



Australian Government  
Department of Finance

# Discussion Paper

Whole-of-Government - Shared and Common Services Programme

DRAFT FOR DISCUSSION

**DECEMBER 2015**

# Objectives of the engagement

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This Discussion Paper seeks the views of interested parties on the most effective and efficient way to consolidate shared and common service delivery in a manner that represents value for money to Government.

The Department of Finance (Finance) has consulted other Australian jurisdictions and overseas governments on their approaches and lessons learnt from the delivery of shared and common service. Finance seeks to further frame the future Australian Public Service (APS) strategy for the Shared and Common Services Programme (the Programme) through engagement with the private sector.

Finance is seeking market intelligence, in particular, to understand whether opportunities may exist for partnering with the private sector to deliver shared services and the risks or issues associated with this.

Respondents are encouraged to be innovative when submitting information. The questions do not imply that particular options will be adopted, but rather seek to fully understand the models currently in place and the value propositions for such arrangements.

Finance is keen to receive responses from all sectors of the community, including: system integrators; software and hardware vendors; business process providers; shared service providers; and consultants and advisers (including change managers), who are in a position to provide constructive input to the delivery of the objectives of the Programme.

Finance is not seeking marketing material, but rather a considered response to the questions in this paper that are relevant to activities of your business.

## Australian Public Service Transformation

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Australia is changing rapidly economically and socially, with the Government facing increasing financial challenges. In the face of this rapid change, the APS must become modern and agile so that it can more quickly respond to the expectations of Government and the Australian community.

The APS needs to adopt an outcomes-oriented approach to transformation with an emphasis on implementing new approaches, learning and moving quickly. Transformation must occur rapidly, and is the responsibility of Secretaries, Chief Executive Officers and APS members collectively and individually.

The APS Transformation strategy will lead to:

- personalised services for citizens delivered through a choice of providers;
- greater involvement of business and Non-Government Organisations in delivering outcomes for Australians;
- responsive, accurate advice to Government of the highest standard, suitable to a dynamic operating environment; and
- seamless provision of services across the existing tiers of governments, without duplication or overlap.

APS Transformation will occur at three levels:

- strategic transformation – to focus our roles and responsibilities and how best to allocate and manage public resources to secure the best outcomes and maximise public value;
- organisational transformation – to create a culture of high performance and delivery; and
- operational transformation – to capture the benefits of scale and scope and improve the level and cost of service delivery.

Finance is overseeing the Programme, which is a key component of operational transformation. The Programme has a three to five year implementation timeframe and it will support the Government's *Smaller Government agenda* by standardising, consolidating and automating back-office services, saving money and allowing agencies to better focus on Government priorities.

The Programme's first tranche will seek to consolidate core transactional services (accounts payable/receivable, credit card management, ledger management, pay and conditions and payroll administration), as these services have a low to moderate complexity, are considered low risk and have a high volume of activity. Value-add transactional services (such as asset management, learning and development, recruitment and ICT services) are under consideration within a second phase of consolidation. Throughout this process, agencies will retain control of strategic business decisions that are central to the fulfilment of their mandate and mission. The Whole-of-Government corporate business services catalogue outlines core transactional services; value-add transactional services; and strategic services (refer [Appendix A](#)).

## Current state

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Modelling of data from the Programme's benchmarking exercise (August 2015) resulted in an estimated total cost of corporate services across the APS of between \$3.5 billion and \$4.0 billion per year. Tranche One activities are estimated to make-up one third of the total cost with almost 70 per cent of this expenditure made up of either internal staffing or contractors (other costs are predominately consultancy or supplier costs). This estimate provides an insight into the size of the pool from which potential benefits could be realised through economies of scale, standardising and automating transactional business processes and other efficiency improvements in the delivery of these services.

A snapshot of the state of corporate service provision undertaken in mid-2015 showed that:

- There are significant disparities in efficiency across the APS.
- The APS currently has approximately 85 internal service providers (including those agencies that provide to themselves) across 96 non-corporate agencies. A visual representation of the current arrangements in the public sector is included at [Appendix B](#).
- These internal service providers have 239 individual relationships with private sector organisations who assist with the provision of the range of corporate services.
- The majority of agencies have indicated a desire to be consumers of services in the future as they do not consider these functions as core activities of their respective agencies. Eight agencies are currently identified as potential service providers.
- There are over 200 unique ERP systems across the APS, with no common data definitions, processes and contractual arrangements. Agencies typically make investment decisions in isolation, resulting in reduced purchasing power, unnecessary customisation and a 'seller's market' for licensing and consulting services.

Given this, the APS needs to modernise its back-office functions, giving itself the tools needed to work effectively and shift to modern, flexible and scalable technology solutions.

Despite the evident potential benefits, there has been a long history of, at best, partial success in moving to shared services. Evidence from other jurisdictions indicates that:

- a preoccupation with short-term savings has been a contributing factor in the failure of these projects;
- there has been a lack of improvement in the efficiency of offerings; and

- mandating the integration of large numbers of end users into rigid clusters over the short to medium term is problematic.

