Shared services in the Department for Transport and its agencies

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 481 Session 2007-2008 | 23 May 2008

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LONDON: The Stationery Office
£13.90

Ordered by the
House of Commons
to be printed on 21 May 2008

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This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

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20 May 2008

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Photographs courtesy of the Printing & Corporate Standards Group, Driver and Vehicle Licensing Agency

SUMMARY

Introduction

1 Shared services have the potential to release savings from increased efficiency and effectiveness of corporate services but achieving these savings requires efficient and effective implementation. In April 2005, after an 11 month review, the Department for Transport's (the Department) Management Board approved an outline business case to set up an in-house centralised Shared Service Centre in Swansea to provide the Department and its then six executive agencies with support services for human resources, payroll and finance. The Department aimed to streamline processes, better meet its business needs, reduce on-going costs and help the agencies and the central department to work more closely together.

2 Key elements of the Department's approach to the Shared Services Transformation Programme (the Programme) in April 2005 were to: build processes and the supporting IT system on the existing processes and systems in place in the Driver and Vehicle Licensing Agency and the Driving Standards Agency; use an existing framework agreement between the Driver and Vehicle Licensing Agency and IBM to deliver the IT system; set up a Departmental Programme Board to oversee the Programme in which the Driver and Vehicle Licensing Agency had a substantial role; and set a very demanding timetable for implementation, with the Driver and Vehicle Licensing Agency and the Driving Standards Agency expected to start using the services in April 2006 with roll out to the whole Department by April 2008. In April 2005, the Departmental outline business case estimated the total cost of setting up the Programme at £55.4 million, with gross savings (before costs) expected of £112.4 million up to March 2015.

3 In practice, the Department delivered a design blueprint but could not agree a common set of underpinning business processes and the resulting customisation (some of which was essential for the operation of shared services) contributed to increased costs and complexity and some of the initial estimates were optimistic. These factors made use of the framework agreement expensive. The Programme Board failed to manage these problems; and the first two agencies were ill prepared for implementation. In consequence, there have been delays in implementation with the Driving Standards Agency and the Driver and Vehicle Licensing Agency beginning to use the Shared Service Centre in April 2007, and the central Department joining in April 2008. The Maritime and Coastguard Agency is expected to begin using shared services in October 2008. Forecasts at March 2008 show total costs of £121.2 million and gross savings of £40.1 million by March 2015 **(Figure 1)**, but savings here reflect only 215 posts while the Programme Board still has the objective of saving 309 posts.

4 In June 2007 the Driver and Vehicle Licensing Agency prepared a lessons learned paper outlining the principal successes and weaknesses of the Programme to date. The Department has since taken action to: improve governance of the Programme and strengthen its staffing; establish clear priorities; reshape its implementation plans; put greater emphasis on the contribution that shared services can make in improving overall resource management; improve management controls, contain expenditure and strengthen its management of suppliers; and identify the potential to maximise benefits.

5 Against this background, we examined the factors that led to the increasing costs of the Programme and delays in implementation and the steps taken by the Department since then to put the Programme back on track. In doing so, we have also identified lessons for other government departments considering introducing shared services initiatives in the future.

1 Summary of cost benefits revision through business case/forecast estimates

Business case iteration:	**Outline Business Case April 2005**		**Interim Business Case January 2006**		**Forecast costs and benefits identified to March 2008**	
Cost/benefit item						
Gross benefits (£m)		112.4		107.5		40.1
Set-up costs (excluding severance) (£m)	34.7		47.8		113.6	
Severance costs (£m)	20.7		22.6		7.6	
Total costs		(55.4)		(70.4)		(121.2)
Overall Net Present Value (£m)		**57.0**		**37.1**		**(81.1)**
Full Time Equivalent staff reductions: Forecast	377 staff		376 staff		215 staff	
Full Time Equivalent staff reductions: Target	377 staff		376 staff		309 staff	

Source: National Audit Office analysis of data provided by the Department for Transport

NOTES

1 All figures are cumulative to March 2015 and discounted to 2005-06 terms.

2 The Overall Net Present Value (NPV) shows the overall net benefit/(cost) of the Programme to the Department but the final column only represents savings identified so far.

3 The Department's Management Board in January 2008 revised downwards the target for Full Time Equivalent staff reductions to 309 after they made the decision to reduce the number of agencies moving fully to shared services.

Conclusions

6 Significant changes to the assumptions underpinning initial estimates of costs, inadequate contract management and poor initial implementation of the Programme have meant that the Programme as originally envisaged will not achieve value for money. The Programme would, under the terms of the Department's initial financial appraisal, represent a net cost to the Department of £81.1 million up to 2015 and assuming no improvements in the Shared Service Centre's current productivity nor the achievement of target savings in each agency, both of which the Department is actively targeting. Since April 2007 the Department has improved considerably the management of the Programme. It has also developed a strategy to achieve further benefits by improving management information, and by adding a facility to support routine procurement and thereby achieve economies of scale. It has also rescheduled when individual agencies join shared services. Both the benefits and the development costs of the procurement function still need to be quantified. If the Department were to achieve additional savings of £50 million per year there would be a net benefit of £84.4 million up to 2015, less any additional set-up costs. Even then the Department would only break-even by 2012-13 at the earliest, some seven years after the Programme's initiation.

Main findings

7 The Department's original plan for shared services has proved to be unrealistic. It was over-optimistic to expect that the Shared Service Centre could become operational only one year after the Department's Management Board approved the outline business case in April 2005, given that the Programme involved agreeing a common set of processes across eight disparate organisations, purchasing, customising, testing and implementing an IT system, finding and fitting out a building to house the facility and recruiting and training staff. The time and cost for each agency to standardise their processes was also underestimated. In addition, the first two agencies had to change many of their business processes to use the Centre.

8 There were also problems with implementation, and even though risks to Programme delivery such as the optimism of the timetable were recorded at the start of implementation, the Programme Board took insufficient action to manage these risks, many of which subsequently materialised. The Department's Management Board defined roles for both the Driver and Vehicle Licensing Agency and the central Department but, in practice, there was unclear accountability and communications were slow. The Programme Board did not implement sufficient control of the design of the systems supporting the Shared Service Centre, which resulted in less standardisation of business practices and contributed to increased costs and delays. The Programme had insufficient time to test the system rigorously by the date set for delivery which led to the deferral of some items such as e-recruitment and time managment. The system proved unstable when it went live.

9 There was also insufficient management of IBM, the main contractors to the Programme. Poor specification of requirements by the Department, and a failure to take advantage of cheaper bulk day rates as a consequence of the basic underestimate of the amount of work required resulted in increased costs. A lack of checks and controls on authorising and paying for IBM's work also necessitated subsequent recovery of overpayments. To the end of March 2008, the Department has paid over £72 million to contractors on the Programme, over £54 million of which was paid to IBM.

10 Had the Department subjected the development of the supporting IT system to a full competitive process, they would have had to produce a more robust specification. This would have given them a better understanding of the costs involved (which in April 2005, were estimated at £16.5 million for technical delivery); a clearer framework for managing the contractor and the related costs; and subjected the supplier to the discipline of competitive pressures. In the Department's view, however, a full competitive process would also have delayed delivery of the Programme. The Driver and Vehicle Licensing Agency is now reviewing its framework agreement with IBM as part of a pre-agreed break point discussion, and the Department has yet to select a contractor to deliver the remainder of the Programme.

11 Since April 2007, the Department has made considerable efforts to correct existing deficiencies and to enhance Programme performance. It has brought in experienced civil servants and contractors to transfer the Maritime and Coastguard Agency and the central Department onto shared services. The Department needs to retain and build on this experience through the life of the Programme up to 2010. The Department has clarified governance, with the Director of Shared Services, who is also the Programme Director and has a wider coordination role, now reporting to the Department's Director General Corporate Resources who is the Senior Responsible Owner for the Programme. It created a benefits realisation team in June 2007, which is increasing the focus on securing effectiveness gains and efficiency savings. The Department is also reviewing its requirements for management information from shared services. Better management information should enable the identification of further efficiencies across many aspects of the business. The Department has put in place more rigorous controls for managing its suppliers and is re-negotiating the terms under which it uses IBM for the Programme. In September 2007, the Senior Responsible Owner also reinstated the previously deferred pre-production environment to support system testing. The Department is also working to demonstrate to stakeholders the benefits that shared services will bring in terms of improved business processes and organisational effectiveness.

12 The Department has also changed the Programme's scope: only the payroll functions of the Vehicle Certification Agency and the payroll and human resources functions of the Highways Agency will move to the Shared Service Centre in Autumn 2008 and April 2009 respectively. The Department intends to review the business cases for the remaining agencies and functions that are scheduled to migrate after April 2009 and aims to achieve the best performance possible from the Shared Service Centre's relatively small customer base.

13 The performance of shared services, as measured by the Shared Service Centre, has improved since June 2007, but still does not meet the majority of the key performance targets, including those for prompt payments and resolving customer enquiries. It met only four of its 18 key performance indicators in January 2008. Performance in some areas, such as prompt payment targets, remains worse than before the agencies joined shared services, with agencies struggling to implement the full purchase order process.

14 There are still significant challenges for the Programme. Some users remain sceptical about the benefits to them and to their organisations. For example technical problems with the system have meant that many users maintain duplicate reports, such as annual leave and sickness absence, and the Shared Service Centre has not done enough to show users that it takes their concerns seriously and is resolving technical problems. Business managers within the agencies have also failed to communicate effectively information about the Centre to users. The move of the Maritime and Coastguard Agency onto shared services has been deferred to October 2008. The Department has deferred the module to add external recruitment because of outstanding issues with the technical system design which will require further security accreditation.

15 We recommend as follows:

Actions to be taken by the Department immediately

a At the moment there is only a broad estimate of the potential benefits of adding a routine procurement facility, based on analysis conducted in November 2006. There is currently no estimate of the costs involved in making routine procurement part of shared services.

- **The Department's benefits realisation team should carry out sufficient checks on the procurement returns from agencies to assure the Department's Management Board that adding a routine procurement facility to shared services would be justified by the benefits to the overall Programme.**
- **The Department also needs to develop robust estimates of the costs of incorporating routine procurement into shared services, before deciding whether to proceed.**

b Existing users of shared services do not have sufficient confidence in the system to use it to its full potential.

- **The central Department, the Driving Standards Agency and the Driver and Vehicle Licensing Agency need to educate users of the individual and business benefits of maximising the use of the Shared Service Centre.** The Department should give new users adequate induction courses covering the benefits of the system as well as practical training, and refresher courses for those already using shared services.

c Current users of shared services expressed frustration that Shared Service Centre staff were not addressing their concerns with the system.

- **The Shared Service Centre should develop better ways of identifying potential user problems earlier and then act quickly to resolve them, and give advance notice of maintenance work and future upgrades.** The Shared Service Centre should establish regular feedback sessions for user groups to:
  - share best practice across user groups;
  - identify areas for improvement;
  - allow users to notify and articulate problems; and
  - enable the Shared Service Centre to inform users of upcoming maintenance and upgrade issues.

Issues to be addressed in the medium-term

d Having decided to use the framework agreement with IBM for development of the supporting IT, the Department has not secured the best terms available within the framework agreement.

- **The Department should renegotiate the commercial terms and conditions of the framework agreement that supports the Programme, so that the Department receives best value for money.**

e The Department has a dedicated benefits team located within the central Programme, but not within the wider Department.

- **The Department should require the Shared Service Centre and its individual business units to identify and realise benefits as a matter of routine business.** The central team should cascade its skills and experience to clearly identified persons/roles responsible for identifying and realising benefits in the central Department and agencies.

f Until late 2006 the Programme Board did not enforce standardisation sufficiently on the agencies, and there was insufficient time to negotiate changes with the trade unions to personal terms and conditions of service.

- **The Programme Board and the Design Authority (who are responsible for ensuring progress reflects an agreed set of processes) should establish a plan to standardise processes in areas such as travel and subsistence claims and annual performance appraisals, and if necessary impose best practice on the user community.**

g Experienced contractors and Departmental staff working on the Programme are on short-term contracts, some of which are ending.

- **The Department needs to establish a succession plan for all key posts working on the Programme and in the central Department.** The Programme Board should identify all key posts (particularly those on short-term contracts) to trigger prompt identification of suitable replacements. Longer-term, as the dedicated Programme team reduces, it needs to transfer key skills into the Shared Service Centre and the agencies.

h The Department only considered a limited range of options for the provision of shared services. Private industry and local government have adopted a number of delivery models for shared services, including the use of private companies.

