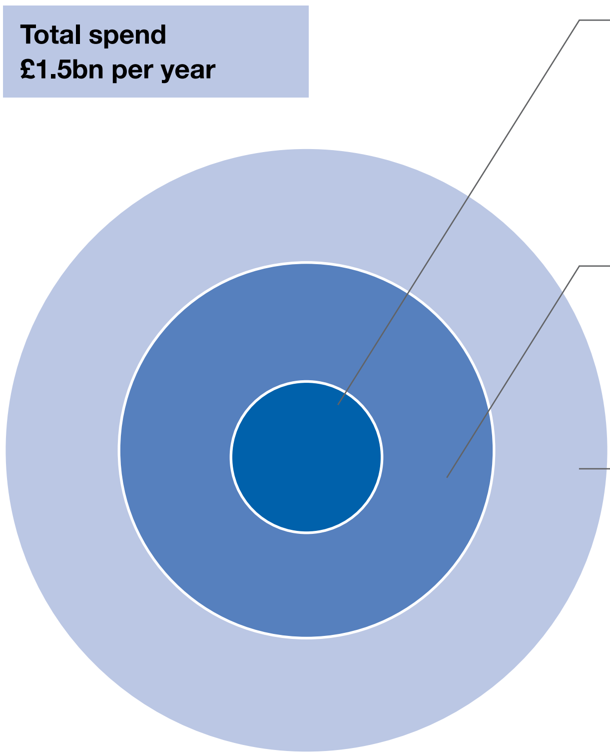
Data collection and analysis, performed as part of the Strategic Review, has provided a much clearer picture about the shared service landscape with the current estimate of total spending on back office functions being approximately £1.5bn per annum,[2] significantly down on earlier estimates.

The headline benefits, if the strategy is implemented and used as the catalyst for driving performance levels across shared services and retained departmental functions, are:

- **£400m-£600m** per annum of savings if all departments were to attain upper quartile benchmark targets (compared with all organisations including the private sector) for the whole back office function, including the retained capability, but which is enabled largely through the use of shared services;
- **£128m** of which are savings on transactional services by implementing a consolidated shared services strategy[3] through scale savings, efficiencies and lower ERP costs. Our data analysis, conducted alongside the recent NAO review, revealed a wide range of costs from £550 per employee to over £3,000 per employee. It is the programme's ambition to ensure that all departments can benefit from the lowest possible price per employee; and
- ERP annual operating costs could be reduced by more than **40%** through consolidation and by up to **70%** through the use of lower-cost ERP solutions alongside approximately **£32m** of avoided system upgrade costs through system consolidation.

Annex A outlines how the detailed benefits were calculated as part of completing the Strategic Outline Business Case (SOBC) which has been approved by all ministerial departments.

Figure 1 NGSS benefits outline



£128m savings

- full-year savings from all four functions (HR, payroll, finance, procurement);
- from all in-scope departments moving to ISSC 1 or 2;
- with some efficiency improvement in ISSC 1 and 2 delivery; and
- ERP consolidation.

£300m-£400m pa savings

Includes the £128m but in addition:

- assumes that all ISSCs and departments using them reach upper quartile performance across transactional and retained functions.

£400m-£600m pa savings

Includes the £300m-£400m but in addition:

- assumes that all ISSCs and departments, including the standalone SSCs, reach upper quartile performance across transactional and retained functions.

Plus one-off savings relating to ERP upgrade cost avoidance of approximately £32m

The potential of the size and low pricing of ISSC 2 delivers a value proposition for growth and this will form part of any evaluation of the future commercial construct.

Overall, the strategy will deliver significant financial benefits, provide greater customer service for departments and allow them to focus on their core purpose.

2.4 Developing the Target Operating Model

To deliver the Strategic Plan, a detailed TOM has been developed to take account of lessons learned in designing and delivering previous shared service programmes across central government.

A number of key principles underpin the TOM, which include:

- **Independence** – governed from a strategic centre and independent of departments, ensuring that all customers have an equal voice and freeing up departments to focus on core business.
- **Common systems, processes and procedures** – reducing the overall cost of ownership and facilitating smoother on-boarding.
- **Benchmarking –** against 'best-in-class' 'like' services to ensure continuous improvement and value for money.
- **Consolidation** – into a maximum of five service hubs, driving cost reduction in buildings, assets, IT and ERP systems.
- **Private and public sector partnership** – introducing private sector expertise and investment to drive more effective, efficient delivery and to bring an ability to run centres on a more commercial basis.
- **Consistent targets and performance standards** – standard performance measures for all shared services to ensure consistent quality and delivery.
- **Core and non-core services** – ensuring that departments pay for only those services that they need while having a wider service offering to meet a broader set of requirements.
- **Operates on a single set of processes** – to ensure that performance within a centre can meet upper quartile benchmark levels.

2.5 Removing the barriers to inclusion

When developing the future operating model, as well as covering the key principles above we need to understand and overcome the barriers that have stopped shared services from reaching their full potential within central government in the past. These include the following:

Table 1 Barriers and plans

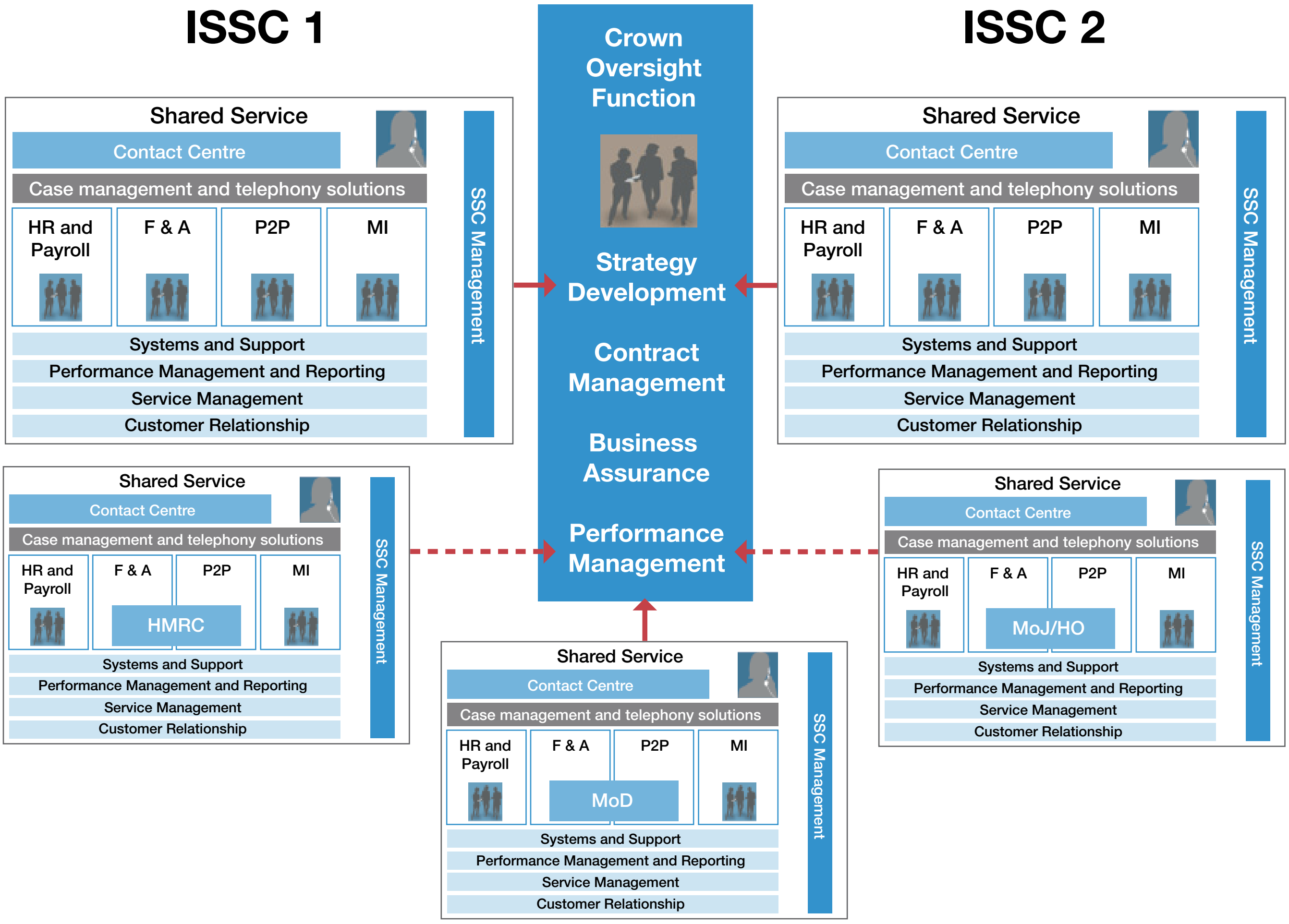
Barrier	Plan to overcome
No commercial service for small departments	ISSCs will need to provide menu-driven services so that departments do not need to buy services that they do not require. Low-cost ERP solutions will also drive down the on-boarding and operating costs of SSCs
No independence of delivery and governance from major departments	ISSCs coupled with robust central governance will provide important facilitation between provider and customer, monitor both ISSC and standalone service centre performance, and give customers a voice
VAT unable to be reclaimed by small departments	The Cabinet Office is working closely with HM Treasury to ensure that payment of VAT does not act as a disincentive to departments joining the programme. While at an individual department level the impact is significant, overall the impact to HM Treasury funding is nil
IL 3 Security classification expensive	The NGSS programme is working with Cabinet Office ICT Futures to deliver an outline of security requirements which will protect personal information while significantly reducing the cost of delivery
Accounting Officer assurance	The Crown Oversight Function will work with Internal Audit to deliver a standard business assurance regime, utilising the ISAE 3402 standard to ensure that Accounting Officers are comfortable with the arrangements, in line with other services which are already delivered externally, e.g. payroll
Green Book accounting rules make services expensive	The Crown Oversight Function will look at different commercial models for delivery which can be much more flexible than individual departments and will involve the private sector which does not have the Green Book restrictions
Lack of understanding about being a 'good provider' and a 'good customer'	The Strategic Plan recognises that customers need to understand how best to connect to systems and services – this will involve compromising on bespoke requirements in return for lower costs and higher quality

2.6 The Target Operating Model

The TOM will be comprised of the following:

- A maximum of five SSCs.
- Two SSCs will be independent of any single customer.
- Three SSCs will be standalone in terms of operations but will be subject to performance monitoring.
- A Crown Oversight Function.

Figure 2 Target Operating Model



The **Crown Oversight Function**, managed from within the Cabinet Office, will:

- Lead a new cross-government governance structure to monitor performance of all five SSCs and departmental retained functions.
- Develop centrally agreed benchmarks at both organisational level and process level for HR, payroll, finance and procurement. The Crown Oversight Function will also include reporting benefits for the NGSS programme.
- Work with the major departments including DfT and the major Oracle-based providers to create **two ISSCs**, which will operate independently from any customer organisation, and work with targeted departments to transition current services to one of these two solutions.
- Provide oversight, sharing of best practice and benchmarking facilities to those three departments where it has been agreed that they can remain standalone, specifically the MoD, MoJ and HMRC.
- Carry out a feasibility study to determine whether major departments can share a single Oracle ERP platform and a single set of processes to lower ERP operating costs and shared service's transactional costs.
- Ensure that a lower-cost ERP solution is available as part of ISSC 1, to reduce annual operating costs and remove the barriers to entry for smaller departments and organisations.
- Work with all participants to ensure that they are either an 'intelligent' customer of shared services or a 'best-in-class' provider.

The Cabinet Office will look at ensuring, through the appropriate legal separation, that the Crown Oversight Function can operate in its role as the executor of the strategy and monitor the SSCs' performance while the Cabinet Office holds the operational control of the two ISSCs.

Government departments and their ALBs will be required to connect to this model either through their existing shared service operation or by joining an ISSC.

2.7 Providing a flexible service offering

One of the key findings from the Strategic Review is that the current costs of shared services can be expensive when compared with in-house delivery. One way to remove this issue is to provide pricing by 'core' services which departments must take and 'optional' services which departments can then compare with their in-house service cost. The Cabinet Office has worked with **Next Generation HR** and the **Finance Leaders Group** to agree a list of services. and Figure 3 on the next page sets out an initial view of which services are 'core' and which are 'optional'. The key principles of the service offerings are:

- only pay for what you need. For example, grants administration is optional;
- there is a need to take all core processes that are end-to-end; and
- consultancy-type services would be optional to preserve the VAT refund for core services.