These lessons have been incorporated into the Programme strategy.

### Benefits Realisation

Significant Whole-of-Government benefits are expected to flow from the consolidated provision of back-office services including:

- cost effective, high quality provision of services;
- faster and more accurate aggregation of Whole-of-Government information;
- better supported government decision making;
- agility and scalability to respond to Machinery-of-Government changes; and
- a more responsive and efficient public sector.

The Programme will drive benefits through a focused and planned transition that includes:

- services for many being provided by a few shared service providers;
- better harnessing of the APS's purchasing power;
- targeted reduction of financial and organisational costs;
- more seamless staff / function transfers between agencies due to standardisation;
- up-to-date systems and efficient, automated business processes;
- common practices and data structures; and
- regular benchmarking of costs to demonstrate and deliver ongoing value for money to customers.

Between now and June 2016, additional work will be undertaken to address complex issues, particularly in relation to the operating model and investment/savings requirements. Key issues to be resolved include:

- identifying the optimal number of providers, noting the that a choice must be made about the trade-off between the provider scale and speed of transition;
- the most efficient way of achieving mature service delivery, whether that be through investment in public sector providers, outsourcing to the private sector or internal consolidation followed by market testing;
- how to support consuming agencies to identify a preferred provider when providers are generally unable to provide decision-quality information due to their lack of maturity;
- how to achieve a contestable environment through benchmarking of public sector providers against each other and private sector counterparts; and
- the most efficient approach to managing small agencies given their requirements, capacity for upfront investment, and lower scope for efficiencies.

This work will feed into the final implementation plan to be delivered for commencement on 1 July 2016, noting that consolidation is already underway and will continue through this period.

# Early Market Engagement

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Finance may use the information provided by respondents to inform the next stages of the Programme. Respondents should clearly indicate what, if any, part of their submission contains commercial-in-confidence information but in doing so should have regard to the Disclaimer at the end of this Paper.

There is **no** requirement to respond to all of the questions listed below and respondents may respond holistically to the questions rather than responding to some or all of the questions separately, as questions have been provided as a basis to generate initial discussion. If respondents consider that there are further matters that should be considered, they are welcome to provide comments in these areas.

1. Given the background provided and the development and maturity of the internal provider arrangements, how would you advise that the shared and common services strategy develops? In particular, what are your views on:
  - the criteria that should be used to determine the optimal number, size and coverage of shared services providers for the Commonwealth Government;
  - the initial and future scope of activity of these providers, including thoughts on optimal user bases or transaction volumes and whether or not this varies by service area;
  - whether customer agencies should be required to procure a pre-defined “bundle” or group of services to establish a minimum set of services that must be provided together; and
  - the need to pre-define or keep open the decision on which agencies will be serviced by which provider?
2. How would you advise on the implemented? In particular, what are your views on:
  - the most suitable order in which to make changes;
  - the timescales required for each phase of change;
  - the level of incremental effort and resource that will be required; and
  - the most suitable sources of support?
3. How would you advise that governance over both changes to, and the on-going delivery of shared services is managed? In particular, what are your views on:
  - the roles and responsibilities of customer agencies and how they should be met;
  - how supplier management arrangements should be structured;
  - the role of “the centre” (i.e. Finance) and what capabilities any central function will require;
  - how services should be assessed and improved over time, to reflect emerging best practice and opportunities to enhance delivery; and
  - how assurance/audit activities should be structured?
4. How would you advise that the requirements of smaller agencies are met such that these agencies have access to the services they need and a sufficient voice in the overall shared services agenda?
5. What further information or clarifications about the operations of the APS generally and the current providers specifically do you believe would be required by the market to allow it to engage and support the provision of shared services to the APS?
6. What areas of best practice or innovation do you believe that Finance should consider in the further development of its strategy for shared services? In each area, please provide examples and reference points to illustrate where these have delivered value for money in similar situations.

7. What do you perceive as the greatest challenges that the Programme will face and what recommendations would you make on how these challenges can be addressed?
8. What are your views on:
  - the most appropriate structure for pricing and charging for service delivery;
  - which elements of service delivery, if any, could be most effectively be provided offshore and, if so, what advantages would this bring and how would the related risks best be managed; and
  - any perceived or actual barriers that you consider would inhibit you from engaging with the public sector on shared services?
9. What role do you believe that the private sector should play in supporting this strategy? In particular, what are your views on:
  - the areas where support from the private sector should be considered;
  - the options in respect of commercial structures and legal terms through which external support should be engaged, and the advantages and disadvantages of each?
  - the appetite of the private sector to fund investments and the costs of change (transition, solution development and continual improvement) and the style of tenure required to deliver a suitable return on any investment required; and
  - the areas where those terms typically sought by the APS create concern for the private sector and how these concerns could be addressed without a loss of value for money for the taxpayer?

Finance welcomes any feedback and thoughts on the proposals outlined above to implementing shared and common services within the public sector.

