

An Examination of Shared Services in the Irish Public Service and Internationally

Department of Public Expenditure
and Reform

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Prepared on behalf of the Department of
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Foreword



It is nearly four years since the Government gave a mandate to expand and accelerate the use of shared services in the Irish Public Service, as one of the key cross-cutting reform initiatives under the Public Service Reform Programme. Although the sharing of services in the Public Service is not new; for example the established Office of Public Works and the creation of SUSI (Student Universal Support Ireland), this report provides solid evidence that significant progress in shared services is being made across sectors. It highlights the substantial gains of consolidating transactional corporate services when Departments and Public Service Bodies come together and collaborate on the basis of shared accountability and resources.

I am particularly proud of the strides made by the National Shared Services Office (NSSO) within my own Department in overcoming the challenges of change to create both PeoplePoint (the Civil Service HR and Pensions Administration Shared Service Centre) and the PSSC (the Civil Service led Payroll Shared Service Centre). There are also good examples of success in the Health sector, with the establishment of Health Business Services (a division within the HSE), and MyPay (the Local Government Payroll and Superannuation Shared Service Centre). A number of significant projects are being advanced in the Education sector also.

Shared services is not a short-term efficiency measure. This report highlights the challenges involved in innovating and the length of time required to realise the full benefits beyond cost economies.

I believe the Government's commitment to investing in shared services must be maintained in order to realise the full benefit of shared services. Consequently, this Government has decided to establish a National Shared Services Office on a statutory basis to allow these and other shared services plans such as Learning and Development and ICT to move forward with confidence.

Reflecting on the totality of progress made under the Public Service Reform Plan, and other initiatives led by the Office of Government Procurement within my Department, it is important to recognise that significant service improvements and efficiencies are being delivered across the State. I look forward to the ongoing dividends that shared services will deliver.

Brendan Howlin, TD

Minister for Public Expenditure and Reform

Executive Summary

In November 2011 the Government launched the Public Service Reform Programme, including specific shared services objectives. Within the Programme, as set out in the 2014 Public Service Reform Plan, there are five major commitments – placing the customer at the core; maximising new and innovative service delivery channels; radically reducing costs to drive better value for money; leading, organising and working in new ways; and a strong focus on implementation and delivery. The introduction of shared services was identified as a key cross-cutting initiative which has the potential to impact positively on all of these commitments. In March 2012, the Government issued a mandate for shared services to be progressed in all sectors of the Public Service.

As was the case in Ireland, shared services programmes often arise from an economic or financial need to reduce costs and improve efficiency. However, as private sector and international public sector experience illustrates, the value of shared services stretches beyond the direct benefits of cost savings and efficiency, to other benefits such as the provision of better

Shared services programmes require a continued and definitive Government mandate and effective senior management support; this is best achieved by creating a compelling vision that evolves with changing stakeholder needs.

management information to enhance decision making and the freeing up of senior management resources to focus on policy development over efforts related to transaction processing. Further, international experience shows that shared services programmes are necessarily long journeys that evolve over time and require a continued and definitive Government mandate and effective senior management support. This is best achieved by creating a compelling vision that evolves with the changing needs of stakeholders. The U.K. Government for example, seven years into its shared services journey, introduced a new strategy in 2011 to further rationalise shared service providers and deliver services through both public sector and private sector service providers.

Now, three and a half years into Ireland's shared services journey and as the Irish economy quickly progresses through economic recovery, the time is right for the various shared services programmes across the Irish Public Service to reaffirm their focus on delivering the original efficiency and cost savings objectives and associated benefits, and to ensure the vision remains compelling.

In this context, Deloitte Consulting was requested to undertake a review of progress against shared services plans, across the Irish Public Service (the four sectors of Education, Health, Local Government and Civil Service – “the sectors”).¹ A further objective of the review was to identify, based on experience in Ireland and abroad, actual and anticipated benefits derived from shared services, factors critical to the success of shared service initiatives, and potential risks. Finally, the review considered how the shared services programmes across the Irish Public Service can continue to evolve to support and enable achievement of the five major commitments under the Public Service Reform Programme.²

¹ The Justice and Defence sectors are not identified separately in this report, as these sectors are recipients of shared service solutions provided by the Civil Service.

² Deloitte has provided various advisory, consulting, and audit services to a number of the shared services programmes over recent years.

84%

percentage of Civil Servants receiving shared services of some form ³



75%

percentage of Health sector employees receiving shared services of some form ⁴



56%

percentage of Local Authority employees receiving shared services of some form ⁵



59%

percentage of Education sector employees receiving shared services of some form ⁶



While shared services and similar delivery models do apply to operational areas of public sector activity such as grants administration and water and waste management, the scope of this review was focused on the following corporate services, which are commonly delivered through a shared service solution: HR, Finance, Pension Administration, Payroll, and ICT. Further, the scope of this review considered only initiatives that meet the definition of shared services detailed in Section 1.2, and those commenced since the launch of the Public Service Reform Programme. As such, there are good examples of progress toward shared or centralised services which are not included in this review. These examples extend to all parts of the Public Service, demonstrating the whole of Government approach to reform articulated in the Public Service Reform Plan and include: Local Government’s waste management shared services, the Health sector’s Eastern Health Shared Services, and the Education sector’s centralised payroll and pension payment processing centre (based in Athlone). In addition, significant progress has been made in the area of procurement, which is a significant portion of overall Government spending. The Office of Government Procurement was created in 2014 to source all goods and services on behalf of the Public Service, working together with the Health, Defence, Education and Local Government sectors, and to take full responsibility for procurement policy and procedures.

The findings and conclusions in this report are based on interviews with stakeholders across the four sectors of Education, Health, Local Government and Civil Service, general research, a review of Deloitte case studies and the Deloitte Global Shared Services Survey, interviews with international stakeholders involved in public sector shared service initiatives, and a review of documentation received from stakeholders.

The Irish Public Service has made significant progress since it began its shared services journey; at the same time there are a number of critical success factors necessary to secure initial gains, to ensure continued progress against plans, and to fully realise benefits.

The review demonstrates that the Irish Public Service has made significant progress against plans in a short timeframe. Ireland compares favourably, not just in terms of progress made on a number of key projects over the past three and a half years, but also in terms of the governance and accountability frameworks put in place, including the establishment of the National Shared Services Office (NSSO; currently on an administrative basis within the Department of Public Expenditure and Reform⁷). Both of these elements are

³ Based on PeoplePoint current customer numbers and estimated customer numbers when fully implemented. Please refer to Appendix D for further details.

⁴ Based on Health Business Services (HBS) customers, consisting of Tusla employees, health sector pensioners, and statutory health sector employees. While a mix of centralised and shared services existed across the Health sector from the old Health Board structures prior to 2011, the creation of HBS in 2013 marked the sector’s first national approach to shared services and HBS’ current model, albeit at an early stage of maturity, meets the definition of shared services detailed in Section 1.2 of this report.

⁵ Based on current Local Authority payees (staff and pensioners) centrally hosted in Local Government Data Centre) and estimated payees when fully operational.

⁶ Based on Education sector employees receiving shared services from HEAnet, including staff from Higher Education Institutions, post primary schools, and Education and Training Boards. HEAnet was first established in 1983; in its current shared services model, HEAnet meets the definition of shared services detailed in Section 1.2 of this report.

⁷ References to the NSSO throughout this report should be understood to mean the interim NSSO, which now exists on an administrative basis within the Department of Public Expenditure and Reform. Where comments or recommendations relate to the future statutory NSSO, this is explicitly stated.


evidence of the strong Government support to date. With five shared service centres operational across the sectors, and numerous others planned in the next few years, Ireland has an ambitious plan for investment in shared services in comparison with international public sector counterparts. Based on current business cases across the sectors, the estimated quantitative **benefits** are substantial. However, overall the sectors are in early stages of progress and there are a number of critical success factors, outlined below, necessary to secure initial gains, to ensure continued progress against plans by establishing sustainable platforms, and to fully realise benefits.

Key positives identified during our review include a structured and thorough approach to business case development; a sectoral (Civil Service, Local Government, Health and Education) and phased approach, which enables benchmarking across sectors and mitigates against risk by allowing more time to incorporate lessons learned and build stakeholder engagement; a positive impact on process quality, data visibility, data comparability and internal controls; and strong oversight and governance at central (Government) and sector levels.

Key challenges relate to difficulties in finding resources with the skills and capabilities required to deliver these complex programmes and in obtaining the collaboration of client organisations to release resources; varied rates of progress across sectors; and challenges with developing formal processes for benefits tracking, change and communications management, and customer engagement early on in the shared services journey. Further, there are strong positives in the public sector approach to minimising risk, doing things right, wide consultation, public procurement and accountability. However, these can add complexity and extend timelines to benefits realisation – an experience common in other public sector environments.

Based on international experience and interviews with stakeholders across the Irish Public Service, the **critical success factors** consist of a definitive Government mandate and effective senior management support; realisation of planned benefits and demonstration of those benefits to internal and external stakeholders; and evolution of the shared services vision in line with stakeholder needs, including a clear articulation of the role that improvements in “retained” functions such as Payroll and Human Resources (within customer organisations) play in the overall transformation. Failure to address or sustain these critical success factors will represent key **risks** to the various programmes. In addition, there are additional opportunities for improvement, as outlined below. For example, Ireland has a mature shared services environment with dozens of multi-national companies and several large semi state organisations having established shared services centres in the State. There is a considerable opportunity to leverage this experience and to build competencies and capabilities in a substantive way.

The findings and conclusions of the review are outlined in detail in Section 2. The key findings and conclusions are summarised on the following pages, including references to relevant sections of the report.