- **The Department should consider all options in any future strategy for the provision of shared services, including buying in such services.**

Lessons for other government departments implementing shared services

16 The recommendations in this list are not intended to be comprehensive but arise from our analysis of the Department for Transport's experience, incorporating both positive and negative lessons drawn from the initiative. All departments considering introducing shared services should:

a establish a business case that:

- is based on a rigorous prior analysis of the business process and sufficient levels of consultation with those involved in the work;
- considers all delivery options, including the purchasing of services from an established external provider; and
- makes a realistic assessment of all associated costs and benefits for each option, without over-reliance on benchmarks to estimate costs and savings;

b collect data on the existing support system to provide baseline performance before moving to shared services;

c demonstrate to staff at all levels how shared services will benefit the organisation as a whole and individuals and why working practices need to change, for example by pointing out the cost benefits of standardising procedures and the merits for staff of being able to confirm the accuracy of payroll, overtime, travel claims and other financial details online before payment is made;

d set out in Service Level Agreements that any non-standard business processes required by business units will cost more;

e underpin the implementation timetable with realistic planning (which might include stretch targets) rather than drive it by a desire to introduce shared services arrangements by a non-negotiable date;

f appoint high calibre personnel with relevant experience of implementing shared service transformation programmes to key management and operational posts from the outset, while maintaining a level of civil service staff on implementation teams so that knowledge and skills can be transferred;

g transfer individual businesses to shared services incrementally to allow lessons to be learned from each transfer phase;

h provide adequate resources for data cleansing, migration planning and testing of data prior to service migration and provide realistic and timely staff training;

i engage closely with prospective shared service centre users prior to migration and sustain such liaison for a reasonable period after migration to resolve system glitches and to ensure sufficient "buy-in" by users of the shared services systems; and

j introduce clear audit trails for the validation, approval and payment of invoices within arrangements for managing external contractors responsible for delivering the shared service systems.

Implementation of the first phases of the Department's Shared Services Transformation Programme

1.1 This Part of the Report examines the objectives of the Department for Transport's (the Department) Shared Services Transformation Programme (the Programme) and the problems experienced with implementation up to the point at which the first two agencies began using the Shared Service Centre in April 2007.

Objectives of the Shared Services Transformation Programme

1.2 In response to the Gershon Review's proposals for improving public sector efficiency,[1] the Department agreed a target with the Treasury as part of the 2004 Spending Review to realise total annual efficiency gains of at least £785 million by 2007-08, including a reduction of 700 posts; and savings of £20 million annually in the cost of support services. As part of a range of measures to achieve the overall savings, and to improve the management of the Department, the Department initiated the Programme to provide centralised finance, human resources and payroll functions to approximately 23,000 staff[2] across its then six executive agencies[3] and central Department from a single Shared Service Centre. This initiative pre-dated by over two years the requirement for all government departments to use shared services.[4]

1.3 Shared services are designed to combine corporate service activities (such as finance, human resources and payroll, legal, facilities management, internal audit, procurement, estates and the associated information and communications technology) across different parts of an organisation, or across different organisations, to bring efficiency savings and improve services. The principal benefits of shared services are:

- cost savings, achieving economies of scale, and higher levels of efficiency through simplification and standardisation of processes;
- lower investment costs, by pooling activities across the organisation and better focusing investment capital;
- better information and data, with more reliable and accurate management information resulting in additional financial savings;
- improved customer service, delivering standardised processes making it easier to deliver agreed and documented levels of service; and
- comparability, with common standards allowing easier comparison of performance across organisations, driving a process of iterative improvement.

The Department's approach

1.4 The Department's approach to delivering shared services was based on some key early decisions, namely that:

- the common business processes and supporting IT system should be built on the existing processes and systems at the Driver and Vehicle Licensing Agency and the Driving Standards Agency, but take account of the needs of the wider Department;

1 *Releasing resources to the front line: Independent Review of Public Sector Efficiency*, Sir Peter Gershon CBE, July 2004. The Review focused on the government's objective 'to release major resources out of activities which can be undertaken more efficiently into front line services that meet the public's highest priorities and … to …inform the results of the 2004 Spending Review.'

2 This figure included approximately 3,500 volunteer Coastguard Rescue Officers.

3 At the time of the Gershon Review the six executive agencies were: the Driving Standards Agency; the Driver and Vehicle Licensing Agency; the Highways Agency; the Maritime and Coastguard Agency; the Vehicle Certification Agency; and the Vehicle and Operator Services Agency. The Government Car and Despatch Agency became an executive agency of the Department in November 2005.

4 Cabinet Secretary's letter to Permanent Secretaries, 27 March 2007.

- the existing framework agreement between the Driver and Vehicle Licensing Agency and IBM should be used to deliver the system in order to utilise experience and to deliver more quickly;
- these decisions, in turn, be reflected in a governance model in which, operating within a Departmental Programme Board, the Driver and Vehicle Licensing Agency had a substantial role; and
- the Programme would be set a very demanding timetable.

On this basis, the Department's Management Board approved an outline business case in April 2005.

1.5 The Programme's objectives, set out in the outline business case, were to develop support services that would: have simpler and more streamlined processes; better meet the Department's business needs; reduce the on-going costs of support services significantly; and help the agencies and the central Department work more closely together. The agencies have traditionally operated largely as independent businesses and the Department's Management Board saw the reorganisation of its support services as an opportunity for the whole of the Department to work together more efficiently and effectively by adopting one set of common business processes supported by a single Shared Service Centre. The Shared Service Centre, located at a site near the Driver and Vehicle Licensing Agency in Swansea, was established as a separate business unit within that Agency.

1.6 The Department's Management Board decided that the Shared Service Centre would provide human resources, payroll (excluding pensions) and finance, plus the associated information and communications technology, as these areas employed the largest number of support staff, offering scope for headcount reductions. It also considered that the provision of these services was relatively inefficient in some parts of the Department.[5] The Board identified internal audit, estates and facilities management as other functions that could be provided as a shared service at a later date. It briefly considered including the purchase of high volume, low value consumables (referred to as routine procurement) within the Programme in September 2004 but chose not to include it in the initial Programme because the intended speed of implementation would not allow sufficient time for this function to be developed.

1.7 The outline business case stated that the Driving Standards Agency and the Driver and Vehicle Licensing Agency, would begin using shared services from April 2006, and that the whole Department would be on the system by April 2008 **(Figure 2)**. The Department told us that this demanding timetable was a conscious choice, reflecting its view that, unless such change was driven strongly, organisational inertia would significantly limit what could be achieved. The Programme Board noted that: '*While it was recognised that 2007-08 delivery* [of the Programme] *would be very demanding it was agreed that there was value in challenging assumptions that change would and should be an extended process*'.[6]

2 Planned and actual Programme phases and migration dates

Programme phase	Description	Planned dates (per Outline Business Case, April 2005)	Actual dates
1	Analysis and development of proposals for shared services	Phases 1–3 September 2004	May 2004 to July 2004
2	Department support services review		August 2004 to January 2005
3	Review of options for shared services		February 2005 to June 2005
4	Common Process Design – Blueprint	finalise in September 2005	July 2005 to March 2006
5	Delivery of Shared Service Centre and first two agency migrations	October 2005 to March 2006	April 2006 to June 2007
6	Implementation of central Department and remaining agency migrations	April 2006 to April 2008	June 2007 to 2011+ (forecast)

Source: National Audit Office analysis of data provided by the Department for Transport

5 Department for Transport Shared Services Project: *Outline Business Case Report*, 9 March 2005.
6 Support Services Steering Group meeting, 25 June 2004.

The outcome in practice

1.8 In practice:

- the Department delivered a design blueprint, but could not agree a common set of underpinning business processes, and the resulting level of customisation of different processes for individual agencies – some of which was necessary for the operation of shared services – increased cost and complexity;
- some of the initial estimates were optimistic which put pressure on the work required and, therefore, also on costs and time;
- cheaper rates could have been obtained for the higher volume of work;
- the increased volume of work including from higher than expected customisation of business processes led to staffing and other resource constraints for the contractors and the Driver and Vehicle Licensing Agency in implementing other business changes;
- decisions to save money on system testing proved to be a false economy;
- faced with these issues, the Programme Board was unable to resolve them and still achieve the original target completion date; and
- the Driver and Vehicle Licensing Agency and the Driving Standards Agency were themselves insufficiently prepared for implementation.

1.9 The consequences of the outcomes of the Department's approach were:

- extra costs of some £65.8 million;
- the delay in availability of some functions and the removal of an appropriate testing environment;
- poor performance of the Shared Service Centre;
- operational consequences for customer service and prompt payment at the Driving Standards Agency and the Driver and Vehicle Licensing Agency; and
- poor staff perceptions of the new service.

1.10 The problems experienced during the implementation of the first phases of the Programme (paragraph 1.8) are discussed in more detail in paragraphs 1.11 to 1.30. The consequences of these problems (paragraph 1.9) are discussed in more detail in paragraphs 1.31 to 1.43. Part Two of the Report explains how the Department has taken steps to improve its management of the Programme since April 2007.

Main factors affecting implementation

Initial estimates

1.11 The initial timetable for implementation of the Programme was over-optimistic. The cost estimates in the April 2005 outline business case, which was produced before any detailed design work was undertaken, were quickly invalidated by changes to the underlying assumptions about the Programme. Detailed design work is critical in determining the requirements for a shared service centre as it provides assurance that assumptions about the business processes and specification are valid and clarifies how the development of the system should proceed.

System standardisation

1.12 The April 2005 outline business case assumed that only minor modifications would be needed to the business processes already in use at the Driving Standards Agency and the Driver and Vehicle Licensing Agency. Both agencies already used an older version of SAP business software to provide finance, basic human resources and some procurement functions, while the Driver and Vehicle Licensing Agency also used it to provide additional human resources and payroll functions but there was no standard design covering all processes. The Programme Board required additional functions such as e-recruitment and attendance management, however, and following a review the Programme Manager recommended the newer generation of the SAP Enterprise Resource Planning system to the Programme Board in June 2005. The newer generation SAP Enterprise Resource Planning system could be achieved either by upgrading the old SAP system[7] or replacing the latter with the newer version, and the Programme Board elected to adopt the latter option. Best practice would have been to review the business case at this stage to assess the impact of this change, but this was not done at Programme level, although the Department's Management Board formally signed off the interim business case – including the additional estimated cost of SAP Enterprise Resource Planning – in January 2006.

7 The version of SAP that was in use at the Driver and Vehicle Licensing Agency would have required upgrading at the end of 2006.

1.13 As system design progressed throughout 2005-06 the Programme Board appreciated that it could realise significant efficiencies by adopting standardised business processes, but it also recognised the business requirements of individual agencies. In principle, a slower implementation timetable might have enabled agencies enough time to adjust their processes, and so meet their business needs, whilst also delivering savings from standardisation. The demanding timetable also made the Department reluctant to negotiate with the Trades Union to agree any standardisation of policies. The Department needed to choose between attempting to renegotiate all relevant terms and conditions across the central Department and all agencies before moving to shared services or to proceed on the basis of existing terms and conditions, policies and procedures and resolve these issues following implementation. It considered that the first option would probably delay the Programme by many months, if not years, and therefore chose the latter course. Consequently, the Programme is configuring shared services to support nine different types of travel and subsistence systems, each with its own rates, rules and forms, and eight different annual reporting forms for individual assessment. The Department intends to start to reduce these differences, where possible, during the next phases of implementation beyond April 2008.

1.14 In practice, the Department put a premium on the timetable and failed to impose standardisation to maximise efficiency and effectiveness. This resulted in a drift away from common business processes to a more consensual approach taking wider account of individual agency requirements. As a result of the lack of common processes, customisation around the new SAP Enterprise Resource Planning system also increased the complexity and cost of the implementation and, together with other factors such as web access, infrastructure and security considerations, reduced overall system stability, although the Department considers that the core SAP application has proved to be robust.

Contract management with IBM

1.15 The Department had to procure the technical infrastructure including hardware, software and licences. In late 2004 it considered two main procurement routes: using the existing PACT framework agreement[8] between the Driver and Vehicle Licensing Agency and IBM (originally let to support a range of electronic service delivery initiatives for the Agency, for example, electronic vehicle licensing); or holding an open competition. In May 2005, the Department's Management Board decided to use the pre-existing framework agreement as it believed that it would build on existing and proven contract management and change process expertise, increase the speed of delivery by between 18 and 24 months, and save the costs of going to open competition, as well as avoiding the complexities and risks of introducing another supplier into the Driver and Vehicle Licensing Agency environment. The Department's initial estimate in the outline business case, ahead of detailed design work, was that delivery of the technical solution would cost £16.5 million.

1.16 The Department paid just over £35 million to IBM during the main implementation phase of the Programme to March 2007 (including costs related to the set-up of the Shared Service Centre as well as the technical solution), and a further £19 million by March 2008 (covering the costs of correcting faults, delivering products such as e-recruitment that should have been included in Phase 5, developing and testing elements delayed from April 2007 and the requirements of the central Department and the Maritime and Coastguard Agency). The development of the detailed design and changes to the specification of work contributed to cost increases. In addition, the Department's use of the framework agreement to commission work and manage IBM were not conducive to controlling costs. For example, the Department did not take advantage of cheaper day rates that were available under the framework agreement for bulk work due to the piecemeal way in which the work was commissioned. Early fixed price agreements with IBM had not been successful as the Department did not fulfil its obligations in terms of making appropriately skilled staff available or making design specifications sufficiently clear.