Responses to the questions above can be submitted to [scs@finance.gov.au](mailto:scs@finance.gov.au) no later than **4:00pm, 10 February 2016**. Finance encourages interested parties to contact Mr Stuart Henry, Director, Shared and Common Services team at [stuart.henry@finance.gov.au](mailto:stuart.henry@finance.gov.au) or (02) 6215 3039 to clarify questions with regards to this Discussion Paper or the Programme.

### **Information Session**

It is proposed that an information session will be held on Thursday, 17 December 2015. This will provide an opportunity for the market to engage with key stakeholders from across the public sector.

The purpose of the event will be to demonstrate Government's commitment to exploring options to engage with the market in developing the shared and common services agenda. The event will be recorded and published by Finance, along with any supporting material.

To register your interest to attend this information session, please send an email to [scs@finance.gov.au](mailto:scs@finance.gov.au).

# DISCLAIMER

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This Discussion Paper is not intended as a formal approach to market nor will any responses received be used to short list organisations in relation to any future formal approach to market. The process is an information gathering exercise. It is envisaged that should Finance choose to approach the market for shared and common services this would be conducted through an open tendering process through [AusTender](#).

Finance is providing an opportunity for interested organisations to provide input to the shared and common services strategy. As such, respondents should be aware that the views and comments that they provide may be used by Finance to shape the shared services strategy and the future direction of the Programme, and should make their submissions in full awareness of this. Finance will not attribute any particular comment or matter to any specific respondent. All submissions received in response to this Discussion Paper become the property of Finance once lodged.

Respondents should clearly indicate what, if any, part of their submission contains commercial-in-confidence information. While Finance will make all reasonable efforts to keep information identified by a respondent as confidential, Finance will not be taken to have breached any obligation to keep information provided by respondents confidential to the extent that the information is:

- disclosed to its internal management personnel or employees for purposes related to the Programme;
- disclosed in response to a request by a House or a Committee of the Parliament of the Commonwealth of Australia;
- provided to relevant Ministers;
- authorised or required by law to be disclosed; or
- is in the public domain other than by a disclosure by Finance.

**Important Notice:** The information in this document is indicative only and Finance reserves the right, in its absolute discretion, to change any aspect of this strategy at any time. Finance makes no representation and does not warrant that:

- any information contained in this document is accurate, current or complete;
- any feedback given or comments provided by interested parties will be used or otherwise acted upon or taken into account; or
- any future tender process will be undertaken at a particular time, in a particular manner, or at all.

Nothing in this document or arising from this document gives rise to:

- a contract; or
- any other obligation or commitment on the part of the Australian Government in connection with the implementation, or any mechanism for implementing, the Programme.

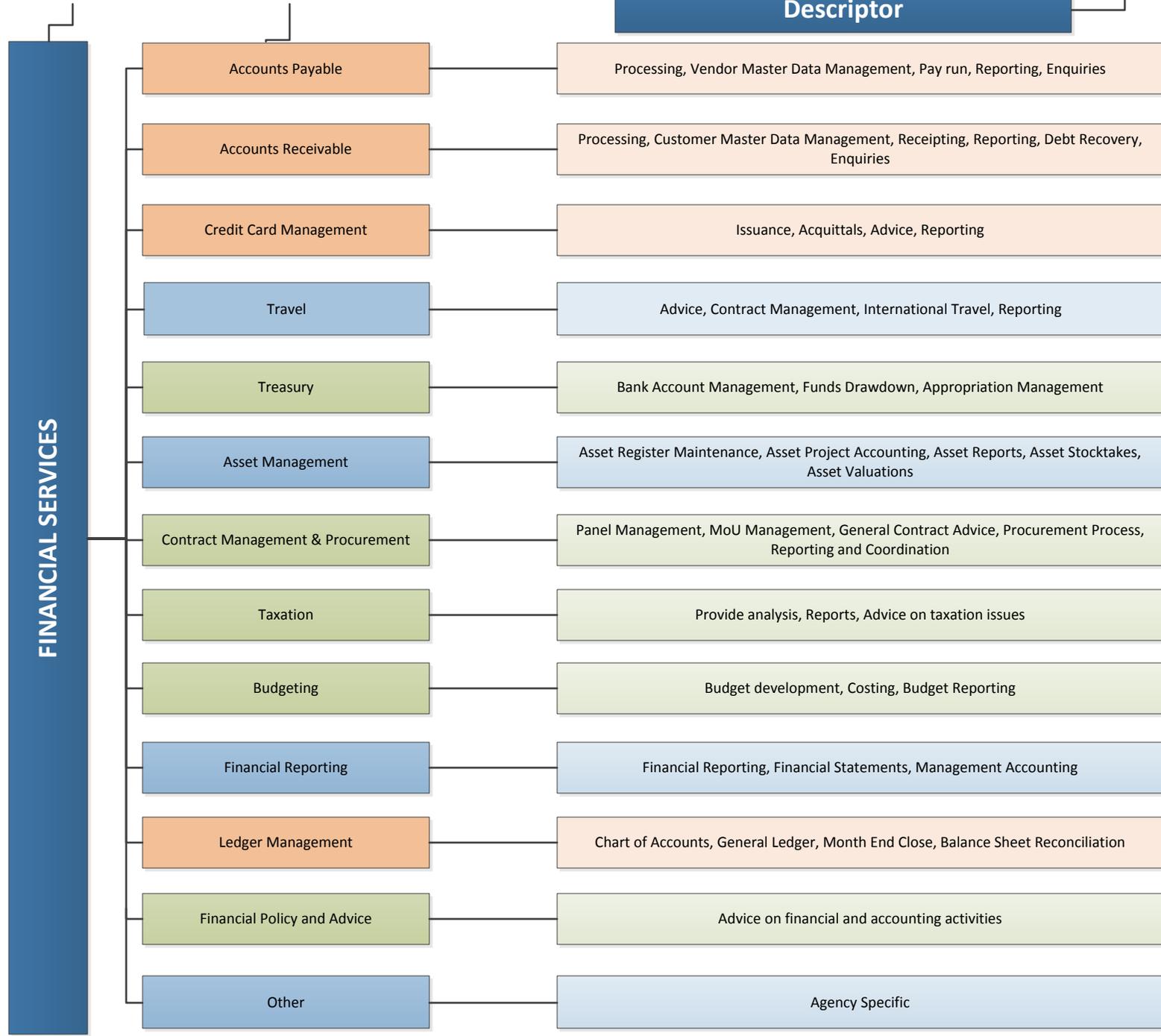
Whilst Finance will not make any firm commitment, it is anticipated that, where the market can demonstrate value for money and achievement of the objectives of the Programme, this would be considered in the development of the next stages of the strategy for the Programme.