Key Findings and Conclusions	
 <p>Progress Against Plans</p>	<ul style="list-style-type: none"> • The Irish Public Service has made significant progress against plans in a short timeframe. • In particular, good progress has been made by the Civil Service and Health sectors in implementing shared services across three and four corporate services, respectively. (Section 2.2) • The Education and Local Government sectors have made good progress on business case development and, to some extent, implementation of shared services. Recognising the progress on implementation to date, these sectors should look to accelerate their journeys where possible, in order to maintain momentum and to realise benefits. Further, there is an opportunity for the Irish Public Service to achieve substantially more benefits from the progression of corporate services shared services, when one considers the proportion of the Irish Public Service which the Education and Local Government sectors represent (more than 40%). (Section 2.2) • Overall the Irish Public Service is in the early stages of progress and there are a number of critical success factors necessary to secure initial gains, to ensure continued progress against plans, and to fully realise benefits. (Section 2.4.2)

Key Findings and Conclusions



Benefits Realisation

- International experience and business cases prepared by the sectors demonstrate that shared services in the public sector offers considerable potential for a range of benefits:
 - Qualitative benefits such as improved efficiency, consistency and service delivery, the freeing up of senior management resources to focus on policy development over efforts related to transaction processing, a customer focused culture, improved management information to support decision making, the deepening of skills and expertise both in the shared service centre and retained functions, and scalable and resilient technology. (Section 2.6.1)
- Based on current business cases, the estimated quantitative benefits are substantial:

	Estimated net savings per annum
Civil Service	
PeoplePoint	€12.5m
Payroll Shared Service Centre (PSSC)	€5.6 - €7.4m
Financial Management Shared Service Centre (FMSSC)	€14.6m
Local Government	
MyPay	€4.3m ⁸
Health	
Health Business Services ⁹	€2.5m
Education	
Education Training Board (ETB) Payroll	€1.8m
Higher Education (HE) Payroll	€3.2 - €3.3m
Education Training Board (ETB) Finance	€3.8 - €4.2m

- For the Civil Service HR shared services (PeoplePoint), the Department of Public Expenditure and Reform has indicated that reductions in the cost of HR transactional units of participating Public Service Bodies have been achieved. Separately, further cost reductions are expected over time, as the remaining Public Service Bodies are transitioned into PeoplePoint and a steady-state is achieved in operational performance.¹⁰ Payroll shared services (PSSC) is also on track to deliver benefits.
- Anticipated headcount reductions and payback periods for the Irish Public Service are in line with international comparators. (Sections 2.6.2 and 2.6.3)

Public sector shared services typically have payback periods longer than those in the private sector, pointing to unique challenges. (Section 2.6.3)

⁸ Based on figures from February 2014, this is the expected saving from 2017 -2023 with the figure expected to rise to €5.3 million approximately after 2024. This increase is based on the expected completion of the loan to fund the running of MyPay during the implementation phase.

⁹ The HBS figure is not based on business cases but on achievements made.

¹⁰ As indicated by the Department of Public Expenditure and Reform, 28 September 2015.

Key Findings and Conclusions



Key Positives

- The sectors have generally adopted a structured and thorough approach to business case development. The development of baseline benchmarks is crucial, as it enables leaders to measure and report on benefits realised, post implementation. (Section 2.3)
- Process quality, data visibility and comparability and internal controls were identified by Irish Public Service stakeholders as the top areas where shared services has had a significantly positive impact to date. (Section 2.6.1)
- The sectoral and phased approach to shared services implementation (separate implementations by sector and a single function at a time) which the sectors have adopted is the predominant model for public sector organisations internationally. This approach allows more time to build stakeholder engagement and to incorporate lessons learned into future planning and therefore, mitigates against the risks associated with a more rapid implementation. The sectoral approach serves to balance needs around scale, commonality, complexity and governance; it also has the potential to encourage performance improvements by providing for competition across service providers and enabling benchmarking across sectors. (Sections 2.4.1, 2.5.1)
- Strong oversight and governance arrangements, essential to facilitate decision making, have been established across the sectors, for example (Section 2.5):
 - HBS Governance Committee (Health);
 - Education and Training Reform Board (Education);
 - Public Service Reform Oversight Group (Local Government); and
 - Shared Services Steering Board (Civil Service).
- Ireland compares favourably with international counterparts, both in terms of the progress made on a number of key projects over the past three and a half years, and also in terms of the governance and accountability frameworks put in place. An international comparison found that only Ireland and Portugal appear to have established a central organisation, which serves to drive a programme approach to shared services (i.e. eSPap and Ireland's National Shared Services Office). Both Ireland's progress and its governance and accountability frameworks are evidence of the strong Government support to date. (Sections 2.2 and 2.5)



Key Challenges

- The review highlights a number of key challenges to overcome in order to progress the shared services agenda in Ireland:
 - Difficulties in finding resources with the skills and capabilities required to deliver these complex programmes and in obtaining the collaboration of client organisations to release resources. (Sections 2.3, 2.9)
 - Varied rates of progress across sectors. (Section 2.2)
 - A formal approach to communications and change, including dedicated resources, was not consistently put in place across sectors in the early stages of Ireland's shared services journey. However, the Irish Public Service has learnt from experience and sectors are showing improvement. (Section 2.5.2)
 - The development of a formal approach to benefits tracking and customer engagement is still evolving across sectors. (Sections 2.7, 2.8)

Key Findings and Conclusions



Critical Success Factors and Opportunities for Improvement

- The review demonstrates a number of critical success factors necessary to secure initial gains, to ensure continued progress against plans, and to fully realise benefits. Failure to address or sustain these critical success factors will represent key risks to the various programmes. In addition, a number of potential improvement opportunities were identified through the review.
 - A continued and definitive Government mandate and effective senior management support (Sections 2.4.2, 2.9)
 - Realisation of planned benefits and demonstration of those benefits to internal and external stakeholders, beginning with the development of more formal processes for benefits tracking and customer engagement: The four sectors should seek to further develop processes for performance management and customer engagement, including capturing and incorporating lessons learned from customers. The NSSO should seek to support improvements in this area through guidance and tools. (Sections 2.7, 2.8)
 - Developing a compelling vision that integrates shared services into broader transformation programmes that include the optimisation of retained functions, where programmes exist, and that evolves with changing stakeholder needs. International experience demonstrates that realising reductions within retained functions is a common challenge and should be a key focus. (Section 2.6.2)
 - Networking with private sector and public sector leaders for lessons learned and talent development: Given the mature shared services environment across Ireland's private sector and several large semi state bodies, there is a considerable opportunity to leverage this experience and to build competencies and capabilities in a substantive way. The Irish Public Service is in a unique position to network with their peers for lessons learned, and to identify and build talent through measures such as job rotations / swaps with the private sector or semi state organisations. (Sections 2.2, 2.9)
 - Enhancement of employee culture: Once the NSSO is formally established, the sectors and the NSSO should seek to enhance employee culture across the shared service initiatives, through measures such as job rotations, events to develop networks across shared services initiatives, and building the NSSO brand. (Sections 2.8, 2.9).
 - Reassessment of timelines: Current timelines across sector shared services should be re-evaluated to determine whether adjustments are required, in consideration of the challenges experienced to date related to capacity and capability to deliver multiple complex initiatives. (Sections 2.3, 2.9)

1. Introduction

1.1. Background

The global economic crisis, recession and fiscal deficits have pushed public sector organisations across the globe to seek process efficiencies and cost savings through alternative models such as shared services. Following more than thirty years of shared services experience in the private sector, Governments across the globe at all levels are adopting, expanding and maturing in their shared services implementations and the gains achieved indicate that this trend will continue. A number of countries have shared services experience in the public sector dating back to the 1980s, while others began their journey in the early 2000s or later.

In the Irish Public Service, there were some examples of service sharing prior to 2011 in the Civil Service (finance and payroll services delivered by the Departments of Finance and Justice), Health sector (Eastern Health Shared Services for Procurement, Finance, ICT and HR), and Education sector (centralised payroll and pension payment processing centre). The Government's Public Service Reform Plan in 2011 provided the mandate and the momentum for further shared services initiatives. The National Shared Services Office (NSSO) was established on an administrative basis in 2014 to lead shared service strategy and implementation across the Civil Service and to provide guidance and support to other Public Service sectors in progressing their shared service commitments under the Reform Plan. In July 2015, Government agreed to the drafting of a Bill to establish the NSSO as a statutory Civil Service Office.

However, Ireland is approximately 15-20 years behind certain international counterparts in beginning its shared service journey within the Public Service. **(1)**¹¹ At the same time, Ireland has been hugely successful at attracting leading multi-national private sector organisations such as Google, Pfizer, and Glanbia to establish shared services centres in the State. Irish semi state organisations such as Ervia and Electricity Supply Board have also established shared services centres.

There is a general perception that shared services initiatives in the Civil Service began on the wrong foot, due in part to too much emphasis on cost savings over process effectiveness and to insufficient consideration of input received from client Departments and Offices.

However, significant progress has been made in the Irish Public Service in a short period and this is evidenced by a comparison with international counterparts. Sufficient time has passed since Government began its shared services journey to warrant reflecting on lessons learned from public and private sector shared services experience, and using these lessons to inform future planning.

In this context, the NSSO has commissioned this review, with the objectives and scope outlined in the following section.

1.2. Objectives & Scope

The objective of the engagement was to conduct a review, examining the following:

- The extent to which shared services have been adopted by Irish Public Service organisations and the extent to which shared service uptake has increased in the period since the publication of the Government's first Public Service Reform Plan (November 2011);
- Actual and anticipated benefits (both quantitative and qualitative) associated with shared services internationally, related trends and how the Irish Public Service compares;

¹¹ Numbers in bold italics denote endnotes ("References" section).

- The plans across the Public Service to further develop shared services, as defined, over the coming 3-5 years; and
- The level of investment and commitment required by the Irish Public Service to continue to develop shared services as a key priority.

While shared services and similar delivery models do apply to operational areas of public sector activity such as grants administration and water and waste management, the scope of this review was focused on the following corporate services, which are commonly delivered through a shared service solution: HR, Finance (Accounts payable, Accounts receivable, General accounting, Asset accounting, etc.), Pension Administration, Payroll, and ICT.