1.17 In October 2006, to address these weaknesses, the central Department delegated to the Driver and Vehicle Licensing Agency responsibility for delivering the main implementation phase and for completing the migrations of both the Driving Standards Agency and Driver and Vehicle Licensing Agency. It negotiated a fixed price agreement of £42.3 million with the Driver and Vehicle Licensing Agency for this delivery. The Department still had difficulty specifying the design sufficiently clearly which caused the Programme technical problems later on, including speed of access to the system and availability of software.[9] The Department's *Phase 5 Lessons Learned Report* has since recognised that sufficient time must be

8 The PACT ('Partners Achieving Change Together') framework agreement's primary contractor is IBM Global Business Services and Fujitsu Services provides primarily hardware support.
9 Department for Transport, *Phase 5 Lessons Learned Report Shared Services Programme*.

allowed to develop fully specifications of requirements for subsequent roll-outs of shared services. If the Department had subjected the contracting of this work to a full competitive process it would have driven the Programme team to develop a clearer and fuller specification which would have reduced the subsequent risk, although, in the Department's view, that could also have delayed the delivery of the system.

1.18 The Government Secure Intranet is the primary intranet for the public sector and provides fully managed secure services, including internet access, secure email, firewall services and remote access. To operate on the Government Secure Intranet the shared services systems required security accreditation. The technology design blueprint developed and agreed with IBM stated that IT systems must meet government security standards. It was for IBM as the supplier to determine how these standards should be met, and it was for them to provide suitably skilled and qualified personnel. The Programme team relied on IBM and Fujitsu security experts but incomplete and inaccurate technical design documentation, late design changes and poor infrastructure configuration complicated accreditation and hindered the learning of security lessons as the Programme progressed. As the Programme Board encouraged IBM to seek ways to reduce costs, further security accreditation issues arose when they approved IBM's suggestion to develop some of the software abroad. While IBM and the Department believe that software development abroad restrained Programme costs, the reduction was not as great as had been envisaged because of delays and additional costs associated with complying with the stringent government security accreditation requirements regarding software development abroad. Neither IBM nor the Department have been able to supply figures for the cost reduction which resulted from this exercise, including the effect of increased security accreditation effort.

System testing

1.19 To limit cost increases, in November 2006 the Programme Board removed some technical elements of the Programme, including the full pre-production environment. In March 2007 the implementation team identified this as the most critical element removed from the Programme because it meant that when the first two agencies began using shared services in April 2007, all further system upgrades and remedial testing were conducted on the live system. Lack of this facility therefore slowed upgrade testing and also perpetuated difficulties with the speed and instability of the system, resulting in system crashes as some software changes failed when loaded onto the live system. These difficulties have damaged the credibility of the system with the initial users of shared services. In September 2007 the Department recognised the significance of these problems and allocated £2.1 million to reinstate the pre-production environment into the Programme to support full system testing before the migration of the next two businesses. Early indications are that this facility has smoothed the migration of the central Department in April 2008.

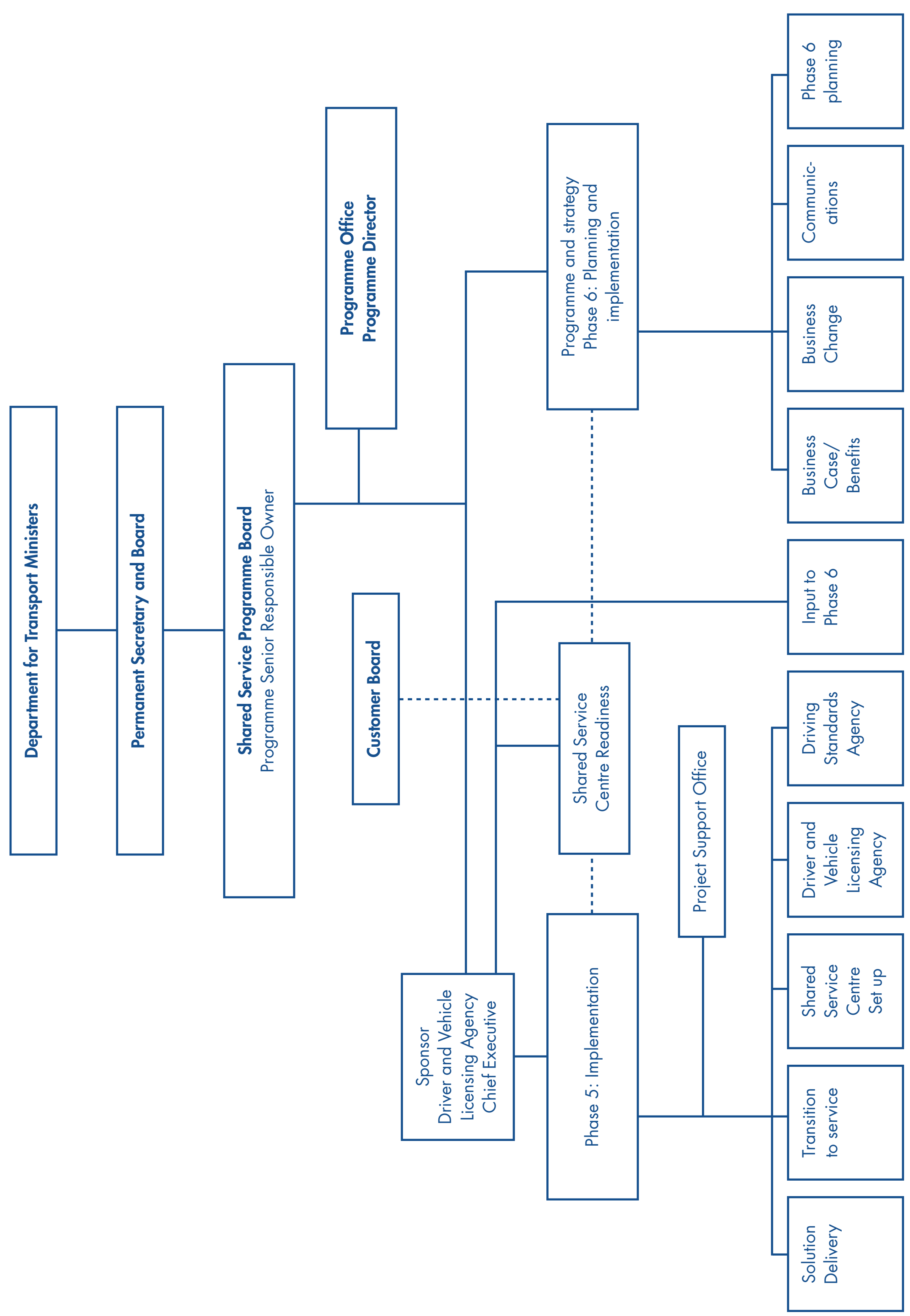
1.20 There was inadequate implementation and testing of the SAP Enterprise Resource Planning system before April 2007. The Programme team was not able to implement the SAP Enterprise Resource Planning system in accordance with best practice in the latter stages principally because of a lack of time. This blurred the delivery phases of the Programme. As a consequence of the drive to meet the timetable, users had insufficient time to test the software, and only a bare minimum of performance testing of the whole system was therefore possible.[10] For example, SAP recommends that organisations undertake technical robustness checks approximately two months before go-live to confirm system stability. For shared services the Programme team undertook them two weeks before go-live on a system that was continuing to evolve.

Governance and Programme structure

1.21 The Programme Board defined roles for the Driver and Vehicle Licensing Agency and the central Department which were intended to draw on the Driver and Vehicle Licensing Agency's experience while giving assurance to the Department's other agencies that the Programme was not being run by, or for the sole benefit of, the Driver and Vehicle Licensing Agency. The central Department in London as overall Programme lead was responsible for budgeting, cross-departmental resource allocation and acting as the Design Authority[11] **(Figure 3)**. The Driver and Vehicle Licensing Agency created five implementation teams, which it was responsible for, covering: Shared Service Centre set-up; software configuration and testing; technology; and Driver and Vehicle Licensing Agency migration (all based in Swansea); and Driving Standards Agency migration (based in Nottingham). The head of the Shared Service Centre was to report direct to the Programme Board.

10 *Shared Services – Background and Current Risks*, DVLA Audit Committee briefing paper, 24 January 2008.
11 A Design Authority is required to ensure that Programme work undertaken reflects progress towards meeting the agreed detailed set of processes (the Blueprint), and that any alterations are recorded and implemented (version control).

3 Programme organisational structure up to December 2006



Source: Department for Transport

1.22 The governance arrangements were not successful.[12]

- The division of responsibility between the Programme Board and the Driver and Vehicle Licensing Agency weakened reporting and accountability and slowed communications between the central Department, the Agency and contractors. For example, contractors working on the Programme told us that it was often difficult to resolve issues as they received inadequate or insufficient guidance; they also felt that the consensual approach to decision making slowed and complicated delivery.
- The Programme Board failed to give strong leadership, acting more as a forum for debating rather than resolving issues.
- The part-time post of Programme Director did not have sufficient time to lead the Programme and so was unable to make informed and timely decisions and communicate these effectively to the delivery team in Swansea.
- Neither the Programme Board nor the Driver and Vehicle Licensing Agency initially appointed any one individual in Swansea to coordinate the overall design of, and activities across, the five teams, or delegate sufficient authority to the teams to act without continual reference to the centre. Consequently, progress reporting to the Programme Board in the central Department was often confused and contradictory.

1.23 There were insufficient staff with the right skills working on the Programme. Other parts of the Department had agreed at the outset to release staff to work on the Programme, but in practice the number of people with the right business and technical skills who could be released to work in Swansea was constrained, and there was also a lack of trust in the ability of the Driver and Vehicle Licensing Agency to deliver the Programme. The Driver and Vehicle Licensing Agency responded to the lack of resources by drawing on its own staff and outside suppliers. Those staff that were available were allocated inflexibly across the five implementation teams, rather than as a single resource focusing on areas of greatest demand.[13] A single resource pool was established in October 2006, allowing staff to be used more effectively.

1.24 In September 2006, the Programme Board reviewed the Programme after twice postponing the proposed move (scheduled for April 2006 and then August to October 2006) of the Driving Standards Agency and the Driver and Vehicle Licensing Agency onto shared services because of the immaturity of the system. It confirmed that the Driver and Vehicle Licensing Agency would be responsible for delivering the Programme to go-live in April 2007 and merged the five implementation teams into a single body under Driver and Vehicle Licensing Agency control to better target and coordinate available resources.

1.25 The Department identified at an early stage the principal risks to delivery of the Programme, which subsequently transpired as shown in Appendix 2. For example, in January 2005 its risk register listed as some of its highest risks:

- insufficient engagement with stakeholders;
- insufficient skills in information technology, project management and procurement;
- reliance on contractor staff;
- inadequate, independent technical expertise;
- insufficient or inadequate input from Agency staff; and
- project timetable too optimistic.

1.26 The Office of Government Commerce has developed a process of Gateway Reviews in which independent practitioners from outside a programme use their experience and expertise to examine the progress and likelihood of successful delivery of the programme. They are used to provide a valuable additional perspective on the issues facing programme teams, and an external challenge to the robustness of plans and processes. Gateway Reviews can take place at key decision points such as: business justification; delivery strategies; investment decisions; readiness for service; operations reviews and benefits realisation; and periodic overall strategic assessments. Best practice is for Departments to engage the Office of Government Commerce to undertake strategic assessments periodically before significant milestones in major programmes.

1.27 The Office of Government Commerce examined the business justification of the Programme before the outline business case was agreed in April 2005, concluding that there was a strong case for initiating the Programme. The Department engaged the Office of Government Commerce to undertake its first strategic assessment of the Programme in April 2006 and this assessment gave an overview of the actions necessary to achieve the then target date for migration of 31 August 2006. While there was a business justification Review for the central Department's migration project in September 2006, the Programme did not benefit from a further strategic assessment until September 2007 which is not in line with best practice as the Programme

12 Department for Transport, *Phase 5 Lessons Learned Report Shared Services Programme.*
13 Department for Transport, *Phase 5 Lessons Learned Report Shared Services Programme.*

had passed several major milestones during this time, such as the migration of the first two business units. The Department did review the individual migration projects of the Driver and Vehicle Licensing Agency and Driving Standards Agency internally and the Office of Government Commerce conducted an informal readiness for service healthcheck of the Shared Service Centre delivery project in February 2007, delivering an "amber" rating[14]. But there was no external examination of how the overall Programme would be delivered, or of the full business case and the governance arrangements between April 2006 and September 2007. Appendix 3 provides more details on the Office of Government Commerce Gateway Reviews of the Programme.

Agency preparation for shared services

1.28 The Driving Standards Agency and the Driver and Vehicle Licensing Agency did not prepare sufficiently for the move to shared services, which led to some significant operational issues. For example, the agencies should have had in place purchasing systems that required the raising of purchase orders for all orders of goods and services so that invoices can be matched electronically on receipt. Although both agencies had previously operated a part-purchase order system, failure to extend its cover to all purchases and weaknesses in their new organisational structures, coupled with continued system instability and processing problems within the Shared Service Centre, meant that line managers could not view and sign-off invoices. As a consequence, the Shared Service Centre could not match the majority of invoices it received for several months after April 2007, which led to delays in payments to suppliers.

The Shared Service Centre building and staff

1.29 In May 2005 the Driver and Vehicle Licensing Agency's Head of Estates Management recommended the option to lease a building, to be built in Swansea and using the Agency's existing Private Finance Initiative estates contract. The Department felt this offered future flexibility, an independent identity for the Shared Service Centre (particularly if the Centre were to leave the Driver and Vehicle Licensing Agency at some future date), and a significant contribution from the developer to the fit out costs. The Permanent Secretary approved this option in June 2005 and the building was delivered to time and specification in mid-2006. Annual leasing costs for 2007-08 are £307,000.