Figure 3 Proposed Core and Optional service offerings

	Human Resources	Payroll	Record to report	Order to cash	Accounts Payable
Core	• Employee lifecycle processing (Starters, Leavers, changes) • First level HR case management • Absence management • Query handling and resolution	• Master data changes • Process payroll (AOE, payments, deductions) • Post Payroll reconciliation • Payments processing (BACS, CHAPS, third parties) • Payslip production • Emergency payments • Administer post payroll returns • Overpayment recovery • Year end and other statutory returns • P45 production • APAC • Remuneration statements production	• General Accounting • Reconciliations • VAT accounting • Period close • Asset accounting • Bank reconciliations • Cash management	• Customer management • Billing • Income collection • Cash application • Debt Management (dunning letters, write off, credit notes)	• Supplier Maintenance • Purchase order processing • Invoice processing • Payment processing • Expenses processing • Supplier reconciliations • Statutory reporting
Optional			• VAT advice • 1st draft statutory accounts • Management Accounts • Planning and Budgeting • Grant payments and accounting • Project accounting • Inter company accounting • WGA	• Job costings/ Service Management • Customer credit check and credit limit assessment • Negotiate debt recovery • Calculate Bad Debt provision	• Stock and inventory management • Expense payment compliance checks

Core   Optional

The core services will form the basis for the benchmarking process and are being built into the services of the ISSCs. Next Generation HR will remain the strategic solution for expert HR services.

2.8 Reducing the cost of back office systems

As part of the Strategic Review, ERP systems were considered around two key questions:

1. Would a single implementation of Oracle provide a large cost benefit over the current Oracle estate?

2. Would a Tier 2 ERP be workable and acceptable to central government departments and how much cheaper would this be against current ERP systems?

Currently the cost of ERP provision across the SSCs varies widely from 15% of total SSC cost to 50% of total cost. This disparity can partly be explained by volumes but we believe that it represents an opportunity to reduce costs.

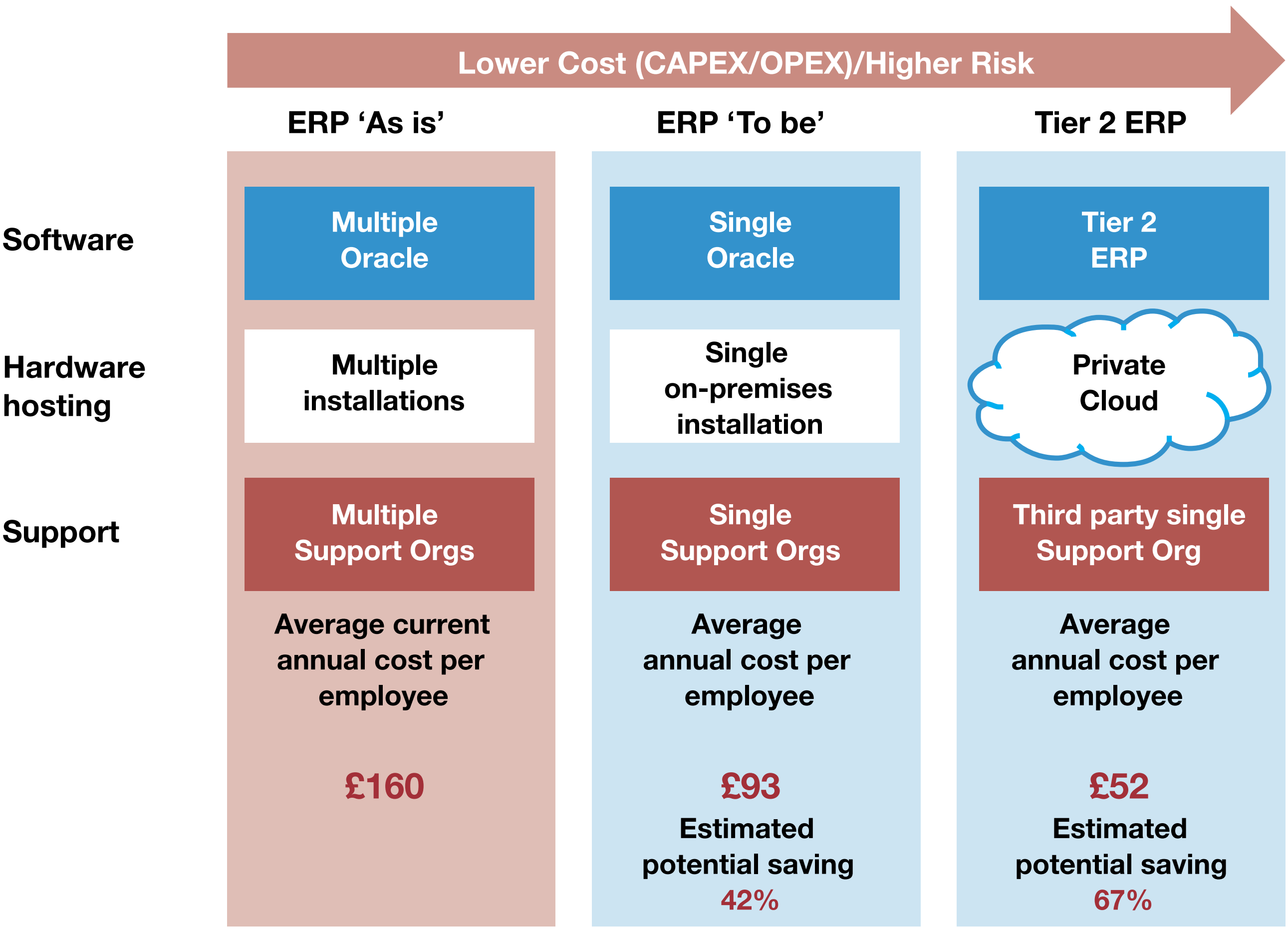
It has been challenging to compare each ERP installation due to differing levels of self-service and professional usage. However, by using an employee-based ratio it has been possible to provide a comparison of the annual operating cost of many Oracle ERP installations. The results presented in Figure 4 show:

- wide variations of current costs with the average showing an annual operating cost of **£160 per employee**. With the cheapest cost per full user at £89 per annum for DWP, this needs to be the target for the whole Oracle estate;
- a significant saving of more than **40%** by merging into one solution, including the cost of coping with differing requirements. This would also avoid approximately **£32m of upgrade costs** by only needing to upgrade one installation of Oracle Release 12; and
- a **single low-cost ERP solution** would show an average saving of **67%** against the Oracle average. This is based on user levels expected for the small organisations and so a larger user base would provide a greater level of savings.