For the purposes of the review, the following Irish Public Service sectors were in scope:

- Education
- Health
- Local Government
- Civil Service

For the purposes of the review, the following definition of shared services was utilised:

The consolidation of corporate services into a shared services centre administered by the Public Service, to enable increased standardisation, efficiency, purchasing power, service quality, automation, and control.* The move to shared services is beneficial, as well, for allowing organisations to focus retained resources on core activities.

** Note: shared services is distinct from a centralised administrative function model primarily in that a shared services centre is generally overseen by a client governance board and not a functional unit, sees its clients (individuals and client organisations) as customers and not end users, and uses service level agreements as quasi contractual mechanisms to define costs charged to customer units and performance measures.*

As such, the scope of this review considered initiatives that meet the definition of shared services detailed above and those commenced since the launch of the Public Service Reform Programme. There are good examples of progress toward shared or centralised services across the Public Service, which are not included in this review. These examples extend to all parts of the Public Service, demonstrating the whole of Government approach to reform articulated in the Public Service Reform Plan:

- Local Government's Building Control Management System (ICT driven shared service);
- Health sector's Eastern Health Shared Services for Procurement, Finance, ICT and HR (no longer active);
- Education sector's payroll and pension payment processing centre (Athlone); and
- Civil Service, Health, Defence, Education and Local Government sectors' procurement initiatives (including those led by the OGP).

1.3. Approach

The approach and methodology utilised to conduct the review are detailed in Appendix A and consisted of interviews with stakeholders across the four sectors, general research, a review of Deloitte case studies and the Deloitte Global Shared Services Survey, interviews with international stakeholders involved in public sector shared service initiatives, and a review of documentation received from stakeholders. In addition to findings from international interviews, Deloitte's Global Shared Services Survey 2015 (the Shared Services Survey) was used as a source of international trends throughout the report. **(2)** Responses from two categories of survey respondents are used as a point of comparison: 1) public sector respondents (14 organisations out of a total of 311 organisations for all industries) and 2) all other industries (297 organisations out of a total of 311 organisations for all industries).

The following indicators were used, in all or in part, to measure and analyse the extent to which shared services have been adopted by the Irish Public Service and the increase in adoption since 2011 (Research questions 1 and 2, respectively):

- Corporate services (as defined) included in a shared services centre, in 2011 and 2015
- Number of public service operating units or public servants receiving corporate services (as defined) by way of a shared service solution, in 2011 and 2015
- Number of public servants employed in a shared services centre, in 2011 and 2015

To analyse findings, draw conclusions and justify conclusions, descriptive and inferential statistics and content analysis was utilised.

2. Findings & Conclusions

The following section outlines the key findings and conclusions based on the review conducted during the months of July to September 2015. Please see Appendix B for a summary of stakeholders interviewed, both in Ireland and internationally.

2.1. Impetus for Change

The global economic crisis, recession and deficits pushed public sector organisations across the globe to seek process efficiencies and cost savings through models such as shared services; wider reform agendas provided the mandate and the momentum required to establish enabling structures for shared services initiatives and arguably led to greater cost savings and efficiencies

The impetus for change across countries is generally the same - the global economic crisis, recession, deficits, citizens expecting more for less, and a wider reform agenda.

- The UK's journey to shared services largely began after the commissioning of the Gershon Efficiency Review in 2004 **(3)**. It proposed significant savings in expenditure, partially through shared service implementation.
- In Denmark, the move to shared services was largely driven by a general shift to enhance public sector efficiency, service quality, "competitive advantage vis-à-vis the private sector..." and enhance working environments for administrative functions. **(3)**
- In Finland the impetus for change was cost reduction, but also a need to enhance the capabilities of Public Service ICT employees and increase efficiencies to counterbalance high rates of retirement across the Public Service. **(4)**
- Without exception, Irish Public Service stakeholders cited the economic crisis as an initial driver and the subsequent wider reform agenda as the driver that helped to build momentum for the shared services agenda within each sector, establishing shared services as a key priority across Government.

Conclusion

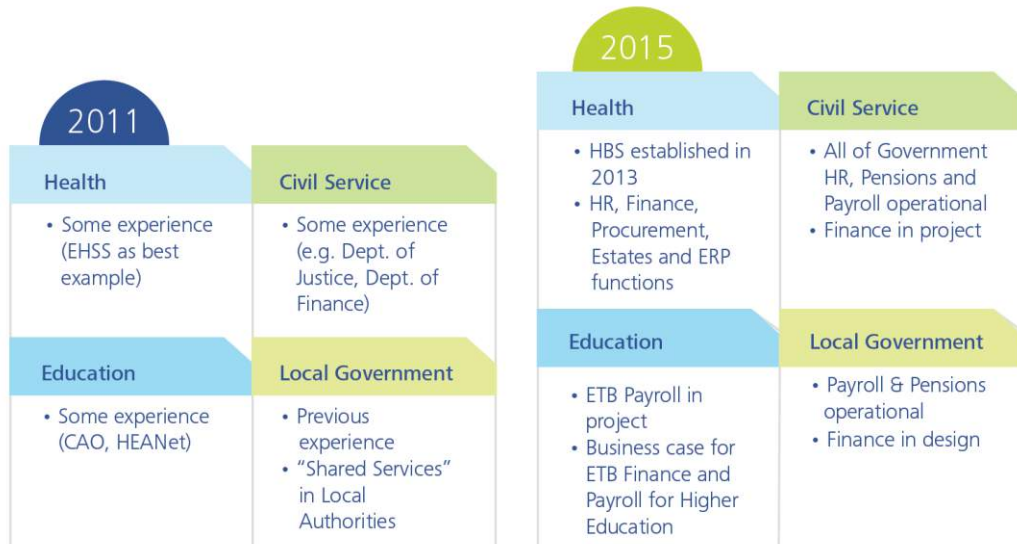
The wider reform agenda in the Irish Public Service had the effect of providing the mandate and the momentum required to establish enabling structures for shared services initiatives such as accountability arrangements. Further, a standardised approach to shared services driven by a central organisation, the programme approach, arguably contributed to the achievement of greater cost savings and process efficiencies. This is due to the fact that best practices and lessons learned can be driven from the centre.

2.2. Adoption

While certain Irish Public Service sectors had experience with "shared-service" type operating models prior to 2011, the Public Service Reform Plan served to establish shared services as a key priority across Government

Each of the Irish Public Service sectors boasts a slightly different journey towards shared services operating models. The following figure depicts the adoptions of shared services across the sectors since 2011.

Figure 1 – Adoption of shared services across the Irish Public Service




As outlined in the following table, the Civil Service and Health sectors are in comparably more mature positions, compared with the Local Government and Education sectors that are in early stages of implementing the corporate services shared services within the scope of this report. It is interesting to note that the Civil Service and Health sectors combined represent nearly 50% of the Irish Public Service, and therefore, there is an opportunity to achieve substantially more benefits from progressing corporate services shared services across the other two sectors: Education and Local Government.


Table 1 – Shared services journey across the Irish Public Service

Civil Service


The journey towards the implementation of shared services within the Civil Service largely began with the publication of the Government's first Public Service Reform Plan in 2011. With the publication of the Plan, a number of business cases were drawn up to test the viability and feasibility of implementing a shared service operating model. The first area investigated for feasibility was HR, followed by Banking, Finance and Payroll. Finance Shared Services is currently in project phase. HR and Payroll were further progressed and implemented into the organisations PeoplePoint and the Payroll Shared Service Centre, respectively. These operations encountered considerable challenges, due in part to an overemphasis on cost savings over process effectiveness. In addition, there is a general perception that insufficient consideration was given to input received from client Departments and Offices. By the end of 2015, 35 organisations will have been migrated to PeoplePoint and 37 to the Payroll Shared Service Centre, with an estimated 40 and 53 organisations migrated, respectively, by 2016/17. (5) The NSSO is implementing ISAE3402 for its operations, an international standard on controls at a service organisation issued by the International Auditing and Assurance Standards Board (IAASB).




130,000 calls answered
353,000 cases closed



Since its creation



c. €67 million



in payments made per fortnight

Local Government

The shared services journey for Local Government began largely before the Public Service Reform Plan. It would be fair to say that local authorities operated, in some capacity, as shared-service type organisations, in that corporate services were consolidated to deliver to all town councils within a county. The sector had also begun standardising prior to 2011. While the sector had been working on a shared basis (through the Local Government Management Board on HR and the Local Government Computer Services Board on ICT and their successor the Local Government Management Agency), the economic crisis was a critical driver for the need for change. The Local Government Efficiency Report, when published, was tasked with investigating which areas could be transitioned and moved towards a shared service operating model. Currently, Payroll and Pension Administration (MyPay) is the only corporate service to have been implemented. 15 local authorities have migrated to the new model at present, with a planned total of 31 at completion. **(5)** Finance shared services is also being progressed and is currently in the design phase. MyPay is implementing ISAE3402 for its operations, an international standard on controls at a service organisation issued by the International Auditing and Assurance Standards Board (IAASB).

MyPay

c. €290 million



Payroll payments made in 2014 and 2015

Health

Traditionally, the Health sector was divided up into what were called health boards (approximately 10 in total) which operated as their own separate units, with their own CEOs and management structures/boards. In 1999, as a further development of the system, the Eastern Health Board was split into a governing authority and three separate Area Boards. Eastern Health Shared Services was established at this time to deliver Procurement, Finance, ICT and HR shared services to the East Health Board.

This system continued up until 2005, when the Health Service Executive (HSE) was established. The HSE operated with a single CEO and a single management board. At this time, a study was conducted to assess the feasibility of a national shared services programme, however, it concluded that the timing was not right for advancing shared services.

The Health sector was restructured again in 2013, and one result of this restructuring was the development of a national programme for shared services. Health Business Services (HBS) was

Health Business Services

€2.86bn

Value of invoices processed in 2014



552

Average number of recruitment requests received per month

established and currently administers the following shared services for the sector: HR, Finance, Procurement (including supply chain logistics), Estates and ERP. HBS provides a central governance and management structure across its portfolio of services. It places particular emphasis on the development of customer relationship management, having

established a dedicated function, which includes a team of Business Relationship Managers. As the implementation of shared services emerged from an organisational restructuring, process standardisation was addressed only after the move to shared services and continues to be an area of improvement.