1.30 Approximately 225 staff currently provide support to the first three customers using shared services – the Driving Standards Agency; the Driver and Vehicle Licensing Agency and the central Department. The Shared Service Centre can hold more than 250 personnel – sufficient to cover the outline business case's requirement to provide shared services for all agencies and central Department staff. The remaining space at the Shared Service Centre is currently utilised by Programme staff.

The consequences of problems for the Shared Service Centre

Impact on the timetable

1.31 The Driving Standards Agency and the Driver and Vehicle Licensing Agency began using the Shared Service Centre in April 2007, one year later than planned (Figure 2) and without all the originally envisaged services. A fuller commentary on the Programme implementation timeline is at Appendix 4.

Impact on costs

1.32 The outline business case estimated that the cost of implementing shared services across the Department would be £34.7 million (2005-06 terms, excluding £20.7 million estimated severance costs but including contingency – Optimism Bias – of £13.1 million), generating annual savings of £16.4 million upon completion of implementation of all business units and yielding total benefits of £112.4 million over the first 10 years to 2014-15 **(Figure 4 overleaf)**. The outline business case estimated that savings would arise principally from reductions in staff by 377 net posts, and from reduced estates holdings and by avoiding future investment in new technology at individual agencies.

1.33 The Department revised its estimate of Programme set-up costs in the January 2006 interim business case to £47.8 million (excluding severance costs), an increase of £13.1 million since April 2005. By the end of March 2007, however, actual costs had exceeded this forecast and risen to £61.5 million because of the decision to develop new processes rather than use those already in place; unrealistic estimates of the costs of technology and security accreditation; the consequences of both these in terms of higher than necessary day rates for work actually undertaken; repeated re-planning of activities; and poor integration of Programme phases.

14 The Office of Government Commerce reviews projects using a "traffic light" reporting system: Red – to achieve success the programme or project should take remedial action immediately; Amber – the programme or project should go forward with actions on recommendations to be carried out before the next Office of Government Commerce Gateway Review; Green – the programme or project is on target to succeed but may benefit from the uptake of the recommendations.

4 Outline Business Case April 2005

Cost/benefit item	Outline Business Case April 2005	
Gross benefits (£m)		112.4
Set-up costs (excluding severance) (£m)	34.7	
Severance costs (£m)	20.7	
Total costs (£m)		(55.4)
Overall Net Present Value (£m)		**57.0**
Annual savings (once implementation of all Business Units completed) (£m)	16.4	
Full Time Equivalent staff reductions	377 staff	

Source: Department for Transport

NOTES

All figures are cumulative to March 2015 and discounted to 2005-06 terms.

The Overall Net Present Value (NPV) shows the overall net benefit or cost of the Programme to the Department.

Availability of business functions

1.34 The Programme Board had to defer implementing modules such as e-recruitment and attendance management due to security concerns and design immaturity respectively, which could not be resolved in the tight timescale up to April 2007. Subsequently, the Driver and Vehicle Licensing Agency added internal e-recruitment and sickness absence functions in December 2007 and time management in April 2008; the Driving Standards Agency added sickness absence in December 2007 and internal e-recruitment and time management in April 2008.

Operational performance

1.35 There were problems with the functionality of the systems that were implemented when live operations began. In some cases, for example, users had to work with a system less capable than its predecessors partly because compromises were made on the design and partly because of poor design implementation. There was also confusion between users and the Shared Service Centre as to who was responsible for certain tasks, because there were no Service Level Agreements setting out the respective responsibilities of the service provider and customers in place prior to go-live. For example, the Driver and Vehicle Licensing Agency understood that the Shared Service Centre would update staff security clearance levels and work patterns of part-time staff and add electronic triggers to notify when Agency drivers required their five-yearly medicals. Shared Service Centre staff believed this to be the responsibility of the Agency. Agency staff believed that access to this information was necessary for them to undertake their work, but felt the information was neither timely nor accurate. The Shared Service Centre did not regard this information flow as its responsibility. By March 2008 Driver and Vehicle Licensing Agency staff could obtain information on security clearance levels, but not work patterns of part-time staff or driver medicals.

1.36 Technical support for the shared services' SAP system was inferior to the support arrangements that had previously been available; the Driver and Vehicle Licensing Agency's SAP R3 system had previously benefited from electronic dial-in support by SAP technicians. Following the move to shared services, the Department's security accreditor considered that SAP's standard remote support did not adequately meet government requirements, resulting in technicians having to either visit Swansea (from Germany for highly specialised problems) or talk through issues with users by telephone, complicating and slowing system support. The Department contracted with SAP in May 2007 for a remote, secure electronic solution. However, a physical link that met the accreditation standard was not available until January 2008 because of the Department's delay in shipping the relevant hardware to SAP and the Department's security accreditor's approval.

1.37 The evolving nature of the system also meant that the Shared Service Centre could not define its maintenance requirements for the shared services' IT system with Fujitsu until October 2007. Additional staff were required in the interim. The Shared Service Centre had planned that these new arrangements would be in place by June 2008, but the final delivery date of strategic system support will now be Autumn 2008. Contractors confirmed the Department's earlier estimates that if a comprehensive, streamlined support service encompassing first line support, applications support and the IT strategic support service were fully established, savings in the order of 25 per cent could be realised.

1.38 Following migration of the first two agencies in April 2007, there was a breach of personal data security within shared services when all users in the Driver and Vehicle Licensing Agency were briefly able to view a limited number of users' bank details and pay records. More recently, one user's medical history was copied onto the records of a colleague with the same surname. Staff at the Driving Standards Agency also told us that, in some circumstances, they could view the names and addresses of anyone at the Agency who had received, for example, a travel and subsistence payment during the year because of the way that the system was set up and how access to the system was allocated. Although not unique to shared services, such occurrences underline the additional requirements for accuracy and security of electronic data when transferring sensitive information onto a shared, as opposed to a dedicated, system.

1.39 The shared services implementation team did not put in place an agreed performance framework for 2007-08 prior to the Driver and Vehicle Licensing Agency and the Driving Standards Agency joining shared services in April 2007. In June 2007 the Shared Service Centre defined 18 key performance indicators of the system, although an agreed performance framework was not put into place until September 2007, and data is now collected on 14 of these. Each of these 14 indicators also has a target level of acceptable performance: some are dependent solely on the Shared Service Centre, others are joint targets with the two agencies currently using shared services. Of the 14 key performance indicators now measured, shared services achieved only four targets in January 2008. In some areas, such as the prompt payment target that 98 per cent of undisputed invoices shall be paid within 30 days, performance remains below the level the Driving Standards Agency and the Driver and Vehicle Licensing Agency had achieved before joining shared services **(Figure 5 on pages 20 and 21)**.

Operational consequences for the Driver and Vehicle Licensing Agency and the Driving Standards Agency

1.40 Delays to invoice processing (see paragraph 1.28) made it more difficult for the Driving Standards Agency to deliver motorcycle tests during the summer of 2007. Some smaller garages refused to maintain the motorcycles of the Agency's driving examiners and the Shared Service Centre had to make emergency payments in such cases, bypassing its own standard procedures. The Driving Standards Agency also occasionally had to hire cars so that driving examiners could conduct motorcycle tests by car rather than by motorcycle. The Agency has not quantified the costs of these measures or the number of tests cancelled. Delayed payments have also damaged the reputation of the Driving Standards Agency, as some suppliers are now more reluctant to deal with them.

1.41 These failings are not only a cause of concern because they create inefficiencies within payment systems, but also because they meant that the individual agencies had to introduce additional compensating controls – involving extra resources and interim costs to maintain the same level of internal controls. The Driver and Vehicle Licensing Agency and the Driving Standards Agency's migration of financial transaction processing onto the Shared Service Centre from April 2007 meant that the completeness and accuracy of processing in part depended upon controls within the Shared Service Centre. As at the end of March 2008, the agencies and the Shared Service Centre were still working, with the assistance of internal audit and consultants, towards a comprehensive, coordinated and documented set of processing controls. They planned to complete this work in the latter part of 2008.

Staff perceptions of new service

1.42 We conducted nine focus groups with current users of the Shared Service Centre, in November and December 2007, to obtain an understanding of the issues facing them day-to-day. Further details are provided at Appendix 5, but three common themes came out of our research. The users we spoke to:

- had low confidence in the current system, including concerns over data security, duplication of work due to low confidence in data integrity coupled with system crashes and time-outs;
- were concerned over the quality of training provided for the new system; and
- had a low opinion of the quality of service provided, in that functionality and ease of use in some areas were less than previously existed; the classification of some sickness absence matters was insensitive; the responses to requests for help were poor; and they disliked the lack of personal contact.

1.43 The Department commissioned consultants from Atkins to conduct a customer satisfaction survey and focus groups of staff shortly before we undertook our work. Our findings corroborated the results that they had obtained. Since then, the Driver and Vehicle Licensing Agency has re-launched its user education and training programme.

5 Shared Service Centre Key Performance Data from April 2007 to March 2008

Area	SLA Description		April 2007	May 2007	June 2007	July 2007	August 2007
Finance and Procurement	Pay 98% of undisputed invoices within 30 calendar days	Driver and Vehicle Licensing Agency	Data not available	Data not available	55.5%	60.8%	56.1%
		Driving Standards Agency	Data not available	Data not available	22.7%	52.0%	54.7%
	Scan and register invoices		Data not available	Data not available	Data not available	Data not available	Data not available
	Create and maintain supplier information	95% within 2 working days	Data not available	Data not available	46.9%	30.8%	40.9%
		100% within 3 working days	Data not available	Data not available	46.9%	42.3%	50.0%
	Create and maintain customer details	95% within 1 working day	Data not available	Data not available	15.9%	Data not available	6.4%
		100% within 2 working days	Data not available	Data not available	Data not available	Data not available	12.8%
	Input all receipts within 1 working day		Data not available	Data not available	Pass	Pass	Pass
	Make all cash transfers by deadlines		Data not available	Data not available	Pass	Pass	Pass
Information and Communications Technology	Design all required reports		Data not available	Data not available	Data not available	Data not available	Data not available
	Maintain application performance		Data not available	Data not available	Data not available	Data not available	Data not available
	Maintain application availability	99% during working hours	Data not available	Data not available	Data not available	97.3%	97.8%
Payroll	Complete each month's payroll		Data not available	Data not available	Pass	Pass	Pass
Employee Services	Create and update employee information		Data not available	Data not available	Data not available	Data not available	Data not available
Helpdesk	Very high importance queries	Resolve 100% within 1 working day	Data not available	Data not available	14.3%	14.1%	16.1%
	High importance queries	Resolve 100% within 2 working days	Data not available	Data not available	28.0%	26.6%	25.5%
	Medium importance queries	Resolve 100% within 5 working days	Data not available	Data not available	40.8%	54.7%	45.8%
	Low importance queries	Resolve 100% within 10 working days	Data not available	Data not available	78.3%	85.4%	84.2%

Source: Department for Transport

KEY

Figures in red indicate failure to meet relevent Key Performance Indicator.

September 2007	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008
66.7%	79.4%	89.7%	92.1%	90.3%	92.2%	93.6%
58.2%	77.9%	79.9%	85.3%	85.6%	92.6%	87.7%
Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available
74.3%	82.3%	87.7%	90.8%	66.8%	83.8%	76.9%
79.7%	88.0%	96.2%	96.5%	79.6%	91.4%	85.1%
30.6%	64.0%	64.0%	81.0%	1.8%	15.4%	68.6%
30.6%	64.0%	64.0%	100.0%	56.4%	48.1%	94.3%
Fail	Pass	Pass	Pass	Pass	Pass	Pass
Pass	Fail	Fail	Pass	Pass	Pass	Pass
Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available
Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available
99.2%	97.1%	97.1%	99.6%	99.4%	97.7%	99.7%
Pass	Pass	Pass	Pass	Pass	Data not available	Pass
Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available
16.7%	26.3%	26.3%	4.0%	10.9%	17.2%	23.1%
33.0%	41.8%	41.8%	35.3%	33.2%	28.7%	37.1%
62.7%	65.8%	65.8%	53.8%	39.9%	43.3%	62.6%
88.2%	90.0%	90.0%	85.6%	78.4%	75.5%	79.9%

PART TWO

Changes made to the Shared Services Transformation Programme since April 2007

2.1 In June 2007, the Driver and Vehicle Licensing Agency prepared a lessons learned paper on behalf of the Department, outlining the principal successes and weaknesses of the Programme to date and found that many of the risks identified in paragraph 1.25 and Appendix 2 remained. This part of the report examines the changes made by the Department to address the underlying issues which led to cost overruns and the late delivery of the initial phases of the Programme.

2.2 In summary, from mid-2007 the Department has taken action to:

- improve Programme governance;
- establish a clear set of strategic priorities for the Programme;
- re-shape implementation plans;
- put in place a communications and engagement strategy that focuses on the value of shared services in improving overall resource management controls;
- strengthen its management of its principal supplier IBM;
- contain expenditure;
- maximise the potential for benefits;
- work with business units to understand their business and challenges in order to identify ways in which the Shared Service Centre can support them; and
- resolve the technical problems with the system.