This level of saving does not include the savings which would be expected from a competitive procurement or the possibility of hosting ERP in the 'Cloud'.

The programme will ensure that emerging Software as a Service (SaaS) offerings are investigated as part of the developing model.

Figure 4 Comparison of annual operating costs



The NGSS programme will focus on ERP technology with emphasis on the following to reduce costs:

- **reduction in the number of systems** – reducing the number of ERP systems across central government which will lessen the number of upgrades required and reduce the overall cost per user. Each ISCC will have a single Tier 1 ERP platform;
- **delivery of a low-cost ERP system** – it is becoming widely recognised that most departments who do not have front-line operational requirements need to find a lower-cost ERP solution. The new breed of low-cost ERP systems which focus on the back office functions only can now deliver the necessary functionality for most administrative departments, irrespective of size. The implementation of a low-cost ERP system will also help to reduce the barriers for smaller departments as part of an ISSC by reducing operational costs; and
- **Oracle R12 upgrades** – departments will be required to make formal business case applications to the Cabinet Office to gain agreement for future ERP system upgrades, including Oracle R12. The Cabinet Office will manage the strategic relationships with Oracle and other major ERP providers to ensure that the Government obtains best value from future ERP and will look to take the opportunity to strip out unnecessary functionality and remove costly customisations which can distort the overall ERP cost comparisons.

ENDNOTES

2 This estimate is based on Quarterly Data Summaries

3 Excluding the MoD, MoJ, HMRC and the Department of Health

3. Implementing the plan

3.1 Programme delivery

The programme will be delivered by four core projects:

i. **The Crown Oversight Function** will monitor performance of all SSCs and departmental retained functions by developing centrally agreed benchmarks at both organisational level and process level for HR, payroll, finance and procurement. Crown Oversight will also deliver reporting benefits for the NGSS programme and work with departments to agree a standard business assurance regime for Accounting Officers to approve and manage the overall programme governance as outlined in Section 3.4.

ii. **The ISSC 1 project** is based on the DfT SSC in Swansea, which is in the process of being divested to a private sector partner. The contract will be novated to the Cabinet Office upon completion and will include a low-cost ERP platform provision to enable an affordable service for the smaller department and its agencies.

iii. **The ISSC 2 project** will be based on a consolidation of the current SSCs of DWP, the Department for Environment, Food and Rural Affairs (Defra), the Environment Agency and the Department for Business, Innovation and Skills (BIS)\Research Councils UK (RCUK) centre by the end of the current Spending Review period. The executive management of the DWP SSC has been transferred to the Cabinet Office to enable it to be included in the future ISSC 2 entity. The Cabinet Office will also work with all customers to drive efficiencies in transactional shared services where there are clear opportunities to do so both during the creation of ISSC 2 and after its completion. It will review the options for commercial vehicles, including the engagement with private sector resources and expertise in areas of transformation and potentially operations, especially those that provide for significant employee participation.

iv. **Single Oracle ERP Platform**. A number of customers included in ISSC 2 require an upgrade of their Oracle Release 11 ERP solutions. It is felt that, rather than allow departments to upgrade separately, this situation provides a unique opportunity to consolidate platforms and provide standard processes across the major Oracle-based departments.

    A feasibility study will be commissioned to test whether the aspiration of government is realistic and the design will be based on a ‘prove why it cannot work for you’ approach rather than a ‘what would you like’ approach. This study will also look at Oracle departments who are not immediately in scope for ISSC 2 such as the Foreign and Commonwealth Office (FCO). This project will be managed as part of ISSC 2 until the completion of the feasibility study.

Each of the projects has an agreed set of key actions and milestones which will be reported on to the Strategic Programme Board as per the following table:

Table 2 Actions and milestones

Project	Key actions	Milestone date
Crown Oversight Function	• Development of Departmental Process Forums	September 2012
	• Centrally agreed benchmarks with departments	November 2012
	• Initial performance monitoring of SSCs undertaken	December 2012
	• Benefits target and draft realisation plan in place for programme	February 2013
	• Initial performance monitoring of departmental retained functions	April 2013
ISSC 1	• DfT divestment contract awarded	February 2013
	• Low-cost ERP system defined, including implementation plan	May 2013
	• Contract novated to Cabinet Office	July 2013
	• DfT migrates initial ALBs to ISSC 1	January 2014
	• First other government department live on low-cost ERP system	January 2014
ISSC 2	• DWP Oracle R12 upgrade completed	November 2012
	• Transition of executive leadership of the DWP SSC to Cabinet Office	November 2012
	• Feasibility for single ERP solution completed	February 2013
	• Commercial construct and transition glidepath agreed for ISSC 2	February 2013
	• Cabinet Office takes accounting officer responsibility for DWP SSC	April 2013
	• ISSC 2 structure formally created	April 2013
	• Transition of departments into ISSC 2 structure	April 2013 to July 2015

3.2 Department transition plan

Departments and ALBs not associated with a standalone SSC will need to move to an ISSC during 2013 and 2014. Each department and ALB will undertake a business case to ensure that benefits have been fully identified and aligned with the NGSS programme. Table 3 sets out the current planning assumptions used for the completion of the SOBC and which broadly stand firm on publication of this plan following many cross-department discussions.