Education

The Education sector has experienced some successful initiatives which were “shared service” in nature, such as the Central Administration Office (CAO) for the processing of Higher Education entrance applications, and a Higher Education grant funding system (SUSI). HEAnet was established in 1983 for the provision of broadband for schools and ICT network and communications to the Higher Education Sector. (6). In its current shared services model, HEAnet meets the definition of shared services detailed in Section 1.2 of this report. The Department has also centralised the provision of Payroll for over 95,000 primary and secondary teachers in their Athlone facility. While this initiative does not have all of the elements of a traditional shared services such as customer service, it is expected to upgrade to full shared service provision under the current shared services plan. While the Education sector was the least mature of the sectors in terms of the implementation of traditional shared services, the initiatives committed to under the Department’s Shared Services plan for 2014 - 16 will bring shared services to the Education and Training Board (ETB) and Higher Education sectors. These shared service projects are part of an extensive sector-wide programme of reforms, which are being managed as part of the sector’s commitments under the Government’s Public Service Reform Plans.



Government investment in shared services across the globe is significant and growing; the scope of Ireland’s actual and planned investment in shared services is significant and ambitious when compared with international counterparts; the Irish Public Service is in a unique position to network with private and public sector peers for lessons learned and to identify and build talent

Internationally, progress has also been made by Public Service organisations in developing shared service offerings. Based on interviews, a document review and general research, Government investment in shared services across the globe is significant and growing. Table 2 on the following page provides a summary of the functions included in shared services centres across countries and sectors, and those planned to be implemented. *Note that the information summarised in the table is indicative. It is not intended to be a comprehensive list of international public sector shared services initiatives, but rather an environmental scan based on available information.* A brief overview of the shared service journey for each country is also provided in Appendix C. While there are many examples across the Irish Public Service of shared or centralised ICT (Health sector), Payroll and Pension administration services (Education sector), Table 2 includes only those functions delivered through a shared services model as defined in Section 1.2 of this report.

Table 2 – Functions included in shared service centres across countries

Country and Sector	HR	Finance	ICT	Payroll	Pensions
Ireland					
Civil Service*	✓	0		✓	✓
Local Government**		0		✓	✓
Health	✓	✓		✓	✓
Education		0	✓	0	0
UK					
Civil Service	✓	✓	✓	✓	
Local Government	✓	✓		✓	
Health	✓	✓		✓	
Education	✓		✓		
Denmark					
Civil Service	✓	✓	✓	✓	
Local Government					
Health	✓	✓	✓		
Education		✓	✓		
Finland					
Civil Service	✓	✓	✓	✓	
Local Government					
Health					
Education	✓	✓	✓		
Portugal					
Civil Service	✓	✓	✓		
Local Government	0	0	0		
Health					
Education					
Australia					
Civil Service		✓		✓	
Local Government			✓		
Health				✓	
Education	✓	✓		✓	
US					
Civil Service	✓	✓	✓	✓	
Local Government	✓	✓			
Health					
Education	✓	✓	✓		
Canada					
Civil Service	0	0	✓	✓	✓
Local Government	✓	✓	✓	✓	
Health					
Education					

* *Civil Service refers to any central or federal government*

** *Local Government refers to regional governments, for example, county councils in the case of Ireland and the UK or provincial and state governments in the case of Canada and Australia respectively*

Legend: ✓ Implemented 0 Planned

The research across countries demonstrates that the Irish Public Service's actual and planned investment in shared services is significant and ambitious, in line with countries such as Portugal, Canada, U.S. and U.K. A comparison of the level of FTE investment across case studies internationally is presented in Appendix D.

However, Ireland is approximately 15-20 years behind certain international counterparts in beginning its shared service journey within the Public Service (1). At the same time, as compared with other countries, Ireland has been hugely successful at attracting leading multi-national private sector organisations such as Google, Pfizer, and Glanbia to establish their shared services centres in Ireland. Irish semi state organisations such as Ervia and Electricity Supply Board have also established shared services centres. In this context, and given the Irish Public Service is approximately three and a half years into its shared services journey, it is now in a unique position to leverage lessons learned from shared services implementations in the private and public sectors, both in Ireland and internationally.

Conclusion

While efforts have been made to network and learn from other shared services initiatives in the Irish private sector and internationally, for example through networking at IDA Ireland events and building individual networks, the NSSO and the sectors should consider increasing efforts in this area. Given the significant presence of leading private sector shared services centres in Ireland and the experience of Irish semi state organisations, leaders have a unique opportunity to benefit from this proximity, by building networks with these professionals (e.g. shared service employees networking with private sector contacts). Lessons learned through these engagements can be incorporated into future planning and these networks can also serve to identify potential future talent for Public Service shared service centres. Job rotations / swaps with the private sector or semi state organisations would also serve to build the competencies of shared services staff. Other opportunities exist to build international networks too, such as participating in eSPap's 'labs' (innovation events) open to both public and private sector organisations, or the UK's national innovation organisation, Nesta.

2.3. Benefits Baseline / Business Case

The adoption by Irish Public Service sectors of a structured and thorough approach to identifying shared services opportunities and assessing their feasibility is in part evidence of the guidance provided by the NSSO. However, awareness of the NSSO's overall shared services methodology is not widespread across sectors. Therefore, the NSSO should consider building awareness of available tools and guidance

Assessing the feasibility of the shared services initiative, or business case development, is the first phase of a five phase best practice shared services journey, as depicted below. Business case development including the development of baseline benchmarks is crucial to the success of the shared service initiative, as it enables leaders to report on benefits realised and benefits realisation is integral to maintaining engagement across stakeholders.

Figure 2 – Five phases of the shared services journey



The review found that all sectors have undertaken and developed detailed business cases including cost and performance baselines, as well as processes for the review and challenging of business assumptions. As the Health sector's shared services initiative emerged following a restructuring, there

Shared Services in Australia

Finance, HR & Payroll; Education

In 2006, the Government of New South Wales Department of Education launched the Learning Management and Business Reform Program, with the aim of replacing legacy systems with common systems for student administration, Finance, HR and Payroll and establishing shared services for the Department, over 2,000 schools, and 10 Technical and Further Education Institutes (TAFEs). Given the complexity of delivering to both corporate and business employees, this was a significant undertaking.

Solution

- Retirement of legacy Finance, HR & Payroll systems
- Delivery of a common Finance system to the Department, 229 pilot schools and TAFEs
- Delivery of a common student administration system to 229 pilot schools and TAFES

Benefits

- 20,000+ TAFE employees now served by single Finance and HR/Payroll system
- Student administration system serving 500,000+ students
- Benefits estimated at approximately \$139.2M per annum
- Estimated shift of 680 FTE staff per annum to frontline support

Reference: <http://www.audit.nsw.gov.au/news/learning-management-and-business-reform-lmbr-program>

was no business case for shared services developed at the time, however, cost and performance baselines have been documented.

Across sectors, business cases are independently scrutinised and a balance of private and public sector benchmarks used where available. It is still too early to effectively measure the extent to which cost and timeline assumptions included in business cases were found to be accurate across sectors. However, a number of stakeholders commented that the initial timelines established for the Civil Service shared services implementations were too ambitious. Ambitious timelines were said to have been due in part to pressures from stakeholders to deliver in a shorter timeframe, but also due to operational challenges experienced such as the ability to secure skilled resources internally.

Conclusion

The extent to which the sectors have adopted a structured approach to business case development is in part evidence of the effectiveness of guidance provided by the NSSO and driven by the reform agenda. However, awareness of the NSSO's overall shared services methodology was not found to be widespread. Therefore, the NSSO should ensure continued support in this area, by building on the establishment of the Shared Services Sectoral Leaders Network, and increasing communications to build awareness of the tools and guidance available.

Further, in consideration of the challenges experienced to date related to the capacity and capability to deliver multiple complex shared service initiatives, the current timelines for benefits realisation across shared services initiatives should be re-evaluated to determine whether adjustments are required.

2.4. Approach

One of the most significant challenges public sector organisations face when implementing shared services is managing stakeholder complexity. Compared with the private sector, public sector shared services leaders must effectively engage with a multitude of stakeholder groups, each with their own competing priorities. This can pose a challenge to moving forward with decision making and potentially derail a shared services initiative.

The most effective approach for the implementation of shared services, single function versus multi-function and mandated versus voluntary, is one that is aligned to stakeholder, political and economic environments. The public sector shared services initiatives examined for this report are examples of this.

2.4.1. Implementation Approach

Implementation approaches vary across countries and shared services initiatives, in line with the varying scales of initiatives and political and economic environments; a single function shared services centre, moving to multiple functions using a measured approach is the predominant model for most Government organisations studied; increments of transformation is the preferred approach, to incorporate lessons learned and build stakeholder engagement

The approach taken for the implementation of shared services varies across countries and appears to be aligned with the variety of scales across initiatives and the differences in political and economic environments across countries.

A single function shared services centre, moving to multiple functions using a measured / phased approach is the predominant model for most Government organisations studied internationally. In Ireland, the Health sector presents as an anomaly, in that it has implemented multiple functions within a short timeframe: Finance, Procurement, HR, Estates, and ERP.