These points are considered further in the following sections.

Programme governance

2.3 Changes in structure at the Department have enhanced senior management oversight of the Programme. Following publication of the Department's Capability Review in June 2007,[15] the new Permanent Secretary[16] created the post of Director General Corporate Resources. This post is the Senior Responsible Owner for both the implementation Programme and the Shared Services Operations. In April 2007 the Department's Management Board appointed a new Director of Shared Services with responsibility for rolling out the Programme to the rest of the Department and a new Head of the Shared Service Centre who manages the day-to-day functions of the Shared Service Centre.

2.4 The Senior Responsible Owner has positioned the Programme Board to bring together the three areas of management responsibility critical to a successful strategy: Programme delivery through the Director of Shared Services; business change within the business units; and overseeing the operation of the Shared Service Centre. The Director of Shared Services now reports to the Senior Responsible Owner. As of January 2008, the Head of the Shared Service Centre reports to the Director of Shared Services for service delivery performance, but the Shared Service Centre organisation and assets remain part of the Driver and Vehicle Licensing Agency. The Shared Service Centre staff remain on the Driver and Vehicle Licensing Agency's terms and conditions and the Shared Service Centre requires ongoing service provision of estates, security and disaster recovery services from the Agency. The Department's Management Board also restructured the governance arrangements to give the central Programme team greater control over expenditure, benefits, implementation and customer needs **(Figure 6)**. Stakeholders told us that the restructuring was a positive step towards simplifying and clarifying the governance structure of the Programme and operations to increase central control and accountability.

15 *Capability Review of the Department for Transport,* Cabinet Office, June 2007.
16 Appointed on 1 June 2007.

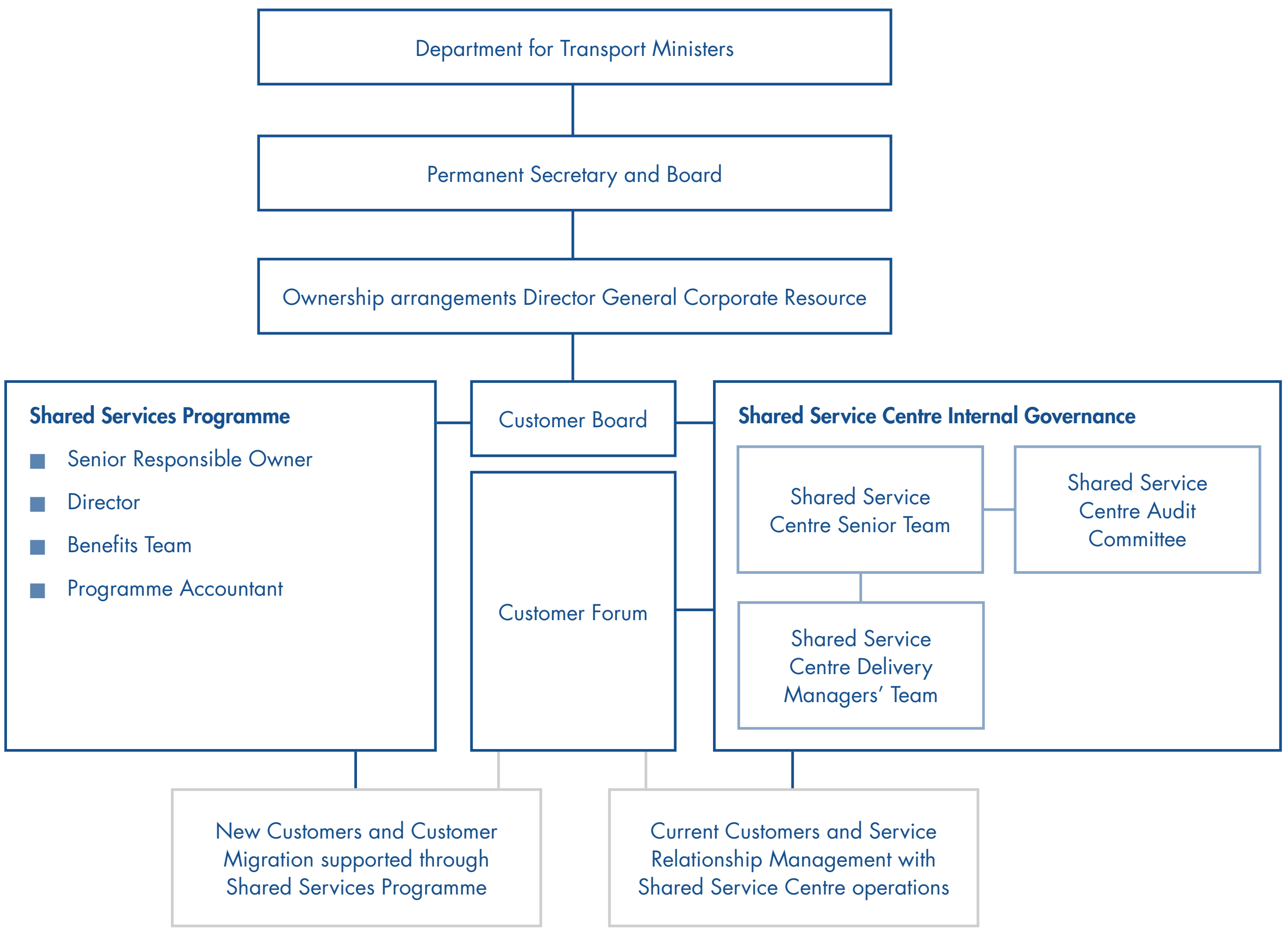
2.5 This improved governance has enabled the Programme to address a number of challenges, such as concerns about technical stability in the period April–December 2007, pressures on the test programme up to March 2008, and balancing individual customer concerns with overall programme delivery.

2.6 As we commented in Part One (paragraph 1.27), the Programme did not benefit from an Office of Government Commerce Gateway Review between April 2006 and September 2007. Since then there have been two further reviews: in September 2007 and March 2008. The September 2007 review concluded that the Programme had "many of the characteristics of a programme in strong recovery mode, including newly invigorated leadership, a strengthened customer focus and a willingness to learn lessons and move on." The overall status was assessed as "red" but only because the funding required for the remainder of the year had yet to be confirmed. A further Review in March 2008 assessed the Programme as "amber", concluding that: "The Programme continues to make rapid progress since the last Review. The new leadership and imported expertise are having the desired impact. They are however continually chasing the game but nevertheless delivering just in time". The Review confirmed that the Department had implemented recommendations made in September.

Shared services strategic plan

2.7 Given the multiple pressures on the Programme from the next implementation phase as well as residual issues such as deferred functionality and defects the Department developed a set of strategic priorities for shared services. These were: an immediate focus on successful go-live of the central Department and the Maritime and Coastguard Agency; development of the next phase for shared services; and a recognition of the realities of the Shared Service Centre cost-effectiveness (given the limited customer base within the Department) while considering wider commercial opportunities.

6 Programme organisation and high-level governance structure since June 2007



Source: Department for Transport

2.8 Following a review in late 2007 of the feasibility of delivering the full range of functions envisaged in the original business case, the Programme Board decided to focus on extending the functions provided by shared services, commissioning feasibility studies into the inclusion of functional areas such as routine procurement[17] and management information which are due to report in September 2008. It also decided that the Programme would cover four complete business units initially, plus the Highways Agency's human resources and payroll functions and the Vehicle Certification Agency's payroll and basic human resources function. The four businesses to be fully migrated are: the Driving Standards Agency; the Driver and Vehicle Licensing Agency; the Maritime and Coastguard Agency; and the central Department. The Programme Board agreed to reschedule:

- moving the Highways Agency's finance function to the Shared Service Centre for the present as the Agency had previously invested around £30 million in 2002-03, and more recently £1.8 million on further enhancements that the Department felt it could not justify writing-off;
- the migration of the Vehicle and Operator Services Agency as the Department is reviewing future delivery options for some aspects of the Agency's work;
- the migration of the Government Car and Despatch Agency (until 2010 at the earliest); and
- the migration of the Vehicle Certification Agency's payroll and basic human resources functions until October 2008 at the earliest.

The Programme Board reviews these decisions and the overall implementation plan periodically, to re-shape the Programme as necessary. For example, in taking the decision to delay the migration of the Maritime and Coastguard Agency onto shared services from April to October 2008.

Management controls and commercial arrangements

2.9 The Department has put in place more rigorous controls for specifying, authorising and paying for work on the Programme. It has reassigned the delegated authority over Programme expenditure to the Programme Director and appointed a Programme Accountant. The Programme Director monitors expenditure through: weekly financial updates of outturn and forecasts against budgets; reconciliations of invoices received against resource plans; and sample-based reviews of key products to establish whether reported progress is accurate and whether resources are being used effectively. The Programme Board has set overall budgets for the Programme for financial years and now scrutinises any forecast variances to ensure that the Programme can deliver its objectives at an affordable cost. The Department intends to ensure that the control process will operate effectively by reviewing the process periodically and modifying it as required.

2.10 As a result of its increased scrutiny and working with IBM the Programme has:

- improved its budgetary control. For example in discussions on adding the web-based external recruitment function and the move of the central Department and the Maritime and Coastguard Agency onto shared services the Department told IBM that the original estimate of the cost was unaffordable. IBM conducted a risk-based review to establish which elements could be removed while creating least risk for the Programme, and discussed and agreed the outcome with the Programme Director. The Department has told us that this resulted in a reduction of £1.996 million from the original figure. The Department is confident that it has a better understanding of its requirements which is enabling it to manage the Programme by cutting less critical elements;
- discovered errors in invoices paid and introduced additional checks. The Department has received seven credit notes between June 2007 and November 2007 for errors the Programme team discovered in invoices with a total value of £145,000 (excluding VAT). Three of these credit notes, making up the majority of the total value, were specifically for duplicate billing of elements of IBM staff time. The Department discovered these duplicate charges by reconciling invoices received with records of hours worked by IBM staff. The credit notes received were offset against future invoiced amounts. IBM now provides draft invoices each week which the Department reviews and reconciles to the resource plan to ensure that there are no errors. IBM told us that it strives to ensure the accuracy of its invoicing; and
- recovered overpayments from IBM in respect of Phase 5. For example, at the conclusion of a major piece of work IBM reconciled the work delivered to the payments it had received. This exercise highlighted that the Department had overpaid for work that it had earlier decided, for budget and time constraints, to remove. In discussions with the Director of Shared Services and the Driver and Vehicle Licensing Agency's contracts Director, IBM issued a credit note for £435,000 (excluding VAT) to the Department.

17 Routine procurement is the purchasing of high volumes of lower value items such as office equipment.

2.11 The Department contracted with IBM in September 2007 to undertake work on Phase 6, on the basis of an explicit set of day rates set out in the framework agreement, to achieve migration of the central Department and the Maritime and Coastguard Agency by April 2008. The Department has yet to select contractors for any further Programme work, such as the provision of the Highways Agency's human resources and payroll through shared services.

2.12 In addition, from October 2007 the Senior Responsible Owner opened discussions with IBM on the overall commercial position between the Department and IBM. These discussions are on-going, addressing historic costs, forward rates and contractual arrangements. In parallel, the Driver and Vehicle Licensing Agency is reviewing the operation of the framework agreement.

2.13 This improved system of controls has been balanced by a careful consideration of fundamental requirements for long term success of the shared services. For example, the creation of a pre-production environment had been provisionally deferred on cost grounds, but was reinstated to the Programme in September 2007 given its long-term importance to shared services.

Shared Service Centre running costs and charges to its customers

2.14 The Department has undertaken to subsidise the running costs of the Shared Service Centre in its first years of operation so that early customers are not charged disproportionately for the services they receive. This is to recognise the unused capacity of the Shared Service Centre. For example the Shared Service Centre building is not fully occupied by service delivery staff, but also accommodates some Programme staff as development continues. As at January 2008, the Shared Service Centre reported forecast running costs for 2007-08 of £11.8 million, some £0.5 million above the original budget approved in Autumn 2006. The Shared Service Centre in May 2007 agreed to charge its two customers a total of £4.5 million in the year, with the Driver and Vehicle Licensing Agency paying £3.0 million and the Driving Standards Agency £1.5 million, and the central Department funding the remaining £7.3 million as a Programme cost. The Department had agreed a budget for running costs in 2008-09 of £13.3 million based on the assumption that the Maritime and Coastguard Agency would migrate in April 2008 and the Highways Agency would migrate in October 2008. Due to the delays in these migrations the central Department will fund an additional £2.0 million as a Programme cost in 2008-09, in addition to the £1.5 million it will pay as a customer of the Shared Service Centre. Changes to the scope of the Programme (paragraph 2.8) mean that the Centre will serve a smaller customer base. KPMG has recently reported to the Department on the current costs of the Shared Service Centre and how they compare to the original targeted level.