LEVEL ONE

LEVEL TWO

LEVEL THREE

**Descriptor**



LEGEND
Core Transactional Services
Value-add Transactional Services
Strategic Services

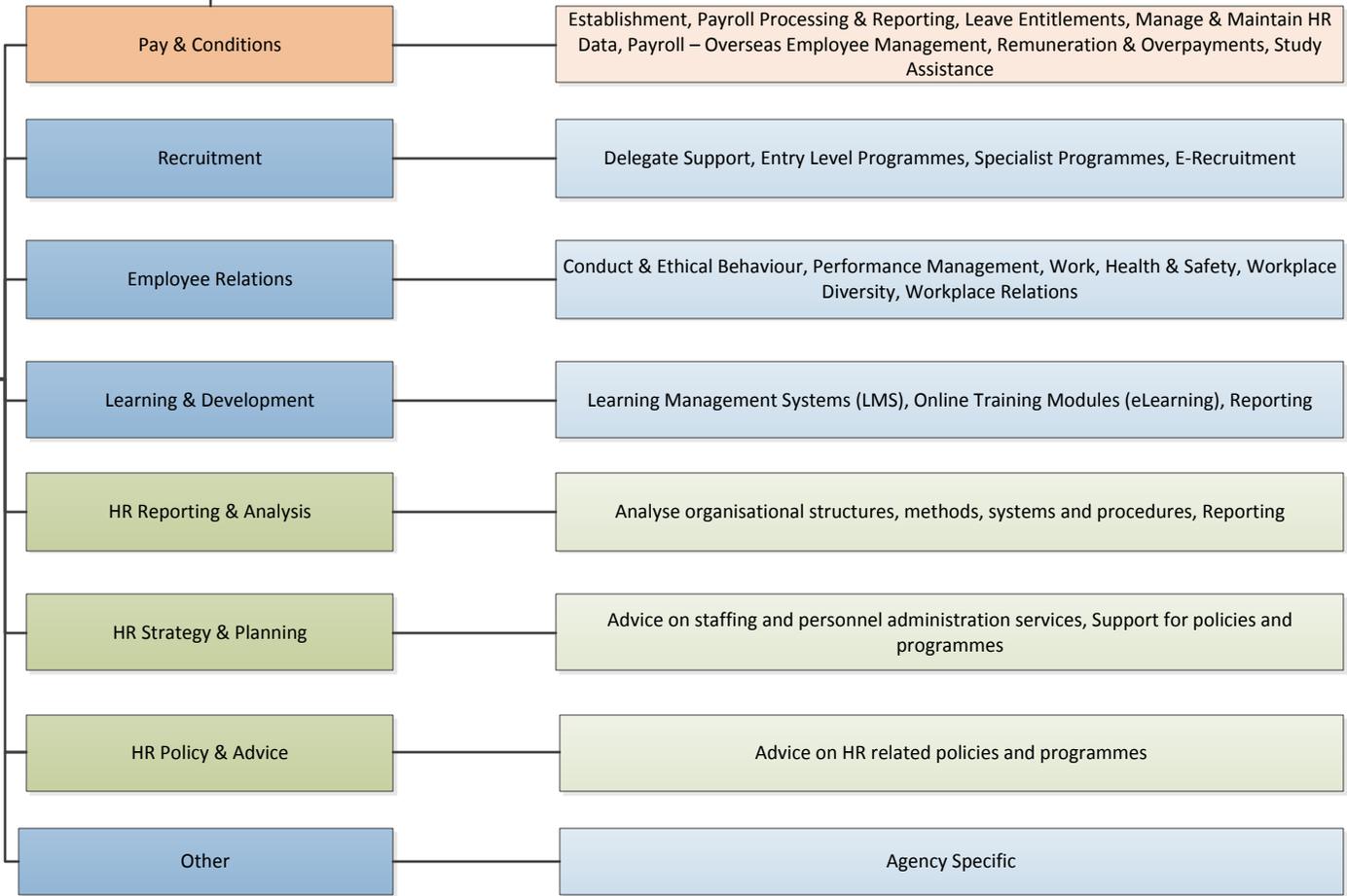