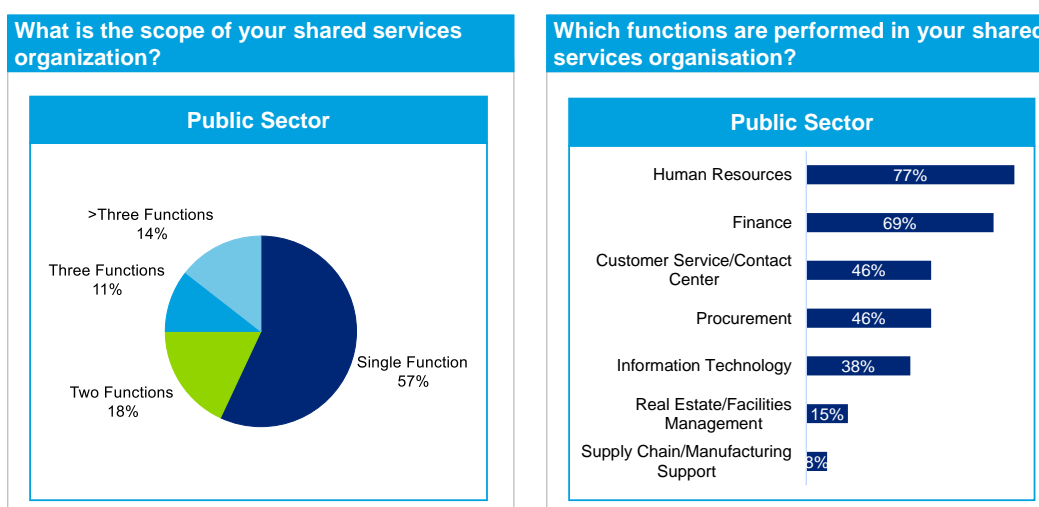
The Public Service in Finland is relatively more mature and planning to consolidate the functions of its shared service centres. (4) Similarly, certain centres in the UK provide up to three functions: Finance, HR and procurement. (7)

In contrast, a top international trend, for industries other than the public sector is to jump directly to multi-function shared services. 60% of respondents to Deloitte's Global Shared Services Survey from industries other than the public sector stated that they were pursuing multiple functions (2 or more functions) at the start of their shared service journey. This compares to only 43% of public sector respondents, as outlined in Figure 3.

Ireland has adopted a sectoral approach to implementation of shared services, whereby the Civil Service, Local Government, Health and Education sectors were tasked with developing discrete shared services plans.

Further, traditional corporate services such as Finance, Human Resources and ICT continue to be those most often included in international public sector shared services. This trend is similar in the Irish Public Service, where the most common functions included in shared services are corporate services, with the exception of the Local Government sector that has begun exploring shared services for mission support services and continues to expand its sights. In the private sector, shared services centres internationally are expanding to include other functions beyond corporate services, such as supply chain, R&D and engineering. This is a reflection of the greater maturity of the private sector, having decades more experience in shared services.

Figure 3 – Scope and functions of shared services



Conclusion

The sectoral approach to shared services, which the Irish Public Service has adopted, serves to balance needs around scale, commonality, complexity and governance.

In a public sector context, a sectoral and phased approach (i.e. sector by sector and one function at a time) is the preferred approach for the following reasons:

- Performance can be assessed along the way, and learnings incorporated into future planning, which mitigates against the risks associated with a more rapid implementation;
- Increments of improvement can serve as a means to garner the support required from the multitude of stakeholders involved in public sector transformations, thereby also mitigating risk. This support is a critical success factor to gaining support from stakeholders for subsequent phases of implementation or expansion of shared services; and
- In the long term, the sectoral approach has the potential to encourage performance improvements by providing for competition across service providers and enabling benchmarking across sectors.

2.4.2. Approach to Participation

A mandate is not sufficient to sustain shared services operations over time – effective and ongoing communications, clear governance and structured feedback mechanisms, political support and engagement of stakeholders at all levels of the organisation is required; the most effective way to maintain engagement is to develop a compelling vision that integrates shared services into broader transformation programmes where they exist

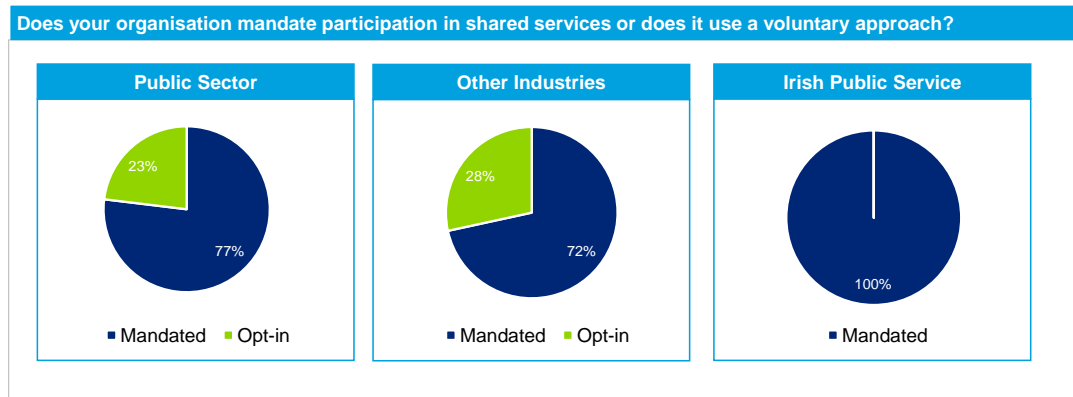
There is consensus across Irish Public Service stakeholders that the approach to participation in shared services was a mandated one. This was important in the early stages of shared services development. In most sectors, this took the form of communicating the reform agenda and negotiating agreements. In Local Government, adherence agreements were drawn up and used to document stakeholder agreement to participate. (5)

Similarly, the mandated approach is the approach chosen by the majority of shared service implementers internationally. This is evidenced both by responses to Deloitte's Global Shared Services Survey, as outlined in Figure 4, and the comparative analysis of public sector shared services across countries outlined in Appendix D.

77% of public sector respondents to the Deloitte Global Shared Services Survey stated that participation in shared services was mandated. The survey indicates that there is only a 5% discrepancy between global public sector respondents and other industry respondents mandating participation in shared services, 77% and 72% respectively. The slight increase on the public sector statistic may indicate that the mandated approach to participation has proven more effective in the complex stakeholder environment of the public sector.

Some variations exist across countries in the extent to which shared services is mandated (please refer to Appendix D). For example, in relation to finance shared services, the Canadian Government has adopted a softer approach (8), issuing a standard on finance systems in 2012. In contrast, the United States published a memorandum in 2013 directing all Departments and Agencies to use, with limited exceptions, a shared service provider / solution for future modernisations of core accounting systems. (9)

Figure 4 – Approach to participation in shared services



The mandated approach is further enabled through organisational design, in particular a programme approach with a central office, a dedicated budget, and decision-making power over the budgets of participating organisations. For example, Ireland’s reform agenda has been particularly effective in driving change, in part due to the establishment of the NSSO and its power to influence. Portugal has also established a shared service program and central office (eSPap). In contrast, the approaches adopted by Canada and the United States resemble programmes by functions, as opposed to one overarching shared services programme. This is likely a reflection of the scale of services in Canada and the U.S. and a measured approach to implementation.

While all sectors of the Irish Public Service were found to have a programme approach, a separate, dedicated budget was only found within the Civil Service and Local Government sectors. Without a separate budget, shared services organisations risk losing their funding, as they compete for funding against front line services or other important policy initiatives.

Conclusion

Whether or not Governments select the mandated or the voluntary approach to participation, change within the retained functional units, changes in ways of working, remain voluntary. Gartner caution that mandates will not be enough to sustain shared services over time without ongoing executive commitment. (10) Stakeholder interviews across the Irish Public Service demonstrate the same.

“You can mandate participation, but you cannot mandate behaviour”. (5)

A mandated approach is not sufficient to sustain shared services operations over time; effective and ongoing communications, clear governance and structured feedback mechanisms, political support and engagement of stakeholders at all levels of the organisation is required if the shared services initiative is to realise anticipated benefits over time.

In the absence of a programme approach, a continued and definitive Government mandate, and effective senior management support, there is a risk that effective and efficient delivery of services will not be sustained over time and the benefits associated with investments made to date will not be realised. The most effective way to maintain engagement is to develop a compelling vision that integrates shared services initiatives into broader transformation programmes that encompass the optimisation of retained functions in customer organisations, where these programmes exist.

“Shared services is a means to an end, the end being the improvement of front-line services through business intelligence and focusing on core business.” (5)

Shared services initiatives should be promoted by leaders as an enabling structure necessary for the achievement of these transformation opportunities.

In this way, leaders are able to move the discussion away from the effort, investment and cost savings associated with shared services, to a discussion related to the qualitative benefits associated with shared services and broader transformation programmes outlined in the following table and as evidenced by international experience.

Table 3 – Qualitative benefits of shared services

Qualitative benefits of shared services	
1.	Improved efficiency, consistency, and service quality, driven and demonstrated by robust service level agreements that are monitored and reported on.
2.	The freeing up of senior management resources to focus on policy development over processing questions.
3.	A customer focused culture.
4.	Enhanced management information through analytics and supporting tools, to support decision making.
5.	Scalable and resilient technology.
6.	The deepening of skills and expertise both in the shared service centre and retained functions in customer organisations.
7.	Attracting talent from both within and outside the Public Service, by creating more attractive positions. This can be achieved by professionalising the Public Service (e.g. accreditations for positions where relevant).

2.5. Leadership

2.5.1. Oversight Arrangements

Across countries, robust oversight arrangements were cited as being essential to facilitate decision making; Irish Public Service sectors have established robust oversight arrangements

Across countries, robust oversight arrangements were cited as being essential to facilitate decision making. The review of Irish Public Service sectors reveals that all of the sectors have established robust arrangements, including Programme Boards or Governance Committees for all sector shared services, a Shared Services Steering Board at the Civil Service level, and a Public Service Reform Oversight Group in the Local Government sector.

Conclusion

At the Civil Service level, robust oversight arrangements may be evidence of the effect of the NSSO's Governance Policy for Shared Services (2013). Designed to ensure accountability for both shared service centres and their customers and to build collaboration between parties, the Civil Service Governance Management Framework includes three Governance boards, supported by management processes and service management.