2.15 **Figure 7 overleaf** compares some examples of performance measures achieved by the Department's Shared Service Centre, the NHS Shared Business Service, the Prison Service Shared Service and average shared service practitioners. The measures do not provide a precise comparison of performance as we used third party data and we cannot guarantee consistency of the data collection methods and the shared service environments were at different levels of maturity. For example, the Department's performance was measured after nine months of operation compared to around 12 months for the Prison Service and 18 months for the NHS Shared Business Service. In our view, the measures are, nevertheless, illustrative of the standards of performance that can be achieved in shared service environments and to which the Department should aspire. The Department notes the comparative figures differ in respect of the extent to which the operations are offshore and the maturity of the shared services organisations. The Department does recognise, though, that there is scope to improve unit costs and outputs at its Shared Service Centre.

2.16 In our view, the overall indicative results show that in two of the three measures the Department's performance is currently below that achieved by other organisations. At £9.94 the cost per invoice processed by the Department's Shared Service Centre is more than four times that of invoices processed by both the NHS and Prison Service centres and nearly seven times more than the industry average. The cost per payslip processed is twice that achieved by the NHS and average industry comparators. The number of transactions processed per person per year is better than the data we have for the NHS Shared Business Service, but there is still some way to go before average private sector performance can be matched.

2.17 The Department is pursuing a number of measures to improve the efficiency of shared services, for example: the Shared Service Centre is making greater use of optical readers for invoice processing to reduce the processing time and transaction costs; the Programme team is improving its engagement with agency Chief Executives to encourage the timely implementation of necessary business changes; and it also plans to improve management information to identify further areas where it can increase the efficiency of the purchasing cycle. Improved matching of invoices to purchase orders in the business units will also reduce the processing time and transaction costs. The migrations of

7 Comparison with performance of other shared services

Measure	Description	DfT	NHS	HMPS	Average practice
Accounts payable transactions processed per full time equivalent per annum	The number of supplier invoices processed each year divided by the number of full time equivalent members of staff in the accounts payable team – giving the average number of invoices processed by each team member in a year.	10,734	7,500	15,500	25,008
Accounts payable direct cost per transaction	The direct cost of the accounts payable function in a given period divided by the number of supplier invoices processed in the same period – giving the cost per processed invoice.	£9.94	£2.25	£2.12	£1.45
Cost per payslip	The direct cost of the payroll function in a given period divided by the number of payslips raised in the same period – giving the average cost per payslip.	£5.46	£2.54	n/a	£2.44

Source: Comparators are from The Hackett Group, a firm providing advice based on performance metrics obtained over 14 years. Department for Transport figures from the Department for Transport. NHS figures are calculated by The Hackett Group and supplied by NHS Shared Business Services. Prison Service figures are provided by the Prison Service. As The Hackett Group, the Prison Service and the Department for Transport have not used identical methods to calculate performance metrics they do not represent a perfect like-for-like comparison.

NOTE

Average practice comparators represent median figures and are drawn from 3,500 benchmark studies. The Department for Transport's figures are from December 2007, 9 months after operations began; Prison Service figures are for April 2007, 12 months after operations began; NHS figures are means for three months ending January 2007, 18 months after operations began. This table is an adaptation of Figure 13 in the Comptroller & Auditor General's report *Improving corporate functions using shared services*, HC 9 Session 2007-2008.

the central Department and the Maritime and Coastguard Agency should also reduce transaction costs through economies of scale. The Department's decision to postpone elements of further migrations may limit the extent to which it can drive down invoice processing costs further since the finance functions of the Highways Agency and the Vehicle and Operator Services Agency will not migrate to the Shared Service Centre for at least three years. We have not been able to obtain comparative figures for the Department's performance prior to the move to shared services because the data are generally not available from the central Department or the agencies. The Department expects that one benefit of the shared service regime is that it will introduce transparency over transaction processing costs.

Programme costs and benefits

2.18 Recognising the impact of increased costs on the investment case the Department has taken measures to contain expenditure. There has been a stronger focus on cost management and supplier management with new detailed accounting and reconciliation procedures. Further benefits include the development of improved management information, to support managers in the effective allocation of resources.

Current forecast Programme costs

2.19 The Department's latest forecast for Programme set-up costs to the end of March 2015 is £121.2 million[18] **(Figure 8)** which includes some £7.6 million severance costs (all discounted to 2005-06 terms). The Department intends to close the Programme by March 2011 with the Shared Service Centre funding and managing any further customer migration projects, such as the implementation of the Highways Agency's finance function.

2.20 The forecast costs of Programme set-up and management are £109.4 million (Figure 8). The costs for preparing and migrating the Driver and Vehicle Licensing Agency and the Driving Standards Agency at £35.2 million (2005-06 terms) are significantly higher than those forecast for the central Department and the Maritime and Coastguard Agency at £23.1 million, even when considering the effect of discounting the costs to 2005-06 terms. This is largely to be expected, as the initial costs included the testing of the core system and business processes and the first two business units to migrate encountered issues which have been resolved or mitigated for the subsequent migrations. The central Department and the Maritime and Coastguard Agency are also smaller organisations which has helped to keep

18 These include actual costs to 31 March 2008.

8 Programme costs (£ million)

	05-06	06-07	07-08	08-09	09-10	10-11	Total
Set-up costs							
Programme direction and assurance	2.5	2.0	2.2	1.5	1.1	0.3	9.6
Driver and Vehicle Licensing Agency	0.5	15.0	5.3	0.4	0.1	–	21.3
Driving Standards Agency	–	10.6	2.9	0.3	0.1	–	13.9
Department for Transport (Centre)	–	2.5	8.6	0.5	0.1	–	11.7
Maritime and Coastguard Agency	–	1.5	6.4	3.5	–	–	11.4
Highways Agency	–	0.2	1.5	3.8	1.1	–	6.6
Vehicle and Operator Services Agency	0.1	0.8	1.2	–	–	–	2.1
Vehicle Certification Agency	–	–	–	0.4	–	–	0.4
Government Car and Despatch Agency	–	–	–	–	–	–	–
Shared Service Centre	12.5	13.3	1.9	2.3	–	–	30.0
Other	–	–	–	1.8	0.6	–	2.4
Total set-up costs	**15.6**	**45.9**	**30.0**	**14.5**	**3.1**	**0.3**	**109.4**
Cost of capital	–	0.6	1.0	1.0	0.9	0.7	4.2
Total set-up costs and cost of capital	**15.6**	**46.5**	**31.0**	**15.5**	**4.0**	**1.0**	**113.6**
Severance costs							
Driver and Vehicle Licensing Agency	–	–	–	–	–	–	–
Driving Standards Agency	–	0.3	0.1	–	–	–	0.4
Department for Transport (Centre)	–	–	–	0.9	–	–	0.9
Maritime and Coastguard Agency	–	0.1	0.1	2.9	–	–	3.1
Highways Agency	–	–	–	1.8	–	–	1.8
Vehicle and Operator Services Agency	–	–	0.3	–	0.9	–	1.2
Vehicle Certification Agency	–	–	–	–	–	–	–
Government Car and Despatch Agency	–	0.1	0.1	–	–	–	0.2
Total severance costs	**–**	**0.5**	**0.6**	**5.6**	**0.9**	**–**	**7.6**
Total programme costs	**15.6**	**47.0**	**31.6**	**21.1**	**4.9**	**1.0**	**121.2**

Source: National Audit Office analysis of data provided by the Department for Transport

NOTES

1 Sunk costs accurate to 31 March 2008. Costs from 1 April 2008 are forecast and subject to revision as the Department is re-planning the size and scope of its Shared Service Centre.

2 £54.1 million of the £91.5 million set up costs to the end of March 2008 relates to IBM costs.

3 All costs discounted to 2005-06 terms.

implementation costs relatively low. Limiting the scope of the planned implementation of shared services to human resources and payroll functions for the Highways Agency has helped to constrain costs to £6.6 million, but further costs are likely if the Department decides to implement finance for the Highways Agency. As the Department has for the foreseeable future postponed any further work on the Vehicle and Operator Services Agency there will be no more costs other than the £2.1 million already incurred.

2.21 Estimated severance costs have reduced from the original estimate of £22.6 million included in the interim business case of January 2006 to £7.6 million in March 2008. The Department and its agencies have achieved this by encouraging staff in support functions to apply for operational posts when they arise and by using fixed-term contracts or temporary staff to fill interim posts in support services, as indicated below:

- The Driver and Vehicle Licensing Agency has mainly redeployed staff with limited use of a Voluntary Early Retirement scheme for those leaving the Agency's support services. By the end of March 2008 the Agency had attributed a reduction of around 154 posts to the Programme, incurring no severance costs. The Shared Services Transformation Programme is one of a number of organisational change programmes running concurrently and the Agency cannot link named individuals to particular efficiency initiatives, but it can compare the final structures and numbers to the benchmark efficiency targets.
- The Driving Standards Agency has redeployed over two thirds of the 41 posts leaving the Agency's support services by April 2008, with the rest leaving due to a mixture of natural wastage, agency staff and early retirement schemes.
- The central Department plans to use only redeployment and natural wastage to meet its forecast of 124 posts savings by the end of June 2010.

The implementation of a benefits reporting framework

2.22 In January 2006 the interim business case envisaged quantified net savings of £107.5 million[19] when it compared the costs of running the new system with those of systems operating previously at individual agencies. These "first tranche" savings were planned to come from reductions in staff and office space and the avoidance of investment in new IT systems and were based on applying median benchmarks to the Department's business.
In early 2008, agencies reported a shortfall in expected first tranche benefits and, coupled with the reduction in scope of some functions of the Highways Agency and the Vehicle and Operator Services Agency (paragraph 2.8), the total gross benefits (before set-up costs) were forecast to have fallen to £40.1 million **(Figure 9)**.

2.23 The Programme Board appointed a benefits realisation manager in June 2007 and required business units to provide quarterly reports on benefits achieved and forecast to be achieved against the plan. This requirement not only gives the Programme team much greater and regular visibility of the status of benefits against the plan but it also has the effect of making business units responsible for identifying, quantifying and achieving benefits themselves.

2.24 Taking a deliberatley cautious view of benefits, none of the Department's business cases for shared services to date have quantified subsequent tranches of benefits, such as those to be realised from improved operational effectiveness due to better management information and from improving routine procurement by maximising the Department's combined purchasing power. The value of these subsequent tranches of benefits remains unknown.

9 First tranche of benefits: plan and forecast (£ million)

	Plan January 2006	Forecast February 2008
Driver and Vehicle Licensing Agency	23.1	52.5
Driving Standards Agency	11.3	8.2
Department for Transport (Centre)	43.3	45.3
Maritime and Coastguard Agency	10.0	12.9
Highways Agency	24.8	8.6
Vehicle and Operator Services Agency	17.1	–
Vehicle Certification Agency	0.7	0.1
Government Car and Despatch Agency	–	–
Shared Service Centre	(22.8)	(87.5)
Total	**107.5**	**40.1**

Source: National Audit Office analysis of data provided by the Department for Transport

NOTE

All figures are cumulative from 2005-06 to 2014-15 and discounted to 2005-06 prices.

19 This does not take into account implementation costs.

2.25 On management information, experience within the NHS Shared Business Services has shown that shared services can collect management information more systematically, providing the opportunity to identify scope for further service improvements and financial savings.[20] The Department aims to use shared services to improve the quality of its management information. For example, the Department has experienced shortcomings in the quality of human resources information available to assist its management of staff sickness absence[21] and sees shared services as an opportunity to remedy these shortcomings.

2.26 The Department also commissioned KPMG to conduct a high-level review of the Department's routine procurement in November 2006. The review suggested that the potential annual benefits arising from increased procurement leverage could be indicatively between £25 million and £75 million which would be a very significant additional source of benefits. This assessment is based on a high-level assessment of the Department's direct third party expenditure in 2005-06. The review suggested that it would not be possible to achieve the potential benefits in this area without the Shared Service Centre. In January 2008 the Department issued an Invitation To Tender for a more detailed feasibility study to provide greater clarity over the potential level of benefits and to estimate the cost of implementing the necessary procurement procedures. The Department has appointed consultants who will present an outline business case to the Department's Management Board in Autumn 2008. More recently, the benefits realisation team has focused on achieving further quantifiable savings from current investment, and business units have held workshops to identify additional benefits.

Financial analysis

2.27 Based on the original technical assessment in the April 2005 business case (which did not include routine procurement), our analysis of the costs and benefits of the Programme shows that over the original investment appraisal period of 2005-06 to 2014-15 the Programme will yield a negative Net Present Value of £81.1 million, and assuming no improvement in the Shared Service Centre's productivity which the Department is actively targeting, indicating a significant net cost to the Department **(Figure 10)**. This is a major departure from the original business case which predicted that the Programme would pay back the Department's investment within five years.

10 Financial appraisal based on current scope of the Programme (£ million)

	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	Total to 14-15
Costs[1]											
Programme costs	15.6	47.0	31.6	21.1	4.9	1.0	–	–	–	–	121.2
Benefits											
First tranche of benefits	0.2	0.2	(3.9)	6.4	3.9	8.0	4.6	16.3	7.3	(2.9)	40.1
Net annual (cost)/savings	(15.4)	(46.8)	(35.5)	(14.7)	(1.0)	7.0	4.6	16.3	7.3	(2.9)	(81.1)
Net cumulative (cost)/savings	(15.4)	(62.2)	(97.7)	(112.4)	(113.4)	(106.4)	(101.8)	(85.5)	(78.2)	**(81.1)**	

Source: National Audit Office analysis of data provided by the Department for Transport

NOTES

1 All figures discounted using the Treasury discount rate of 3.5 per cent.

2 Appendix 6 has more detail on assumptions underpinning this analysis.

20 *Improving corporate functions using shared services*, National Audit Office, HC 9 Session 2007-2008, November 2007.