LEVEL ONE

LEVEL TWO

LEVEL THREE

Descriptor

HUMAN RESOURCE SERVICES



LEGEND
Core Transactional Services
Value-add Transactional Services
Strategic Services

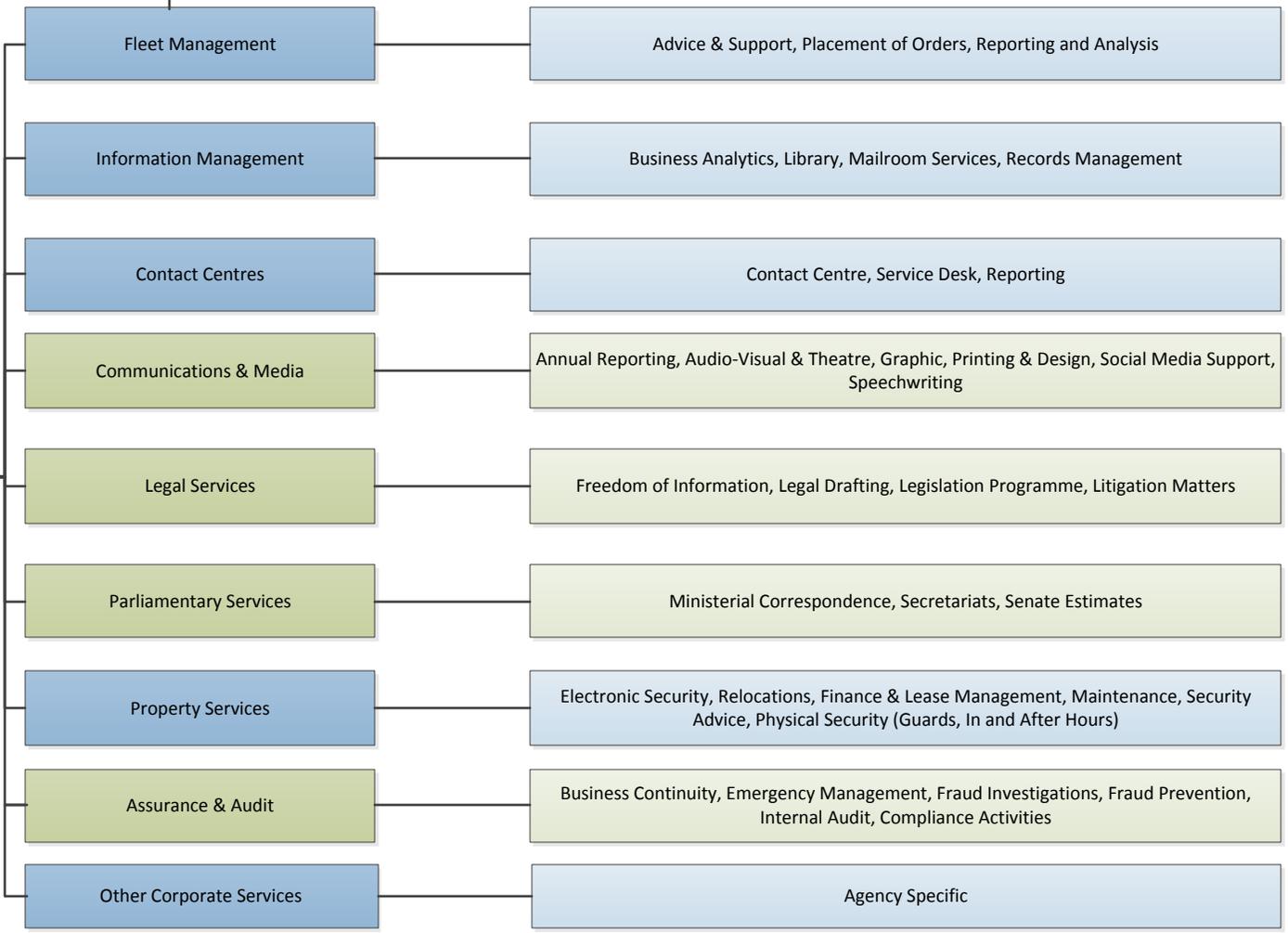
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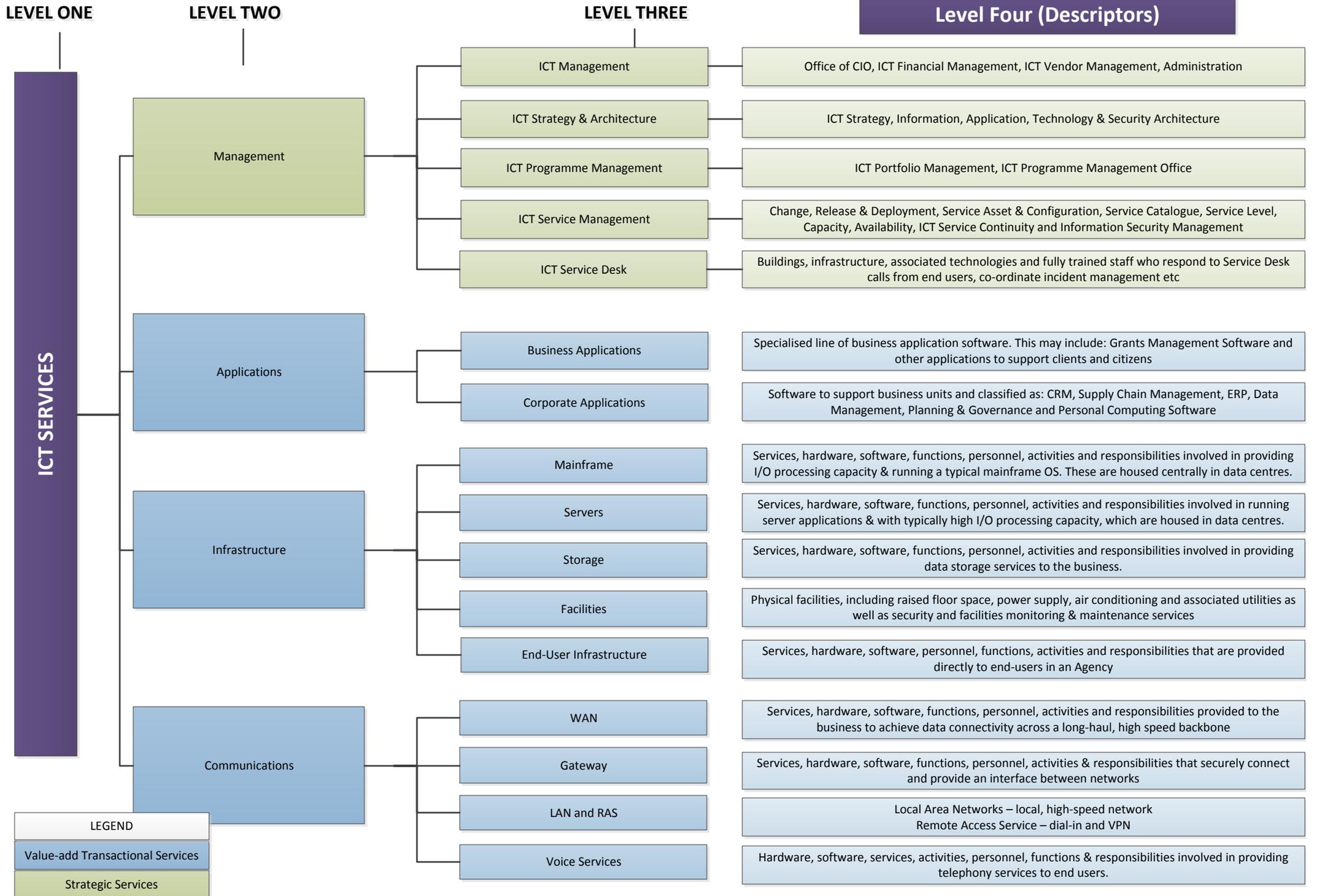
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Descriptor