2.5.2. Leadership Support

Maintaining a definitive Government mandate and effective senior management support is critical to the success of shared services; establishing realistic timeframes for benefits realisation will set the initiative up for success; moving the discussion toward qualitative benefits can help build and maintain engagement

A structured and formal approach to communications and change, including dedicated resources, was not consistently established across sectors in the early stages of Ireland's shared services journey. However, the Irish Public Service has learnt from experience and sectors are showing improvement. Local Government, Health and Civil Service sectors have recently hired dedicated resources in the

area of change and communications management.¹² In the early stages of its shared services initiatives, the Education sector recently put in place a dedicated communications resource and communications plan for the ETB Payroll project.

Political support and Government leadership is generally considered strong across sectors, and was unanimously cited by stakeholders as a key success factor. Based on stakeholder interviews and international research, once Governments have implemented shared services, maintaining a definitive Government mandate and effective senior management support over time is both a challenge and critical to the success of shared services. The OECD states that “establishing...shared service centres can only be done with the co-operative effort of the top managers of ministries concerned.” (3)

There is an inherent conflict between the length of time major shared services transformations require to realise benefits, which is generally greater than five years, and the length of political mandates, which are generally shorter. This creates different expectations for project teams and political leaders, in relation to timelines for benefits realisation.

Further, the primary focus and function of leaders in the Public Service has traditionally been policy development and appraisal (with notable exceptions, for example, the work of the Office of the Revenue Commissioners and the Department of Social Protection). This poses challenges to project teams working to build stakeholder engagement for shared services, as shared services are rightly perceived to be a question of operational effectiveness, and therefore a lower priority as compared with other policy-related priorities.

Conclusion

To set the shared service initiative up for success, it is crucial that shared service leaders establish realistic timeframes for benefits realisation, despite significant pressure at times from political or Government leaders to shorten timeframes. The UK National Audit Office report (2012) underlined the importance of ensuring that projections “adequately reflect the identified risks of the project and have sufficient allowance for optimism bias”. (7)

Further, while the focus of initial shared services initiatives across the Irish Public Service has been process efficiency and cost savings, leaders should seek to move the discussion towards other potential benefits of shared services, if they are to build and maintain leadership support over time (see Section 2.4.2 Approach to Participation).

¹² Change management consists of strategies to empower employees to accept change in the work environment (including creating a vision for change, communicating the vision, removing policy or procedural obstacles to change, understanding stakeholder requirements and roles, etc.).

2.6. Benefits Realisation

For the purposes of this examination, benefits realisation is defined as the realisation of a target shared service objective or outcome.

2.6.1. Qualitative Benefits

Irish shared service leaders should ensure lessons learned internationally related to technology improvements are considered in planning; enhanced management information is a key qualitative benefit of shared services that has the potential to enable policy development - communications should be increased to build awareness of this fact

Process quality, data visibility and comparability and internal controls were identified by Irish Public Service stakeholders as the top areas where shared services has had a significantly positive impact to date. This is broadly in line with the benefits realised by global public sector shared service

Shared Services in Finland

Finance & HR; Education

In 2008, Certia was founded by the Finnish Government after the decree on the Service Centres of Universities. A shared services organisation which provides services in the realm of Payroll and personnel data management and Finance to nine universities, the founding of the organisation was largely as a result of significant structural reform in the higher education sector and the decrease in the amount of public funding available, subsequently giving rise to the need for cost savings. Universities changed their legal status, and as a result, Certia became a limited company in 2010.

Solution

- Consolidation of Finance and HR functions
- Implementation of SAP system for shared service centre
- Development of SLAs between service provider and customers

Benefits

- Distribution of university resources more efficiently across central functions
- Serving 9 universities and a total of 17,500 end users
- Delivery of over 250,000 purchase invoices, 60,000 sales invoices and 130,000 payslips
- 12,500 active users on SAP systems
- Turnover of over €9.2m in 2014

References:

http://www2.deloitte.com/content/dam/Deloitte/ie/Documents/PublicSector/shared_services_education_deloitte_ireland.pdf

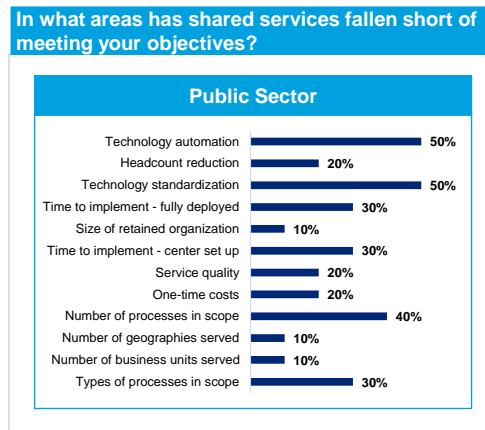
http://www.certia.fi/tmp_certia2012_site_0.asp?sua=2&lang=3&s=138

implementations. In contrast, private sector respondents to the Shared Services Survey noted that cost reduction was the area where the most significant positive impact was observed.

Anticipated benefits, based on business cases developed by Irish Public Service sectors, point to an increase in the strategic nature of the work performed by retained functions, elimination of the dependency on a few key resources in each retained organisation, process efficiency, improved service delivery, a customer focused culture, improved reporting, scalable and resilient technology, and the deepening of skills and expertise both in the shared service centre and retained functions.

Where Shared Services Survey respondents from the public sector fell short of meeting objectives was in technology automation and standardisation, as per the figure below. **(2)** This was also a key challenge in the U.K.'s experience of shared service initiatives. **(7)**

Figure 5 – Where shared services fell short of objectives



Conclusion

The Irish Public Service should ensure it manages its technology projects closely and incorporates lessons learned internationally, to mitigate against the risk of not realising efficiencies from technology automation.

Data visibility and comparability, or enhanced management information, is a key qualitative benefit of shared services that has the potential to enable policy development. Sectors should seek to build awareness of this fact, by implementing pilot projects to demonstrate the ‘art of the possible’ to stakeholders.

2.6.2. Actual or Anticipated Headcount Reduction and Optimisation of Retained Functions

Anticipated headcount reductions for the Irish Public Service are in line with international comparators

Headcount reduction is a contributing factor to achieving cost savings in shared service implementations. 49% of Shared Services Survey respondents from other industries realised a reduction between 10-30%. A further 11% realised a reduction of more than 30%. Similarly, 70% of public sector respondents saw a reduction in range of 10 – 30%. Figures from Irish Public Service business cases indicate anticipated headcount reductions are somewhat higher than, but in line with, international comparators, at an average of ~23%.

International experience demonstrates that realising anticipated reductions within the retained functions is a common challenge and one that requires significant focus (see Section 2.4.2). This was a key risk / lesson learned identified in the 2012 UK National Audit Office report on shared services. The results of the review highlighted the fact that most customers of shared services had not “optimised benefits from the implemented solutions or adequately worked with the Centres to understand the cost drivers”. (7)

In Ireland, the Health and Civil Service sectors also identified inconsistent states of readiness of customer organisations as a key challenge. In the Civil Service, while certain Departments have progressed well in this respect to date, the task of ensuring retained functions across the Departments are optimised will require continued efforts and focus.

For the Irish Public Service to fully realise anticipated reductions within retained functions requires active engagement by shared service leaders and the NSSO with retained function heads, and the integration of shared services into broader transformation programmes that include the optimisation of retained functions, where these programmes exist.

2.6.3. Actual or Anticipated Payback Periods

Public sector shared services typically have payback periods longer than those in the private sector, pointing to unique challenges in the public sector

Payback periods for shared service initiatives are an indication of return on investment. Based on research, public sector organisations typically have a payback period longer than organisations in the private sector.

In the Irish Public Service, 62% of shared services initiatives anticipate a payback period of more than 4 years and the remainder between 3 and 4 years. Similarly, global public sector respondents tended to have longer payback periods compared with other industries. In contrast, 81% of respondents from other industries reported a payback period of between 1 and 4 years, with 17% reporting a period of less than 1 year.

Conclusion

This variance with the private sector is evidence of the unique challenges that public sector shared services leaders face, as evidenced by international experience:

Table 4 – Unique challenges that public sector shared service leaders face

Unique challenges that public sector shared service leaders face
1. Complexity of the stakeholder landscape and competing priorities.
2. Complexity of the public procurement process.
3. Prescriptive terms and conditions of employment.
4. Challenges in realising FTE savings due to absence of compulsory redundancies.
5. Lower appetite for external service delivery models, driven by limited experience with contract management.
6. Lower appetite for risk, due in part to public scrutiny of government activities.

2.7. Benefits Tracking

There is an opportunity for the sectors to develop a set of key performance indicators and a formal process to monitor and report on shared services benefits realisation and for the NSSO to provide guidance and tools

Across Irish Public Service sectors, benefits tracking is in early stages of development, as the focus of shared service centres has been on establishing operations. This is consistent with standard practice, which is to develop formal processes for benefits tracking post implementation.

A few sectors such as Health and Local Government have developed and report on a set of performance indicators (as part of service level agreements). However, there was limited evidence of more comprehensive measurement of benefits realisation at the enterprise level, or the development of formal mechanisms for monitoring and reporting on performance and capturing and incorporating lessons learned from customers.

Conclusion

There is an opportunity for the sectors to develop a set of key performance indicators and a formal process to monitor and report on benefits realised. There is also an opportunity for the NSSO to provide guidance and tools to sectors on benefits tracking / performance management. This would support the sectors in establishing key performance indicators and robust processes for measuring, monitoring and reporting on benefits / performance. This would also ensure consistency of approaches and key performance indicators across sectors, which would aid in benchmarking across sectors.

2.8. Customer Engagement

There is an opportunity for the sectors to develop formal mechanisms for customer engagement and for the NSSO to support the sectors in establishing these mechanisms; there is an opportunity for the sectors and the NSSO (following formal establishment) to build a strong employee culture across shared service centres and attract and retain talent, by building the NSSO brand and measures such as job rotations

All sectors that have implemented shared services have service level agreements in place with their customers and some degree of customer representative groups – for the most part through Board representation. However, sectors are only beginning to engage through formal mechanisms with management level customer representatives, or planning to do so in the short term. For example, the Local Government sector has recently developed a customer service survey.