Table 3 Planning assumptions for departments moving to ISSC 1 and 2

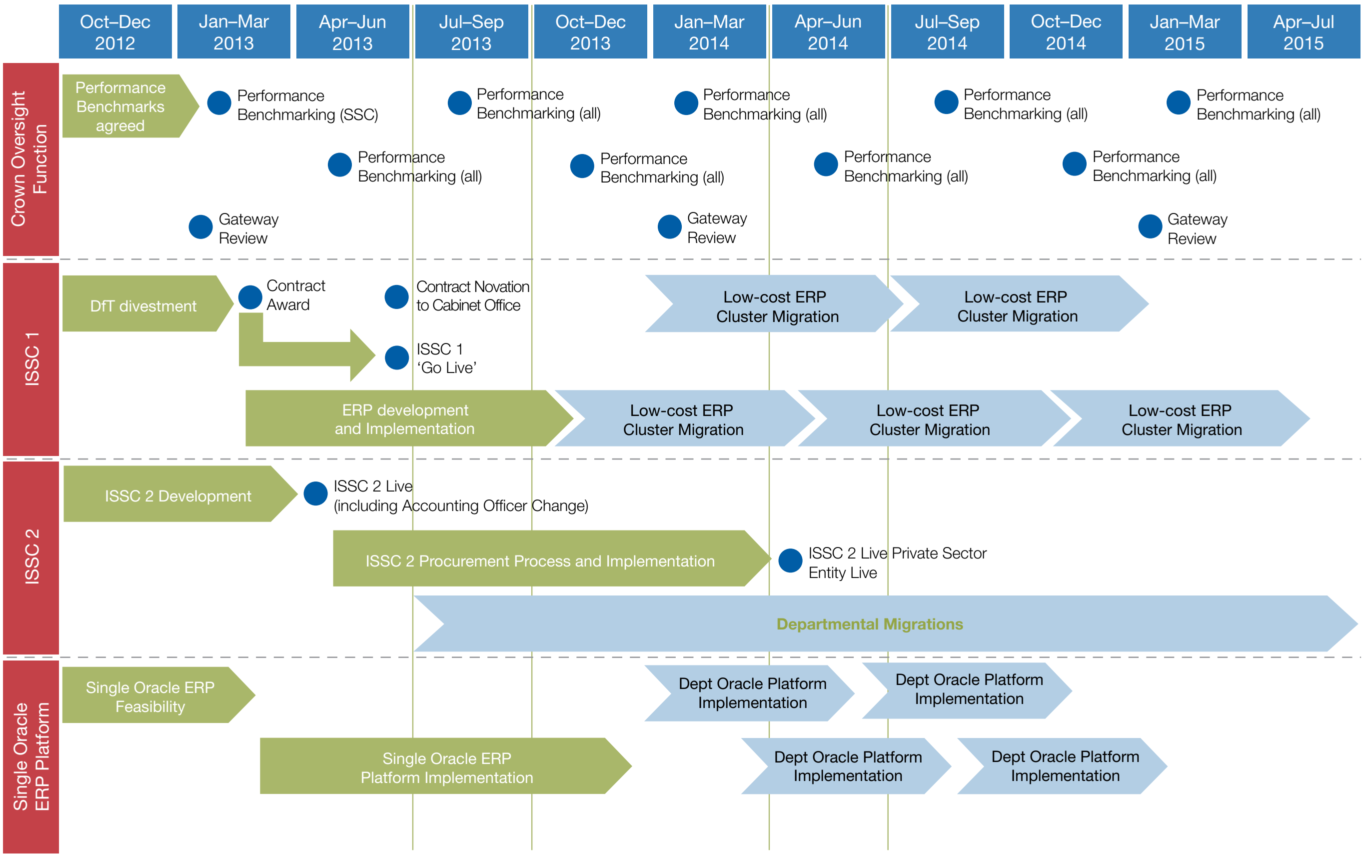
ISSC 1	ISSC 2	Standalone SSCs
Department for Transport and Family	Department for Work and Pensions	Ministry of Justice
Department for Communities and Local Government	Department for the Environment, Food and Rural Affairs	Ministry of Defence
Department for Culture, Media and Sport	Department for Education	HM Revenue and Customs
Office for National Statistics	Cabinet Office	Department of Health (with NHS)
Department for International Development	Environment Agency	Home Office with MoJ
	Department for Business, Innovation and Skills	Crown Prosecution Service with MoJ
	Department of Energy and Climate Change	

The only major departments that are not covered by the first phase of the programme are:

- FCO, will bring forward proposals for an international shared service operation but will participate in the feasibility study for a single Oracle ERP solution.
- HM Treasury, is engaged in discussions about both ISSCs and will make a choice on a value for money basis in early 2013.
- BIS, has agreed to consolidate their agencies and ALBs into the Research Councils SSC in Swindon over the next two years, and will then look to converge with the management and legal structure of ISSC 2 in 2015.

The overall NGSS programme began in April 2012 and has a delivery trajectory until December 2015 (see Figure 5 on the next page) with a view to deliver as quickly as possible while recognising that we are delivering complex business change.

Figure 5 Draft transition plan (this plan is provisional and subject to change)



3.3 A standard transition methodology

A change that the programme will be delivering is the standardisation of the departmental transition process and time period. This time period is currently outlined as 24 weeks, broken down into three key phases, and will follow a period of pre-transition engagement.

- Foundation and Service Preparation (10 weeks).
- Transition and 'Go Live' (8 weeks).
- Post 'Go Live' (6 weeks).

The core reason for shortening the transition period is to deliver a standardised process and deliver quicker benefits. To support this, as part of the programme development, NGSS will ensure that:

- relevant data and policies are captured;
- agreement on migration periods is gained;
- there is a focus on standardised business cases;
- resourcing requirements are outlined;
- there is a standard solution, with standard build and processes;
- there is central risk and issues management; and
- there are standardised tools for migration, including communications, training and education.

Figure 6 Transition phases

	Phase			
Programme Preparation	Foundation and Service Preparation	Transition and 'Go Live'	Post 'Go Live'	Review
	10 weeks	8 weeks	6 weeks	Post 'Go Live'
Shared Service Programme • Outline of service offerings • Outline departmental requirements • Agree migration clusters • Agree timeframes and process steps. Shared Service Programme will also focus on: • data requirements • managing issues centrally • lessons learnt • future benefits management.	Stage will focus on: • reviewing in-depth business processes • business intelligence • data management • issues resolution • gap analysis. Departments and programme will: • gain agreement to specification • understand impact to business process maps • define business change plans, communications, training and guidance • gain final agreement to transition plan and post go live support required.	Stage will focus on: • process and solution build • technical and end-to-end phase testing • training delivery, education • pre go live testing. Once this has been undertaken and approval provided, focus will be on go live and implementation of the service. This will also include final agreement with the post go live support requirements and preparation for business as usual.	Stage will focus on: • post go live technical support (RM, data, IT) • 'early life' business support (floor walkers, super users and specialist input where required) • ensuring ongoing embedding in the business of the new system • full preparation for business as usual.	Stage will: • ensure business as usual • understand lessons learnt from process • release project resources • final sign-off between department and programme. Full benefits realisation will be undertaken by the strategic centre and will not be required during this phase.