21 *The management of staff sickness absence in the Department for Transport and its agencies*, National Audit Office, HC 527 Session 2006-2007, June 2007.

2.28 If the Programme can deliver the routine procurement benefits projected by KPMG, however, then this could reduce the net cost of the Programme to the Department or even generate a net benefit. The Department commissioned a second feasibility study into the potential benefits early in 2008, but as of May 2008 whether the Department can achieve these savings is unknown since the delivery timeframe, the scale of the benefits and the costs of achieving them are not currently understood. We have conducted an analysis which assumes that: the median (£50 million per year) of the large range suggested by KPMG could be achieved by the Department; that it could start delivering these benefits from April 2009; and that the set-up costs are negligible. These assumptions are crude but the analysis is only meant as an illustration of the effect such additional benefits can have on the value of the Programme to the Department. If these assumptions hold, the Programme could represent a positive Net Present Value of £84.4 million over the original project appraisal period. This would represent a considerable improvement on the January 2006 interim business case forecast Net Present Value of £37.1 million over the same period. Our analysis also suggests that delivery of routine procurement benefits at the median level, with implementation starting in 2009-10, would pay back the Department's investment in 2012-13 at the earliest, some seven years after the initial investment. Appendix 6 details the assumptions and estimates used in formulating our analysis.

Customer engagement and other improvements

2.29 In addition to altering the governance structure, re-scoping the Programme and improving Programme controls on the costs, the Department has made a number of other improvements in:

a staffing of the implementation team;

b engagement of stakeholders and prospective users;

c system stability; and

d financial controls.

Staffing of the implementation team

2.30 The changes in personnel described in paragraph 2.3 above have also strengthened the skills and expertise of the implementation team and senior management in the Shared Service Centre. While this is a welcome development, there are a number of key positions within the Programme team that have been filled by staff on fixed-term contracts, most notably the Programme Integration Manager and the Benefits Realisation Team Manager. Over 40 per cent of the team running the Programme are contractors. The Department told us that it is developing a succession plan to mitigate the risk of losing knowledge and expertise vital to completing the Programme when individuals' contracts end.

Engagement of stakeholders and prospective users

2.31 Both the Programme team and the Shared Service Centre have taken action since mid-2007 to improve and make more timely communication of anticipated technical issues to its customers. Our focus group research (see paragraph 1.42 and Appendix 5) and the Department's staff survey indicate clearly, however, that communication problems remain and that managers within users' business units need to improve their communications with their own staff. For example, although the Shared Service Centre had made management of both the Driver and Vehicle Licensing Agency and the Driving Standards Agency aware of a planned upgrade to the system in early December 2007, managers in the two agencies did not effectively cascade this information to users. Consequently, users saw the lack of system availability as another unpredicted or unannounced technical issue. Furthermore, users had generally lost interest in the reasons for unavailability and made no distinction between planned and unplanned loss of service. On this particular occasion, the system was restored to users soon after the upgrade release. Other issues such as the availability of information and the division of tasks between the retained elements of human resources and finance remain. The completion of Service Level Agreements to inform users of respective roles and responsibilities in the shared service environment will be critical to resolving some of these issues.

2.32 At the time of our examination, both the central Department and the Maritime and Coastguard Agency, who planned to migrate to the Shared Service Centre in 2008, had detailed training plans in place with the aim of making users fully aware of the implications of moving to a shared services environment. At the equivalent stage before the Driver and Vehicle Licensing Agency and the Driving Standards Agency migrated in April 2007 neither the Shared Service Centre nor the agencies had been able to prepare adequate training or materials because changes and corrections were still being made after some training had already been delivered. The Senior Responsible Owner for the Programme has also identified a need to engage more closely with stakeholders including the Chief Executives of the agencies moving onto shared services to ensure that the required business changes are taking place, and to promote the benefits of shared services. The Shared Service Centre Business Plan 2008-2011 clearly indicates that management see focused customer engagement – both at a business level and at the level of individual users – as critical to the success of the Shared Service Centre and they have put in place processes to deliver this engagement, such as single points of contact on the customer service desks.

System stability and technical problems

2.33 The Shared Service Centre has worked closely with IBM to improve the stability of the system and to rectify some of the technical problems experienced by users since operations began in April 2007. The results of this work have seen significant improvements. In December 2007, system availability was at 99.6 per cent against the target of 99.0 per cent and compared with an average of 94.6 per cent in September 2007. A second measure for system improvement is the number of incidents in any one month. In December 2007, the system suffered four incidents which caused total system loss against a target of a maximum of eight such incidents and compared with 68 such incidents in September, although the target in September was a more ambitious maximum of two such incidents. In the light of these latest performance statistics the Driving Standards Agency has agreed that the system is sufficiently stable to commence a trial of shared services delivery for approximately two-thirds of its 1,900 driving examiners involving travel and subsistence claims. The Driving Standards Agency had previously deferred authorising the migration of these driving examiners due to the risk to operational delivery, and is now evaluating how and when further transactions will be rolled out.

Impact on the financial accounting controls for the Driver and Vehicle Licensing Agency and the Driving Standards Agency

2.34 The Driver and Vehicle Licensing Agency and Driving Standards Agency's use of the Shared Service Centre from April 2007 meant that the completeness and accuracy of financial transaction processing depended upon controls within the agencies themselves, those in the SAP systems and those specific to the Shared Service Centre itself. There were well recognised shortfalls in Shared Service Centre controls for the first few months of the 2007-08 financial year and Internal Auditors and others worked with the Shared Service Centre and agencies' management throughout the latter part of the year to help to define and document necessary financial and system controls, and to review and develop them to acceptable standards. For the end of the financial year, this work helped to give the Agency Accounting Officers more assurance and a clear definition of management actions still required. Those actions were to be rolled out during 2008. The implemented solution design made no specific provision for the production of statutory accounts. In late 2007 the agencies produced part-year accounts which were audited with generally satisfactory results, lessons having been learned for the production of the full 2007-08 statutory accounts in the summer of 2008. We anticipate that the Agency Accounting Officers will wish to refer to the matters above in their 2007-08 Statements on Internal Control.

APPENDIX ONE

Methodology

Overview

1 We carried out the fieldwork for this report between October and December 2007. Our study comprised:

- document review;
- semi-structured interviews;
- financial and quantitative analysis;
- benchmarking against public and private sector shared services providers;
- NAO internal expert panel;
- focus groups of users and operators of shared services; and
- work shadowing of users and operators of shared services.

Document review

2 We examined and analysed a variety of documents produced by the Department to provide detailed analyses of the past, current and planned positions of the Programme in terms of costs and benefits, processes in place and strategies going forward. These included business cases; minutes of the governing boards and committees; quality assurance reports; performance reports; key performance data; customer satisfaction survey; migration plans of agencies yet to migrate; benefits realisation plans and returns from migrated agencies; strategy documents; and the Driver and Vehicle Licensing Agency's framework agreement and files related to its use within the Programme.

3 We examined and analysed a range of documents produced by third parties including the Office of Government Commerce Gateway Reviews and best practice guidelines; and consultancy work commissioned by the Department.

Semi-structured interviews with senior stakeholders in the Department and elsewhere

4 We conducted semi-structured interviews with former and current senior staff responsible for the Programme, other stakeholders in the Department and wider stakeholders.

Organisations represented in our interviews

Cabinet Office

Deloitte Consulting

Department for the Environment, Food and Rural Affairs

Department for Transport

Driver and Vehicle Licensing Agency

Driving Standards Agency

Government Car and Despatch Agency

Fujitsu Services

IBM Global Business Services

Highways Agency

HM Prison Service

Maritime and Coastguard Agency

Office of Government Commerce

Public and Commercial Services Union

SAP

Vehicle and Operator Services Agency

Vehicle Certification Agency

Financial and quantitative analysis

5 We analysed Programme accounts and forecasts of costs and benefits. We also analysed data relating to Key Performance Indicators and invoice payment and processing rates, payroll completion, application availability and helpdesk punctuality.

Benchmarking against public and private sector shared services providers

6 We obtained transaction costs from the Department and analysed and compared these with NHS Shared Business Service, the Prison Service Shared Service, and average private sector bodies using data obtained from the Comptroller and Auditor General's November 2007 Report[22] on shared services across government.

NAO Internal Expert Panel

7 We appointed an internal panel of relevant senior subject matter experts including the directors of the Efficiency and Project Delivery Practice Networks, in-house shared services experts, our financial audit colleagues and information technology systems auditors. Members of the panel offered their expert advice on methodologies for collecting and interpreting data.

8 We used other NAO internal resources including advice from the Performance Measurement team regarding the appropriateness of the Key Performance Indicators used to measure the performance of the Shared Service Centre; advice from the Economics and Statistics Practice Area regarding the Department's analysis of benefits and the use of Net Present Value and Payback Period calculations.

Focus groups of users and operators of shared services[23]

9 We conducted focus groups of current users of the Shared Service Centre within the Driver and Vehicle Licensing Agency and Driving Standards Agency in order to better inform our understanding of users' levels of satisfaction with the services provided, and the challenges that faced them day-to-day. We used purposive sampling to target the focus groups at discrete groups of staff with a similar grade mix in each, for example line managers or operational workers. We conducted five focus groups at the Driver and Vehicle Licensing Agency and four at the Driving Standards Agency, comprising around 72 staff members in total. The focus groups were conducted in November and December 2007. We also interviewed a representative of the Driving Standards Agency's driving examiners to obtain an understanding of the particular operational issues facing them in the shared services environment.

10 We conducted one focus group with staff employed within the Shared Service Centre to gauge their perceptions of how well the Centre was performing and to identify issues that were preventing them from delivering a higher quality service.

Work shadowing of users and operators of shared services

11 We conducted work shadowing to obtain an understanding of the day-to-day challenges facing current users of the services and also those facing operational staff at the Shared Service Centre. We shadowed three professional users at the Driver and Vehicle Licensing Agency; six users and migration officers at the Driving Standards Agency; and 10 operational staff at the Shared Service Centre.

22 *Improving corporate functions using shared services*, HC 9 Session 2007-2008, 29 November 2007.
23 Appendix 5 has a fuller analysis of the focus group data collected.

APPENDIX TWO

Comparative risk assessment

1 This Appendix compares some of principal risks outlined by the Programme Board in January 2005 with those identified by the Driver and Vehicle Licensing Agency's Lessons Learned Report, July 2007 **(Figure 11)**.

11 Comparison of January 2005 Risk Register and July 2007 Lessons Learned Report

Programme Risk Register January 2005	Impact (1 to 5)	Probability (1 to 5)	Score (1 to 25)
Risk 01: 'Insufficient engagement with/of stakeholders leads to lack of stakeholder buy-in prior to Department Board decision and delay to Programme.'	5	4	20 ●
Risk 03: 'Department has insufficient skills in IT, project management, procurement, HR, finance etc. leading to increased cost buying in necessary skills.'	5	4	20 ●
Risk 31: 'Reliance on contractor staff to do key tasks… leaves Department vulnerable to delay…'	5	3	15 ●
Risk 32: 'Inadequate independent technical expertise within the project makes Department unduly reliant on contractors/ consultants.'	4	4	16 ●
Risk 06: 'Insufficient or inadequate input from Agency staff due to conflict with their day-to-day workload/ new initiative overload/ headcount controls etc. leads to delay and/or inadequate processes.'	4	4	16 ●
Risk 41: 'Project timetable is too optimistic.'	4	4	16 ●

Source: National Audit Office analysis of data provided by the Department for Transport

NOTE

The Department's assessment of the 'Impact' of a risk ranged from 1 to 5 in increasing order of severity, 'Probability' ranged from 1 to 5 in increasing order of likelihood. The 'Score' of the risk was the product of these two factors, giving risks with high impact and high probability a score nearer to 25, with low impact and low probability risks a score nearer to 1. Scores of up to and including 4 are rated as Green, scores from 5 to 12 are rated as Yellow, and scores of 15 and above are rated as Red. In January 2005 14 of the 51 risks were rated as Red, of which 6 are highlighted here.

Lessons Learned Report July 2007

Para 2.9: 'Where changes in approach are adopted…the impact needs to be understood and clearly communicated to those who have signed off the Business Case. The impact observed by delivery participants was one of less incentive to compromise…and slower decision making – with a number of areas deferred to post go-live.'

Para 2.10: 'Define simple short lines of management, with very clear accountability – employ key individuals with the necessary previous relevant experience, project/functional competence and skills to manage delivery. Do the same with as much of the delivery team as possible. Ensure reporting lines are short, open and honest so that decisions can be taken with full knowledge of likely impacts. Everyone…needs to be set clear objectives and expectations in relation to behaviours...and there should be robust reporting against those objectives.'

Para 2.16: 'The complete scope and implications of implementing fully integrated processes right across the agencies were not understood across the project…Whilst this did not stop the technical go-live, it has meant a far greater stabilisation effort post go-live and a significant loss of credibility within the user community.'