Among the sectors, the Health sector appears to have invested the most in customer relationship management:

- Development of a Customer Relationship Management Strategy and Customer Charter
- Recent appointment of seven Business Relationship Managers to enhance the relationship between HBS and its customers;
- Use of employee engagement initiatives to establish and enhance the organisation's culture; and
- Rebranding its shared service centre to 'Health Business Services' as a means of communicating and reinforcing its position as a service provider.

According to the respondents from the Shared Services Survey, both public sector and other industries, the top method for attracting and retaining talent is to focus on culture, followed by company branding, job sharing and job rotation. Further, providing shared service employees with the opportunity to rotate into a position in a retained function within a customer organisation helps to build their understanding of business requirements, which can ultimately help to build customer engagement. Providing job rotation opportunities with semi state or private sector shared service organisations may be another potential opportunity.

Conclusion

There is an opportunity for sectors to develop formal mechanisms for customer engagement and for the NSSO to guide and support sectors in establishing these mechanisms.

There is also an opportunity for the sectors and the NSSO to build a strong employee culture across shared service centres and attract and retain talent, through measures such as:

Shared Services in Canada

ICT; Central Government

Shared Services Canada (SSC) is a federal department created in 2011 with the imperative to carry out and improve IT service delivery across the Government of Canada, as a result of cost saving measures brought about by the economic downturn. Its mandate is to streamline and standardise certain administrative services that support government institutions (email, footprint of data centres, government-wide network and transformed telecoms).

Solution

- Streamlining of ICT infrastructure, while standardising service management
- Launch of a single email solution for over 43 partner organisations
- Consolidation of data centres from approximately 400 to 20
- Streamlining and modernising of network infrastructure and services, such as voice, videoconferencing and contact centres
- Concentration of workplace technology procurement for 94 in-scope organisations

Benefits

- Migration of 375,000 mailboxes to a single system, generating \$50M in annual savings upon implementation
- Decrease in total area allocated to data centres and number of servers, while increasing total storage nearly sevenfold
- Projected annual savings from workplace technology enhancement of \$8.7 million

Reference: www.ssc-spc.gc.ca/index-eng.html

- events to develop networks across shared service initiatives;
- building the NSSO brand (following formal establishment); and
- job rotation opportunities for shared service employees, to gain experience in the functional units of retained organisations, in shared service centres across sectors and with private sector shared services or semi state organisations.

2.9. Future Plans and Expected Benefits

A key focus for sectors over the next 3 to 5 years will be to solidify achievements to date, complete projects, and expand the scope of shared services; human resourcing, effective change and customer management, continued investment in technology, and consistent political support and leadership engagement will be key enablers

For Irish Public Service sectors, the plans to further develop shared services over the coming 3 – 5 years consist primarily of solidifying achievements through continued people, process and technology improvements in shared services already implemented, completing existing projects, increasing the scope of shared services, and optimising operations.¹³ For example, the Health sector is looking to invest in its people and technology.

The Civil Service, Local Government, and Education sectors are aiming to expand their shared service offering to some extent:

- Civil service: the Financial Management Shared Services project is to be implemented, subject to a final Government Decision.
- Local Government: business cases are in development for additional shared services, including Procurement, Debt collection and Roads Management.
- Education: other shared service opportunities are being investigated, such as Finance for the ETBs, Finance and Payroll for Higher Education, and a common Pension platform for the entire sector.

To support the delivery of future plans, the sectors identified the following key enablers:

Table 5 – Key enablers identified by the four sectors

Key Enablers
1. Availability and retention of skilled staff
2. Effective change and customer engagement
3. Continued investment in technology
4. Consistent political support and leadership engagement

Most sectors are still in investment stage at present and therefore, the cost savings and overall net savings associated with shared services have not yet been realised. There have been some significant achievements though, such as HBS's achievement in 2014 of a savings of €30.5m in procurement. **(5)**

Further, the sectors are well positioned to demonstrate benefits realised, as baseline benchmarks are well documented in business cases or other documentation. The Health sector is also beginning to measure employee culture and engagement and identify improvements, therefore, it will be in a position to report on these indicators in the short term.

The sectors generally plan to invest savings from shared service improvements into both front line services and shared service centre operations (to support sustainable operations and enhance service quality). For the Education and Health sectors, front line services was cited as a top priority. Public sector respondents of the Shared Services Survey plan to invest savings in front line services first, followed by technology and process improvements. Estimated payback periods, headcount reductions and annual net savings for each sector are outlined below. **(11)**

¹³ Reflecting the scope of this review, Section 2.9 does not address plans in relation to other potential shared services.

Table 6 – Estimated payback, headcount and net savings from sector business cases

Estimated Figures Based on Business Cases			
Sector / Initiative	Payback Period	Headcount Reduction	Annual Net Savings
Civil Service			
HRSSC "PeoplePoint"	4 Years	17%	€12.5m
PSSC	3.2-3.3 Years	18%	€5.6 - €7.3m
FMSSC	6.7 Years	24%	€14.6m
Local Government			
MyPay	6 Years	28%	€4.3m ¹⁴
Health			
Health Business Services ¹⁵	5 – 6 Years	10%	€2.5m
Education			
ETB Payroll	8 Years	25%	€1.8m
HE Payroll	5-6 Years	21%	€3.2 - €3.3m
ETB Finance	5-6 Years	25%	€3.8 - €4.2m

Conclusion

To support the delivery of future plans, the following critical success factors and opportunities for improvement were identified:

A continued and definitive Government mandate and effective senior management support

A mandated approach is not sufficient to sustain shared services operations over time; effective and ongoing communications, clear governance and structured feedback mechanisms, political support and engagement of stakeholders at all levels of the organisation is required if the shared services initiative is to realise anticipated benefits over time.

Further development of benefits tracking and customer engagement processes

Sectors should seek to further develop processes for benefits tracking and customer engagement, including capturing and incorporating lessons learned from customers, within and across corporate services and citizen-facing service sharing initiatives. The NSSO should seek to support improvements in this area through guidance and tools. In the 2012 UK National Audit Office report on shared services, the importance of incorporating lessons learned into future planning was underscored and the review found that leaders fell short in establishing reliable cost and performance benchmarks and documenting lessons learned. The report also emphasised the importance of ensuring benchmarks cover both customer and provider performance. (7)

A compelling vision to meet evolving stakeholder needs

A definitive Government mandate and effective senior management support is required to deliver shared services, but a mandated approach alone is not sufficient to sustain shared services over time. The most effective way to achieve this is to develop a compelling vision that is aligned with the Reform Programme and integrates shared service initiatives into broader transformation programmes (where these exist) that encompass the optimisation of retained functions within customer organisations. This is also a key approach being pursued by the UK's Next Generation Shared Services Programme.

¹⁴ Based on figures from February 2014, this is the expected saving from 2017 -2023 with the figure expected to rise to €5.3 million approximately after 2024. This increase is based on the expected completion of the loan to fund the running of MyPay during the implementation phase.

¹⁵ The HBS figures are not based on business cases but on achievements made.

Finally, shared services should be promoted by leaders as an enabling structure necessary for the achievement of these transformation opportunities.

Networking with private sector and public sector leaders for lessons learned and talent development

In order to develop a further understanding of lessons learned, identify potential future talent, and build current talent, leaders should seek to build networks with private sector shared services contacts in Ireland and public sector shared services contacts internationally.

Enhancement of employee culture

Once the NSSO is formally established, the sectors and the NSSO should seek to enhance employee culture across the shared service initiatives, through measures such as job rotation opportunities, events to develop networks across shared services initiatives and building the NSSO brand.

Reassessment of the current timelines

In consideration of the challenges experienced to date related to the capacity and capability to deliver multiple complex shared service initiatives, the current timelines across sector shared services should be evaluated to determine whether adjustments are required. The UK National Audit Office report (2012) underlined the importance of ensuring that projections “adequately reflect the identified risks of the project and have sufficient allowance for optimism bias”. (7)

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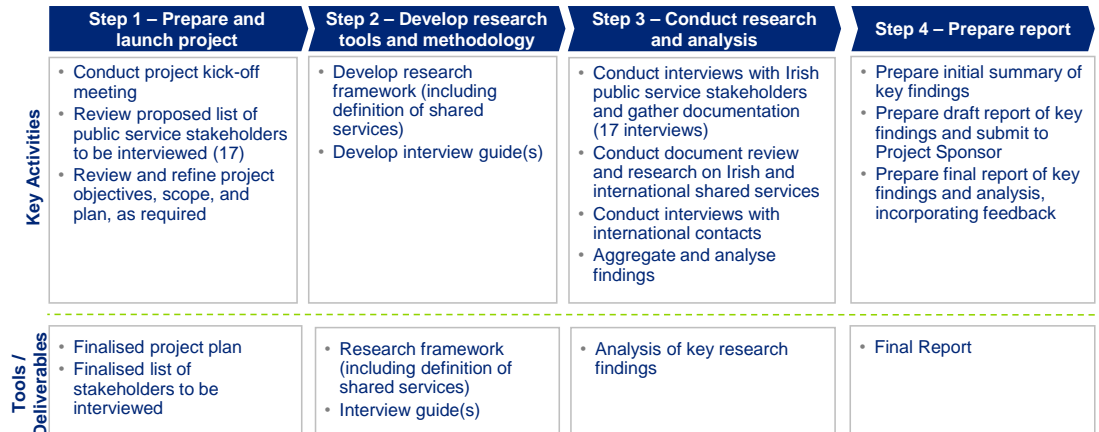
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Appendix A – Approach and Methodology

The following diagram outlines the four step approach used for the review of shared services in the Irish Public Service and internationally.



A number of methods were utilised to collect data for the purpose of the research. These methods and the research questions to which they relate are summarised in the table below.

