



SHARED SERVICES PROGRAM

Benchmarking

Benchmarking is important in driving corporate service modernisation across the APS, to ensure we take advantage of the benefits as the Program matures.

The benchmarking process will be conducted annually by all non-corporate Commonwealth agencies.

To date, the progress of the Program has drawn attention to a lack of consistent data on the cost and quality of current corporate activities, and variation in costing methodologies used by agencies to evaluate their transactional services.

The Program has sought to improve the availability of information by undertaking benchmarking across all non-corporate Commonwealth agencies.

It helps agencies gain a better understanding of their current and future service requirements and compare the internal costs of existing service arrangements with other agencies. It also helps the Program monitor the maturity of the hubs.

The benchmarking exercise measures the cost of each consumer agency and each hub's corporate services, noting the purpose is to identify variations in costs rather than to strive for 100 per cent cost accuracy.

To inform future activities, all participant agencies receive de-identified benchmarking data to compare their current service costs against other agencies' services.

Longer term, the benchmarking data should allow the APS to accurately compare its costs to private sector service provision in a contestable market.

The importance of this task in driving corporate service modernisation across the sector has been recognised at both the Secretary and government levels, and it has been agreed that the benchmarking process will be conducted annually.

The process

During benchmarking, each agency accounts for all costs in the corporate services division, branch or section of the agency using common software and templates.

This ensures a consistent approach to data reporting and collection, noting there may be differences in interpretation across such a large number of agencies.

Continual reform is a key principle of the Program and the Department of Finance will work with agencies to improve the exercise and accuracy of the data over time.

This ongoing process will further inform the Program's management of costs and benefits. As the Program matures, the benchmarking data will continue to improve, thereby building confidence in decision-making about the future of particular services.

What we know so far

Across the mandated core-transactional services, the results from the 2015-16 corporate benchmarking exercise show that:

- 42 of the 70 agencies that provided benchmarking data would realise benefits of reduced corporate services expenditure if they immediately transitioned to their nominated hub.
- the 28 remaining agencies would benefit after 2020–21, provided efficiency improvements continue to be made.

The data also suggests that agencies consolidating more than the mandated core-transactional services through a hub, gain more benefits, and earlier.

These comparisons do not take into account costs avoided as existing systems degrade and require updating.

In 2015-16, Chief Financial Officers signed-off on their respective agency data, which added further quality control that was not available during the 2014–15 exercise.

Detailed results of the 2015–16 corporate benchmarking exercise are available to all agencies that submitted data.

Common Pricing Framework

Finance is developing a common pricing framework that will provide guidance to the hubs on developing transparent, sustainable and competitive prices for delivering shared services to customers.

It will outline the key variables related to pricing (in addition to direct service delivery costs) and how these can be treated to drive a transparent, competitive and sustainable operating model.

A common pricing framework is intended to provide mutual benefits for hubs and consumer agencies.

The benefits for hub and consumer agencies of a common pricing framework may include:

- enabling a competitive market with consumer agencies being able to compare like-for-like hub prices/services.
- the ability to undertake market testing during the contestability stage of the Program.
- enabling the Program to monitor the maturity of hubs as part of the Program's overall assurance responsibilities.

For more information about the Program:

Call (02) 6215 3466, or email scs@finance.gov.au.