A significant amount of the preparation work will be undertaken in advance of the foundation and service preparation stage on the generic aspects of the transition. This means that 24 weeks can be outlined as the 'actual' process of transition.

As the programme will have planned transitions with departments up to a year in advance, this means that issues can be highlighted early and resolved in advance of departmental transition. The programme will work with departments on the timeframes to ensure that they are comfortable with the requirements and overall transition process, but we would expect to see a reduction in the time necessary for preparation and due diligence by ensuring that the Crown Oversight Function manages a standard process onto a standard system.

In order to ensure that departments understand what is required for a successful transition and can monitor progress, the Cabinet Office has produced a *Readiness Assessment Checklist* tool. This tool has been tested by some departments and has been accepted as a pivotal tool in the transition of customers into ISSC 1.

3.4 Programme governance

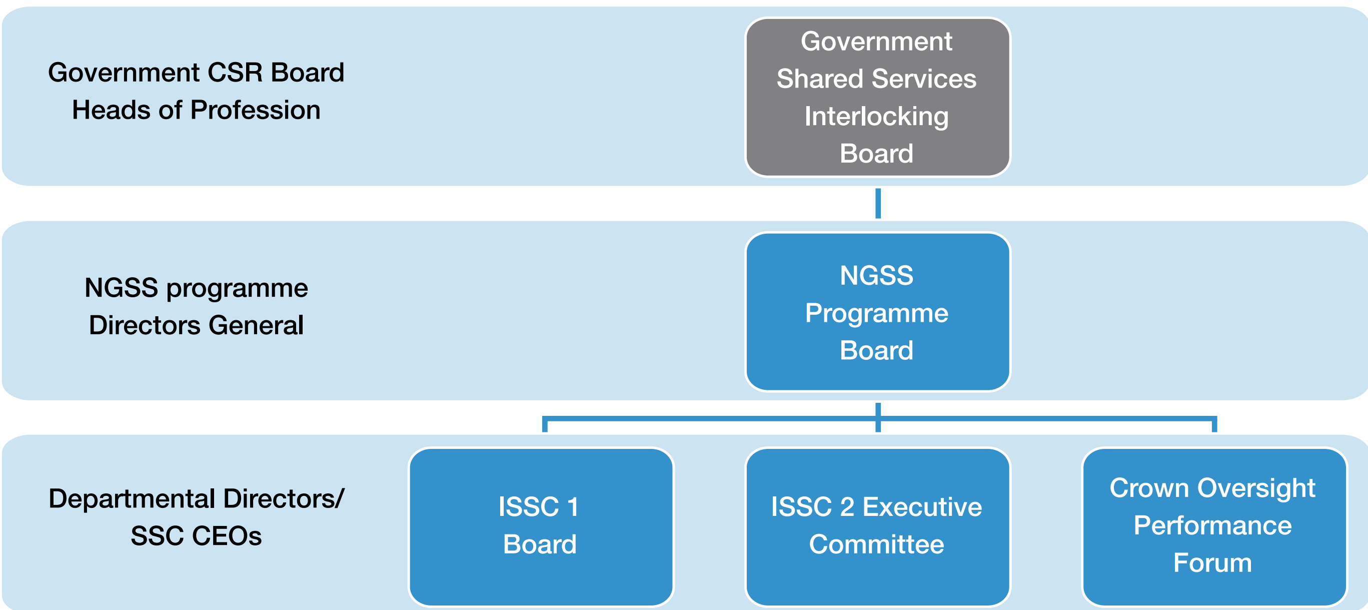
The NGSS programme has a robust governance structure to deliver its strategic goals. Governance will be managed at three levels:

i. **Shared Services Interlocking Board.** At present, there are a number of shared services programmes and initiatives across government. It is therefore vital that an overarching, 'interlocking' governance board has the oversight and responsibility for co-ordinating this activity to avoid duplication and provide a centre to share best practice. Each shared service programme will have its own governance and delivery path but will report to the Interlocking Board.

ii. **The NGSS Board** will have representation from senior personnel from large spending departments, shared service departments and key interface organisations. The Board will be responsible for setting and delivering the strategic requirements for the programme.

iii. **Projects** will have their own boards to ensure that progress is measured quickly and any issues escalated if they cannot be easily resolved.

Figure 7 The governance structure for the NGSS programme



3.5 Interlocking all shared services programmes

Along with the NGSS programme and those existing shared services programmes listed in Annex A, the Civil Service Reform Plan included a specific action for evaluating the possibility of further sharing of services across Whitehall.

> "Publish by October 2012 and execute by October 2013 plans to share a wide range of other services and expertise, including legal services, internal audit, programme and project management resources and commercial contracting procurement skills. Sharing services should become the norm and all departments should expect to share some of these services. Smaller departments should no longer expect to maintain full freestanding operations in all these functions."
>
> Action 4 within Chapter 1 of the Civil Service Reform Plan

The amount of programmes which will interlock at some point during their implementation now requires a governance structure to ensure that the programmes do not duplicate services, do not diverge in terms of overall strategy and that they are monitored for progress as part of the Civil Service Reform Plan implementation.

Each programme will be led by a Senior Responsible Officer (SRO) and sponsored by the respective Head of Profession, and these leaders will be asked to attend an Interlocking Governance Board to highlight progress and work together to resolve issues.

3.6 Tracking the benefits

Departments will be responsible for delivering the benefits and the NGSS programme will work with them to report on benefits through the NGSS governance structure. This addresses a key criticism of the NAO report which stated that benefits had not been tracked by SSC programmes. In line with existing benefit methodologies, savings must be reported through this Spending Review period and the next.

Benefits will be tracked for both the transactional and retained corporate functions. ISSCs, departments and standalone SSCs will report on performance to the Crown Oversight Function which will track all benefits stemming from shared service activity, such as the contribution of shared services to staff cost reductions, or the reduction in the overall cost of provision of corporate services.