CORPORATE SERVICES

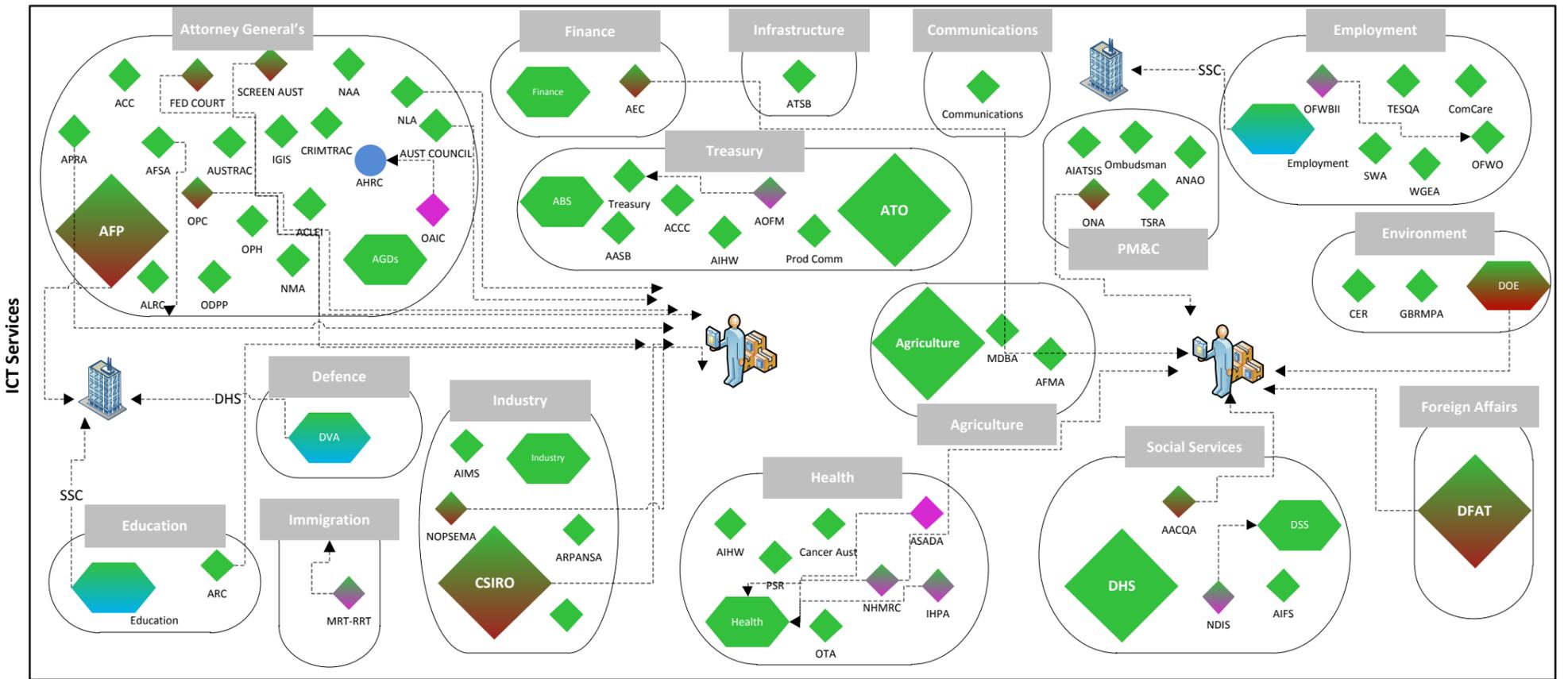
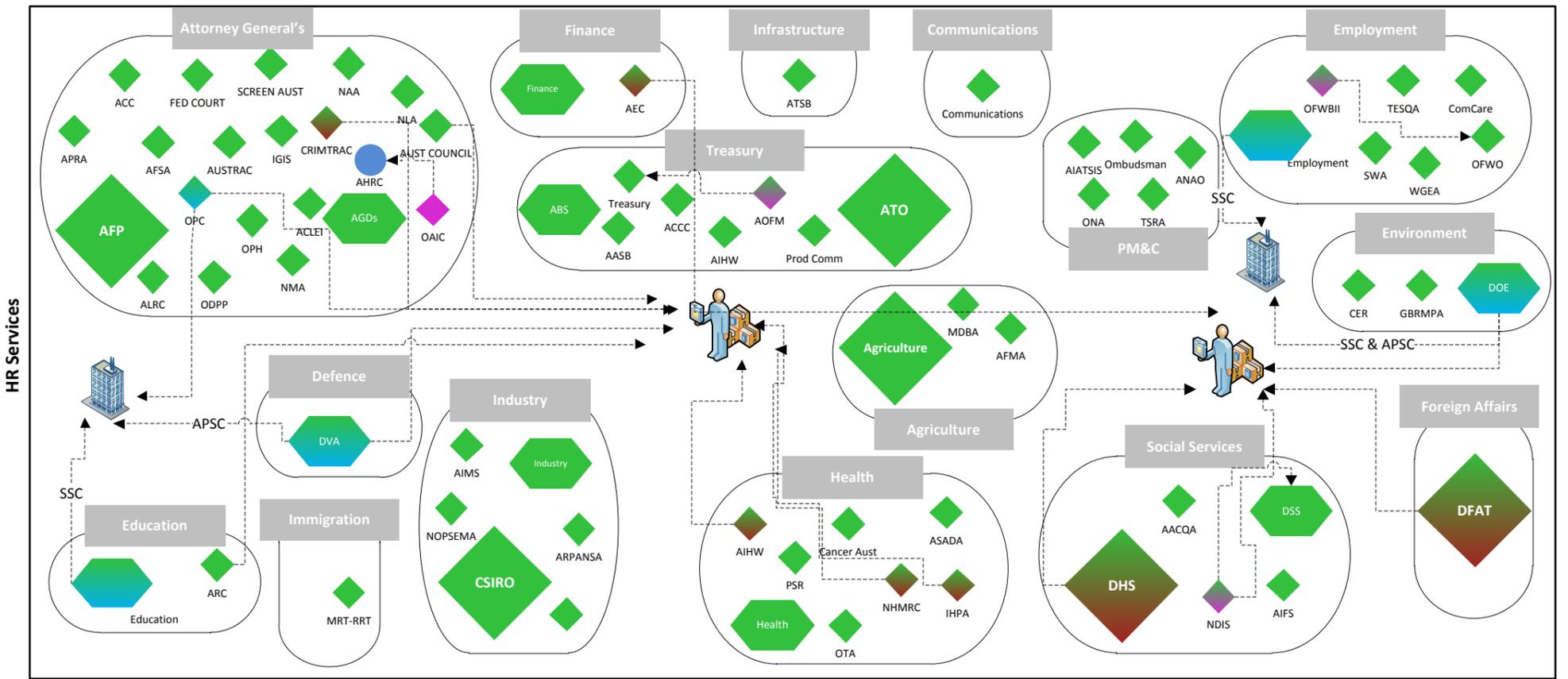
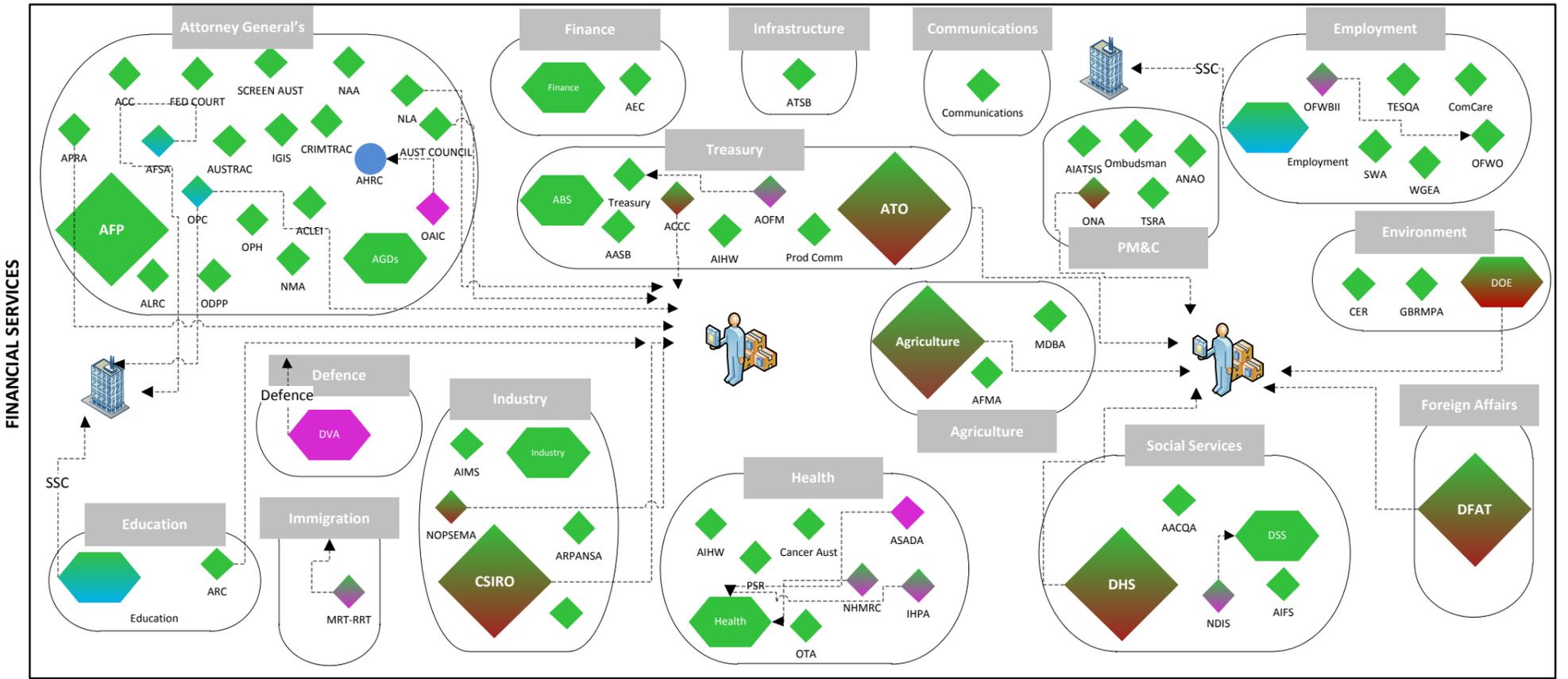


LEGEND
Value-add Transactional Services
Strategic Services



**Commonwealth Government – Corporate Services Linkages**

There is a complex landscape for the current delivery of corporate services across the Commonwealth Government with various sourcing arrangements in place. The maps below represent the service provision arrangements for the delivery of Financial, HR and ICT services. This is the current state based on the information provided through the consolidated inventory exercise. A total of 61 Non-Corporate agencies took part in this exercise, with the remaining 35 agencies continuing to be followed up to obtain this data.



**LEGEND**

- Third Party Provider
- Agency within Broader public sector
- Agency within Portfolio
- Inhouse
- Corporate Agency within Portfolio
- > 4,000 FTE
- <4,000 >1,000 FTE
- <1,000 FTE
- Third Party Provider
- Agency within Public Sector