Research Question	Data Collection Method				
	Interviews with senior stakeholders across the Irish Public Service	Review of documents provided by Irish stakeholders	General Research	Review of Deloitte case studies and Global Shared Services Survey	Interviews with international stakeholders
1. To what extent have Shared Services (as defined) been adopted by the Irish Public Service?	✓	✓	✓		
2. To what extent has Shared Services adoption increased in the period since the publication of the Government's first Public Service Reform Plan?	✓	✓	✓		
3. What are the plans across the Irish Public Service to further develop Shared Services?	✓	✓			
4. What are the actual and anticipated benefits derived from Shared Services internationally, related	✓	✓	✓	✓	✓

trends, and how does the Irish Public Service compare?

5. What level of investment and commitment is required by the Irish Public Service, to continue to develop Shared Services as a key priority?	✓	✓	✓	✓	✓
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Appendix B – Stakeholder Interviews

The following list summarises the stakeholders interviewed as part of the review.

C1 – Interviews Conducted In Course of Review (Irish)

Interviewee	Title	Interview Date
Ms. Claire Gilligan	Assistant Chief Executive, Local Government Management Agency	24/07/2015
Ms. Marion Edwards	Shared Services Advisor, Department of Education & Skills	27/07/2015
Ms. Ruth Carmody	Assistant Secretary General, Department of Education & Skills	28/07/2015
Mr. John Smith	Deputy Director, Health Business Services	29/07/2015
Mr. Conn Murray	Chief Executive Officer, Limerick County Council / client representative for Local Government	29/07/2015
Mr. Richard Dolan	Programme Manager, National Shared Services Office	04/08/2015
Mr. Damian Casey	Head of Finance, Health Business Services	06/08/2015
Mr. Pat Gallagher	Chief Executive Officer, Westmeath County Council and client representative for Local Government sector	07/08/2015
Ms. Joan Curry	Head of Corporate Services, National Shared Services Office	11/08/2015
Mr. Rob O'Toole	Head of PeoplePoint, National Shared Services Office	12/08/2015
Ms. Hilary Murphy-Fagan	Chief Executive Officer, National Shared Services Office	13/08/2015
Ms. Patricia Murphy	Assistant Secretary, PeoplePoint Programme Board Member and client representative, Department of Social Protection	13/08/2015
Ms. Orlaigh Quinn	Assistant Secretary and Chairperson of PeoplePoint and PSSC Programme Boards, Department of Public Expenditure and Reform	24/08/2015
Mr. Robert Watt	Secretary General, Department of Public Expenditure and Reform	01/09/2015
Sir Bruce Robinson	Chairman, Financial Management Shared Services (FMSS) Programme Board, & Former Head of Northern Ireland Civil Service	03/09/2015

Mr. Des Dowling	Assistant Secretary and Programme Board Member, FMSS & Payroll Shared Services Centre, Department of Defence	03/09/2015
Mr. Michael O'Boyle	Finance Officer, Department of Defence	03/09/2015

C2 – Interviews Conducted In Course of Review (International)

Interviewee	Title	Interview Date
Mr. Jaime Quesado	President of eSPap, Portugal	31/07/2015
Mr. Markus Kaihoniemi	National Shared Services Leader, Deloitte Finland	07/08/2015
Ms. Susan Merzell	National Shared Services and Outsourcing Leader, Deloitte Sweden	01/09/2015
Mr. Ulrik Linder Jakobsen	CFO Services Leader, Deloitte Denmark	02/09/2015
Mr. Paul Chinn	Director, Next Generation Shared Services Programme, United Kingdom Cabinet Office	07/09/2015

Appendix C – Shared Services Journey across Countries

The following table provides a brief overview of the shared service journey for those governments known to be mature in relation to developing shared services. (12)

Denmark	Finland	Portugal	UK	Australia	Canada	USA
<p>The Danish Government first introduced shared services in the mid to late 1990's, largely as a result of a focus on efficiencies. In the early 2000s, a common system and Finance shared services for all of government was introduced. HR and Payroll shared services was also created at approximately this time and ICT shared services in approximately 2006. The Health and Education sectors established HR, Finance and ICT shared services and Local Government have also been exploring shared services, but mostly in mission support and not corporate services.</p>	<p>The Finnish Government's shared service journey began in 2003, the impetus being a lack of sufficient ICT skills and the need to increase efficiencies to counterbalance high rates of retirement. In 2006, five shared service centres were established to deliver Finance & Payroll services to all government agencies and ministries; four locations were later consolidated and continue to migrate to a common platform. More recently, the central government has also implemented shared services for ICT, Real Estate, and Procurement.</p>	<p>Portugal began implementing shared services for Procurement, HR and ICT, though on a small scale, approximately 15 years ago, when the government implemented new organisational structures across Departments and a strategy for public sector shared services in ICT. In 2012, eSPap was created under the Ministry of Finance, tasked with developing tools and supporting the implementation of Finance, HR, Procurement, Fleet Management, and ICT shared services across the Health, Education, Local and Civil Service sectors. Finance, HR and ICT shared services has been implemented at the Civil Service level. Local Government has plans to implement HR, Finance, ICT and PMO shared services.</p>	<p>Following the Gershon Efficiency Review in 2004, the UK Government moved to try and deliver cost savings and improve standardisation via a number of means including shared services. By 2011, eight shared service centres have been established, providing Finance, HR, Procurement and Payroll service. In 2011, the Government introduced a new vision, the "Next Generation Shared Services Programme", to drive efficiencies and further rationalise service providers. Services are now delivered from five shared service centres by a combination of public sector and private sector service providers. Local government has implemented shared services in various locations, with a number of county councils partnering in shared services.</p>	<p>In 2010, the Australian Government rationalised Finance systems by consolidating agencies into clusters with one system. These shared services arrangements had varying degrees of success, with some clusters more mature today than others. Since 2010, shared services has been adopted in an ad hoc fashion. 2014 saw the introduction of the Contestability Programme, with the objective of reviewing government programmes to determine whether alternative service delivery models would deliver services more efficiently. Some local (state) government shared services initiatives have been implemented, with varying degrees of success.</p>	<p>The Civil Service journey commenced in 2009 with the transformation of Payroll and Pension administration to more easily meet policy and legislative requirements and enable cost savings. A common pay and pension system now delivers services to pensioners and employees. Shared Services Canada was established in 2011 to deliver shared ICT services. Finance system improvement has been completed sporadically, and HR is under review. The Province of British Columbia began implementing shared services in early 2000, and New Brunswick, Nova Scotia, and Ontario have also implemented or plan to implement shared services.</p>	<p>The US Government journey towards shared services began in the 1980's, by the Office of Management and Budget, in an attempt to decrease the number of duplicate systems and move to a more electronic based administrative processing. E-Payroll, which consolidated 26 disparate payroll systems, was created in 2002. The 2005 Management Agenda from the President designated corporate services as "Lines of Business" and Departments and Agencies were directed to select from a designated list of service providers for each function. A number of state governments have also implemented shared services such as the states of Pennsylvania and New Jersey.</p>

Appendix D – Comparative Investment and Approach to Shared Services across Countries

The following summary provides a comparison of the level of FTE investment across case studies internationally. For comparison purposes, one representative case study was selected per country. (13)

	Ireland						Denmark (Note D)	Finland (Note E)	Sweden (Note F)	UK (Note G)	Australia (Note H)	Canada (Note I)	USA (Note J)
	Civil Service (Note A)		Local Govt. (Payroll and Pension incl. central hosting)	Health (HR, Payroll, Pension, Finance, ERP)	Education (ICT)	No. of Shared Services Staff (Note A)							
	Payroll	HR and Pension											
No. of Shared Services Staff (Note A)	136	335	57	581	59	508 (3)	570	330	2,700	Not available	6,006	Not available	
No. of Customers Served by Shared Services Centre (Note A)	31,000	28,438	31,044	118,500	69,000	33,000 (17)	90,000	47,582 (17)	230,000	20,000	375,000	650,000 (18)	
Customer Served per Shared Services FTE	228	85	545	204	2,000	65	129	144	85	-	62	-	
Mandated Approach?	Yes	Yes	Yes	Yes	Yes	Yes (19)	Yes (19)	No (20)	Yes	No (15)	Both	At least partially (9)	
Percentage of Population Receiving Shared Services of Some Form (Note B & C)	N/A	84%	56%	75%	58.5%	Not available	Not available	Not available	Not available	Not available	Not available	Not available	

Notes:

- A. 'Payroll', as listed under the Civil Service heading, includes the processing of payments related to pensions. 'HR and Pensions' encompasses pension administration.
- B. Figures are as at October, 2015.
- C. Percentages based on:
 - Civil Service (PeoplePoint): 28,438 current public servants receiving shared services less 634 non-civil servants, and 33,114 estimated PeoplePoint customers when fully implemented (27,804 / 33,114 = 84%). A small number of public service customers have been deducted to allow the calculation of the percentage of civil servants receiving services from PeoplePoint.
 - Local Govt: 31,044 Local Authority payees (staff and pensioners) centrally hosted in Local Government Data Centre and 55,871 projected payees (staff and pensioners) when fully operational c. 2016. (31,044 / 55,871 = 56%).
 - Health: 118,500 HBS customers, consisting of 4,500 Tusla employees, 36,000 health sector pensioners, and 78,000 statutory health sector employees, and a total health sector population of 157,500 (118,500 / 157,500 = 75%)
- Education: 69,000 sector employees receiving HEAnet shared services (Higher Education (23,000), post primary (20,000), and Education and Training Boards (26,000) and a total of 118,000 permanent sector staff (69,000/118,000 = 58.5%).
- D. Denmark: central government, (HR and Finance).
- E. Finland: central government, Palkeet, (Finance and Payroll).
- F. Sweden: central government, (Finance and Payroll).
- G. UK: 5 centres of central government, (Finance, HR, Payroll, Procurement, ICT, Pensions).
- H. Australia: state government, (HR, Payroll, Finance).
- I. Canada: central government, Shared Services Canada (ICT).
- J. USA: central government, US Department of Agriculture, National Finance Centre (HR and Payroll).