It is proposed that:

- ISSC 1 and 2 provide monthly reports on key transactional indicators and costs.
- Standalone SSCs provide data at monthly intervals.
- Departments provide data quarterly on key retained indicators and costs.
- The Crown Oversight Function will collate benefits and benchmarking data on behalf of the Operations Board as part of overall performance reporting.

3.7 Managing the risks

In its report on shared services in government, the NAO commented that the NGSS programme is 'high risk and ambitious'. The programme recognises that the plan is ambitious and not without risk; however, it is the most pragmatic way forward to build on the current implementations of shared services rather than starting from scratch. We do, however, take the potential risks seriously and have reviewed all potential risks and put in place mitigation policies for each risk. The risks associated with the programme fall into three broad categories.

i. **Management and control**. There is a risk that there may be a lack of clarity around responsibilities and accountabilities. This may result in the wrong strategic decisions being made, difficulty in central management and a dilution of benefits. The resolution requires strong Crown management and control, involving the departments in the management and control process early, and securing their agreement over strategic plans and the implementation of business assurance recommendations. All these solutions are in progress at present in the programme. It is imperative that there is strong leadership from Ministers and Permanent Secretaries if the programme is to be successful.

ii. **Operational and commercial**. Some departments have complex tax, funding, charging and procurement rules which may make transition more difficult. This may result in it taking longer to transition departments onto new systems. Work will continue with relevant departments to resolve tax issues and make transition more financially attractive.

iii. **Cultural**. There is a risk that departments may be unable to agree common processes, or may simply decline to join the NGSS programme on the basis that it does not deliver sufficient benefit for the individual department. The impact of this would be that the business case would not offer the best value, resulting in departments not joining the programme or, if departments delay joining, the timetable may be affected with adverse impacts on anticipated savings. These factors are being addressed through early engagement with departments to ensure alignment and participation. While the programme is looking to remove all known barriers to joining shared services, it is expected that Accounting Officers will look to deliver value for money for both their organisation and wider central government and commission the transition of their organisation into one of the ISSCs by 2014.

The key strategic risks

As the programme commences, we believe that we have the following specific strategic risks which will need close monitoring and early warning if these and other risks start to crystallise.

Table 4 Key risks and response

Key risks	Response
Governance and leadership are critical to a successful conclusion to the plan which has been approved by the Public Expenditure Committee (Efficiency & Reform) (PEX)ER	The programme is now aligned to the Civil Service Reform Plan with leadership from the Minister for and Permanent Secretary of the Cabinet Office and the Head of the Civil Service. All major departments are represented within the agreed governance process
Original plan to complete transition by mid 2014 is seen as ambitious	Following Permanent Secretary and NAO advice, the programme has been extended by six months and will be continuously monitored for progress
Departments unable to agree to common processes and therefore not able to join	Departments have agreed through PEX(ER) to an end to unique requirements wherever possible and this will be managed during transition

Annex A: Approach to developing the strategy

History of shared services across central government

Since the Gershon Review in 2004, government has recognised the potential benefits of shared services through:

- **reducing the cost of back office corporate services** via asset sharing and minimised process cost;
- **driving service excellence** by freeing the department to focus on core objectives; and
- **increasing operational efficiency** through better management information, improved benchmarking, and comparability between organisations which in turn could potentially drive up performance.

Several government departments have delivered shared service programmes which have enabled them to take a joined-up approach to managing their corporate functions. This has seen a number of SSCs emerging with family ALBs clustered around them. Although this has delivered some savings, the current landscape has become very complex, with significant barriers to sharing services effectively.

To address this, the Cabinet Office published *Shared Services – A Strategic Vision* in July 2011[4] which set out a vision for consolidating back office transactional services in HR, payroll, finance and procurement across central government and its ALBs.

The current landscape

The strategic vision paper determined that the current back office service landscape is fragmented and includes many models for delivery. That landscape is characterised by the following features:

- Some services are joined up but not often shared with the only major exception, outside of immediate family organisations, being the DWP centre which provides services to the Cabinet Office and the Department for Education.
- There is no consistent view of services and performance delivered through shared services.
- There is no co-ordination of delivery models to ensure that all departments are catered for including the smaller departments.
- Developing approaches to 'on-boarding' have been undertaken multiple times and many lessons have been learned as departments and agencies understand how to collaborate.
- The concepts of 'standard offerings' and common methods of delivery are maturing but are not yet fully developed.
- On-boarding has been costly as organisations have considered how to cater for differences and bespoke requirements.
- On-boarding projects have sometimes been phased over long periods of time and, while this has the potential benefit of reducing the impact of organisational change, it can lead to higher cost as various project and programme costs are incurred more often.

- Although there is an increased appetite to share services, uptake and implementation has been slow due to the perceived difficulties and lack of quantifiable benefits.
- A number of legacy systems supporting shared services (in particular those based on Oracle R11) are in need of investment to fund upgrades and potential re-implementations. There is significant business risk involved in not addressing this investment requirement.

Following publication of the strategic vision in July 2011,[5] a significant amount of work was undertaken with departments to complete a Strategic Outline Business Case (SOBC) which reviewed options for future shared service delivery to demonstrate how they would deliver better services and value for money.

Approach and scope of the review

i. The original scope included all central government departments and ALBs with over 250 employees with the exception of those departments that already have standalone SSCs, i.e. the MoJ, HMRC and the Department of Health via the NHS.

ii. A substantial data analysis was initiated to establish the current position for finance, procurement, HR and payroll, including staff, transactional volumes and processes. Details relating to current systems and support arrangements have also been reviewed and the data collected.

iii. A review of other data sources was also completed to allow for comparison and validation. This included data from Next Generation Human Resources programme and Common Areas of Spend (CAS).

iv. Industry standard benchmarks[6] have been used to assess current departmental performance and determine the range and scale of potential benefits available for consideration in the shared services business case. These largely related to administrative, transactional and some advisory activities.

v. Performance data on shared services has been gathered from a number of departments[7] which was then compared against industry benchmarks to identify what additional benefits would become available if performance was in line with median plus and upper quartile targets.

Other considerations

A number of policy areas and related programmes were considered as part of the Strategic Review and are important to the future success of an NGSS programme. These include:

- **Civil Service Reform (CSR)**. This agenda for change looks at the size and shape of the future Civil Service, establishing more open engagement on policy making and policy implementation, improving the strategic deployment of Civil Service resources, identifying what employment in the Civil Service will mean, and improving management information and capability to help staff deliver their roles more efficiently and effectively;

- **Next Generation Human Resources**, which delivers employee policy, recruitment services, learning and development, and organisational design and development through four shared expert services. Next Generation Human Resources will lead on any future cross-government consolidation of expert HR service delivery and so these services will not be part of the core or optional services of the NGSS programme;
- **Finance Transformation Programme (FTP)**. The NGSS programme will be an enabler to the FTP. Through ERP programmes the new common chart of accounts can be fast tracked and deliver key information in a consistent way across government such as updates to OSCAR;
- **Government Procurement Service (GPS)**, which will provide shared expert procurement services and also purchase to pay transactional services for those departments that are too small to justify a system and resources themselves. All other organisations will source procure to pay services through one of the designated SSCs via their chosen ERP system which will integrate with the GPS catalogues carrying the new cross-government supply contracts;
- **the NAO report** on efficiency and reform in government corporate functions through shared service centres. In March 2012, the NAO published a report on the historic value for money delivery on shared services.[8] It is widely acknowledged that, due to the challenging environment, cross-government SSCs have not delivered the efficiencies originally outlined. The Cabinet Office has incorporated lessons learned from earlier work on shared services into the current Strategic Plan, and these areas will be a key delivery focus as the programme progress;
- **legal considerations**. In developing the role of the Crown Oversight Function, both during transition and during business as usual, the Cabinet Office will need to consider how potential Crown conflicts could be managed to ensure appropriate separation between potentially conflicting activities.

ENDNOTES

4. www.cabinetoffice.gov.uk/sites/default/files/resources/government-shared-services-july2011.pdf

5 www.cabinetoffice.gov.uk/sites/default/files/resources/government-shared-services-july2011.pdf

6 A range of industry benchmarks from American Productivity and Quality Centre (APQC) and elsewhere have been used to assess performance

7 Department for Work and Pensions (DWP); Department for Transport (DfT); Department for Environment, Food and Rural Affairs (Defra); Environment Agency (EA); Foreign and Commonwealth Office (FCO); Home Office (HO); and Research Councils UK (RCUK)

8 The NAO report on efficiency and reform in government corporate functions through SSCs is available at: www.nao.org.uk/publications/1012/shared_service_centres.aspx

Annex B: Definitions of terms

American Productivity and Quality Centre (APQC) – an organisation specialising in benchmarking and process improvement.

Arm's-length Bodies (ALBs) – standalone organisations sponsored by government departments. ALBs are responsible for delivering a range of important public services and for advising government on technical issues.

Benchmarking – a process of learning industry best practice that will lead to improved business performance.

Common Areas of Spend (CAS) – the CAS work aims to establish agreed standard guidance and definitions by which departments can communicate on operational performance matters, streamlining data collection and improving data comparability over time. This set of documents provides definitions for a series of commonly requested operational management information. It is not guidance for data surveys or a data survey in itself, but provides definitions that underpin individual information requests.

Crown Oversight Function – one of three projects in the NGSS programme. It will develop a set of standard benchmarks, implementation plans and data reporting tools to drive performance and improve value for money and efficiencies.

Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) – DEL comprises spending which 'can sensibly be controlled'. It is a 'firm limit' for the department's spending set over a three-year period following a Spending Review. AME covers spending which the Treasury argues cannot sensibly be planned in advance, and which is set annually in the relevant Budget.

Divestment – the movement of an organisation or part of an organisation to an external provider.

Efficiency and Reform Group (ERG) – based in the Cabinet Office, ERG is a close partnership between the Cabinet Office and HM Treasury to apply spending controls and support departments in working collaboratively in the interests of greater efficiency in central government.

Enterprise Resource Planning (ERP) – ERP systems integrate internal and external management information across an organisation, embracing HR, finance, accounting and procurement. ERP systems automate this activity with an integrated software application.

Green Book accounting rules – the Green Book is HM Treasury guidance for central government, setting out a framework for the appraisal and evaluation of all policies, programmes and projects.

Independent Shared Service Centre (ISSC) – an organisation that operates back office transactional services for government departments and other bodies and reports for performance purposes into the Cabinet Office.

Legacy systems – systems that have been developed and used in the past and still have a role in current operations.

Median plus targets – targets that are above the median targets.

Next Generation Human Resources programme – a Cabinet Office initiative. Its vision is to deliver a responsive, professional HR service with better business outcomes to the Civil Service at a significant cost reduction through the rationalisation of operating models, greater standardisation and the sharing of expertise across Civil Service HR. The scope of delivery for the NGHR programme is Civil Service departments, agencies and Crown NDPBs.

Next Generation Shared Services (NGSS) programme – a new approach to shared services. It became operational in 2012 and replaces previous work on shared services in central government.

Non-departmental public body (NDPB) – NDPBs are part of the central government public bodies sector. They have a variety of operating models and each is sponsored by a central government department.

On-boarding – in the context of NGSS, on-boarding is used to refer to the point at which an organisation connects to an ISSC.

Oracle and Oracle R11/R12 – Oracle is an ERP system used for transactional processing and business information management. R11 and R12 refer to Release 11 and Release 12 versions of the software.

Oracle Vertical – the name given to an Oracle ERP system which spans across multiple departments.

OSCAR – Online System for Central Accounting and Reporting.

Project Charter – a statement of the scope, objectives and participants in a project. It provides a preliminary delineation of roles and responsibilities, outlines the project objectives, identifies the main stakeholders, and defines the authority of the project manager. It serves as a reference of authority for the future of the project.

SAP – SAP is an ERP transactional processing and business management software system.

Shared Service – in the context of this document, shared services refers to the consolidation of the back office functions of payroll, HR, finance and procurement.

Standalone Shared Service Centre (SSC) – operates like a standalone business and treats individual business units as customers.

Standard Offerings – refers to standardisation of functions or processes.

Target Operating Model (TOM) – a high-level design of the organisation’s future operating model; the structure and style which enables it to meet its business objectives.

Upper Quartile Performance – performance in the top quartile of a given range.

This document is also available from our website at
www.cabinetoffice.gov.uk/resource-library/government-shared-services-strategic-vision