Para 2.8: 'The project risks included in the dependencies should have been far more rigorously examined and evaluated. Delivery was achieved in only 22 months from decision to proceed, which is extremely commendable – however, the risks that ran through to go-live and the extent of the 'clear-up' activities post go-live were both more significant than they should have been and might have become critical. Large complex projects like this should be planned to deliver through more separate sequential phases to lower the risk profile.'

Para 2.13: 'The full deliverables need to be considered and realistic estimates made of resource availability (skills as well as numbers), decision-time cycles, other business changes in progress that will impact delivery and sheer numbers of stakeholders before delivery timescales are set.'

APPENDIX THREE

Office of Government Commerce Gateway Reviews of the Department for Transport's Shared Services Transformation Programme

Overview

1 The Office of Government Commerce is an office of HM Treasury, responsible for improving value for money by driving up standards and capability in procurement. The Office of Government Commerce Gateway Process examines programmes and projects at key decision points in their lifecycle. It looks ahead to provide assurance that they can progress successfully to the next stage. The process is mandatory in central civil government for procurement, IT-enabled and construction programmes and projects. Office of Government Commerce Gateway Reviews deliver a "peer review" in which independent practitioners from outside the programme/project use their experience and expertise to examine the progress and likelihood of successful delivery of the programme or project. They are used to provide a valuable additional perspective on the issues facing the internal team, and an external challenge to the robustness of plans and processes. Further details on the Gateway Review process and the aims of each type of review can be found at the Office of Government Commerce's website.[24]

2 The Shared Services Transformation Programme has undergone several reviews throughout its lifetime, **(Figure 12)** although the Programme Team achieved several major programme milestones between April 2006 and September 2007 without undergoing a review, which is not best practice.

12 Office of Government Commerce Gateway Reviews

Programme level reviews	
Gateway Review 1	February 2005
Gateway Review 0	April 2006
Gateway Review 0	September 2007
Gateway Review 0	March 2008

Source: National Audit Office analysis of data provided by the Department for Transport

3 We have summarised the four high-level Gateway Reviews of the Programme below.

February 2005

4 The February 2005 Gateway Review was at Gate 1 or Business Justification. The Review Team found that:

- there was general agreement that the shared support services project would be beneficial and assist the Department and its agencies in achieving cost savings, best practice, and facilitating closer working between the agencies and the central Department;
- focus had mainly been on preparing the necessary supporting documentation for consideration at the Department's Management Board meeting, but while most parties considered that they had contingency plans in the event of the Board deciding against the proposed route, nothing had been included in the business case to date;
- the project team was mostly Deloitte staff and while the contract finished on 31 March 2005, at the time of the Review in February 2005 there was no formal decision taken on maintaining the appropriate staffing levels either from internal or external sources.

24 www.ogc.gov.uk.

April 2006

5 The April 2006 Gateway Review was the first at Gate 0 or Strategic Assessment Level, and its overall conclusion was that while there were several positive notes there were also several issues which need to be urgently addressed if the Programme was to succeed and the deadline of August 2006 was to be achieved. The overall status was Red with nine of the 13 recommendations being in this urgent classification. The Review Team found that:

- the migration date for the Shared Service Centre was planned for 31 August 2006 and this was a date that everyone acknowledged as very challenging and it was critical that the criteria for whether the migration would go ahead be quickly completed and agreed with key stakeholders;
- many agencies were claiming justifiable reasons, such as the numerous design gaps not resolved by the agreed design, as to why their budget allocations were unlikely to be sufficient and that it may be prudent to spend time now assessing fully the likely end solution costs and what the possible implications were on benefits realisation; and
- the Programme Team had made good progress in the first quarter of 2006 with the recruitment into one of the key posts and the signing of the contract with the supplier at the end of March 2006.

September 2007

6 The September 2007 Gateway Review's overall conclusion was that the Programme had many of the characteristics of a programme in strong recovery mode with newly invigorated leadership, a strengthened customer focus and a willingness to learn lessons and move on. The overall status was Red, due to funding requirements for the next phase being still in doubt, but in all other respects the status was Amber, which meant that the Programme should go forward with actions on recommendations to be carried out before further key decisions were taken that affected the potential success of the Programme. The Review Team noted that there was evidence that most of the 10 recommendations from the previous Review in April 2006 received proper consideration from the Programme Board, and that where recommendations were not dealt with they had been superseded by amendments to plans for the Programme. The Review Team found that:

- while some prospective customers were not yet convinced that the original rationale for shared services in the Department remained valid or that the anticipated savings could be realised, the Programme Team could address these concerns by repositioning governance and structure around corporate goals combined with a reaffirmation of the vision and intended outcomes;
- while investment should continue in service improvement at the Shared Service Centre to build confidence in the wider community, the Programme leadership should prioritise the work to resolve outstanding ownership and interface issues, which would in turn feed into a revised Programme-wide benefits case that would be used to demonstrate the value of the investment; and
- pressure on funding may require some adjustment in the levels of Programme resources but the Review Team was convinced that the business change elements of the overall delivery arc should be safeguarded at almost any cost.

Other points raised by the Review included:

- the Department should decide whether its original shared service strategy was fit for purpose in the light of prevailing business priorities and if it was the Department should be prepared to articulate a vision that can be communicated as the basis for consistent and purposeful action, or if not, the Shared Service Centre should be put on a sound commercial footing (through an extended external customer base) or there should be a willingness to divest responsibility to other providers such as HM Revenue & Customs;
- a broader perspective for work on the business benefits should form part of a re-prioritised drive to deliver a Programme-level benefits case that could be validated with stakeholders and incorporated as part of the cost benefit analysis for a revised business case to be signed off in the first quarter of 2008;
- the risk management process in place was clearly functioning but it was not clear that it was at the heart of Programme decision-making;
- the quality of the solution currently in place was variable although the nature of the implementation was extensive and ambitious, and the stability and performance of the underlying infrastructure in what was a very complex environment spanning many networks still provided problems and led to a lack of confidence in users;

- much had been done to improve Programme governance and the current structures were generally fit for purpose, although looking forward the ownership of the Programme required closer definition, and the lead and direction then being supplied by the Department should be translated into a set of accountabilities that was seen as fair and reasonable to all; and
- in order to build customer trust, progress on Service Level Agreements needed to be intensified as only the Driver and Vehicle Licensing Agency's Service Level Agreement had been signed, yet even this appeared to be an interim version and at a very high level.

March 2008

7 The March 2008 Gateway Review's overall conclusion was that the Programme continued to make rapid progress with the new leadership and expertise having the desired impact, while the Programme was continually chasing the game given its earlier difficulties but nevertheless delivering just in time. The overall status was Amber. The Review Team also stated that there was evidence to support that the Department had acted on all recommendations from their previous review in September 2007. The Review Team found that:

- there was a high level of confidence in the technical platform for the migration of the central Department and this should proceed as planned but there was less confidence in the ability of the Shared Service Centre to deliver the service or in the readiness or willingness of the business;
- while the business case was currently in negative net present value various ways of shoring up the business case were being explored including feasibility studies underway regarding routine procurement and management information; and
- there was an urgent need to establish a "Roadmap" for the future beyond April 2008 and while discussions had started this needed to be more visible and proceed swiftly.

Other points raised by the Review included:

- while most stakeholders were in favour of the concept many were critical of what had been done so far and was planned for the future under the Business Strategy, which created a very challenging environment in which the Programme Team and their leaders had to operate and deliver change;
- while the Shared Service Centre had not performed well either against its published Key Performance Indicators or the Customer Satisfaction Survey there was an upward trend of improvement;
- to get back on track would require a significant reduction in cost and the introduction of further functions, and that the Department was not yet in a position to claim to be operating as a best practice model;
- the benchmark figures within the public and private sector left the Shared Service Centre far from being seen as an exemplar in delivering efficiency targets;
- the risk and issue management process was vigorous and an exemplar of best practice, but the Programme Board was not taking sufficient action early enough to address red risks; and
- the current Business Strategy pointed towards a commercially based model for the Shared Service Centre but as it stood the Centre was in no position to either market its service beyond the Department or consider contestability in the market.

APPENDIX FOUR

Programme implementation timeline

13 Programme implementation timeline

March 2004	The Department initiates a review of support services to explore the case for establishing shared service options across the central Department and its agencies.
July 2004	Sir Peter Gershon reports his findings recommending shared services as a means of achieving efficiency gains.
April 2005	The Department's Management Board approve the Outline Business Case, establishing the Shared Service Centre as a separate business unit of the Driver and Vehicle Licensing Agency in Swansea, and that the existing framework agreement with IBM be used to provide the solution. An initial target date of September 2005 is proposed for the completion of the design work, with migration of the first three business units (Driver and Vehicle Licensing Agency, Driving Standards Agency and the central Department) scheduled for April 2006.
May/June 2005	The contract extension to the framework agreement with IBM is negotiated and resources are put in place.
June 2005	The Department's Management Board agree to build new accommodation for the Shared Service Centre and task the Driver and Vehicle Licensing Agency to deliver this by July 2006.
July to August 2005	The Programme launches the design process and the target date for design completion is amended from September 2005 to January 2006.
December 2005	The Head of the Shared Service Centre appointed and takes up post: takes over project delivery in January 2006.
March 2006	Agencies agree the design but with a number of caveats and "extended design" requirements. The Department negotiates the contract for the initial delivery with IBM.
April 2006	The first implementation phase is launched and the Department sets a target date of delivery as August 2006.
July 2006	The Driver and Vehicle Licensing Agency delivers the new Shared Service Centre building on time and to specification and cost.
July 2006	The Programme Board change the target date for moving to shared services from August 2006 to a phased implementation spread between October and December 2006.
September 2006	The Programme Board undertakes a complete re-evaluation of implementation and resource plans.
October 2006	The Department's Management Board appoints a new Senior Responsible Owner for the Programme and revise governance structures, line management, budgeting and project structure. The Programme Board agrees a new contract with IBM. The Programme Board also put back the target date for moving to shared services from December 2006 to April 2007.

13 Programme implementation timeline *continued*

December 2006	The Programme Board make the decision to defer some benefits of shared services such as Time Management, Recruitment and Sickness and Absence to reduce risk for the move to shared services.
April 2007	The move to shared services is achieved, but the system is technically immature and there are a number of outstanding defects. The new Director of Shared Services is appointed.
April to June 2007	Severe system stability problems erode user confidence in the new system.
June 2007	A new Permanent Secretary is appointed. The Cabinet Office publishes its Capability Review of the Department. The new Permanent Secretary creates the new Board-level post of Director General Corporate Resources and tasks the postholder with Senior Responsible Owner duties for the Shared Services Transformation Programme.
November 2007	The Department's Management Board decides to review the future of the Programme and consider whether reducing the number of business units migrating is viable.
April 2008	Planned migration date for the third and fourth business units (the central Department and the Maritime and Coastguard Agency). This was the original completion date for all seven business units approved by the Department's Management Board in April 2005.

Source: National Audit Office analysis of data provided by the Department for Transport

APPENDIX FIVE

Focus groups of users and operators of shared services

Overview

1 We conducted focus groups of users of the Shared Service Centre within the Driver and Vehicle Licensing Agency and Driving Standards Agency in order to better inform our understanding of users' levels of satisfaction with the services provided, and their perceptions of the challenges that face them day-to-day. We used purposive sampling to target the focus groups at discrete groups of staff with a similar grade mix in each, for example line managers or operational workers. We conducted five focus groups at the Driver and Vehicle Licensing Agency and four at the Driving Standards Agency, comprising around 72 staff members in total. The focus groups were conducted in November and December 2007. We also interviewed a representative of the Driving Standards Agency's driving examiners to obtain an understanding of the particular operational issues facing them in the shared services environment.

2 We conducted one focus group with staff employed within the Shared Service Centre to gauge their perceptions of how well the Centre was performing and to identify issues that were preventing them from delivering a higher quality service.

3 Two of the key strengths of qualitative research are that it allows issues to be explored in detail and enables researchers to test the strength of respondents' opinions. Qualitative research is *illustrative* rather than *statistically representative* however, and does not allow conclusions to be drawn about the extent to which views are held. In addition, it is important to bear in mind that the comments made are based on perceptions rather than facts.

4 We have summarised the areas that users felt most strongly about under three major themes: confidence in the system; provision of training; and quality of service provided. These summaries are based on our own findings. To preserve the identity of the participants, we have not shared the data with the Department.

User confidence in current system

Duplication of tasks and increase in work

5 One of the key areas of dissatisfaction with the Shared Service Centre shared by many of the respondents was a feeling that they needed to keep manual records of many tasks performed by the Shared Service Centre, with the overall feeling that this added to their level of work. For example, several respondents' teams used leave books due to perceived difficulties relating to absences including: problems booking half-day's leave; flexi-time bookings; and the need to record hours taken rather than days or half-days.

> "…we keep the leave book going… if somebody asks me for leave, I go to the leave book."

6 One focus group member questioned the need for such a system for leave as staff were still required to seek approval from their manager before entering their leave details on the system, so their requests were effectively being sanctioned twice. This led to a degree of confusion as to how the new Shared Service Centre was streamlining this process.

> "I tell my staff 'if you're putting two weeks' annual leave in, put them in as two separate chunks' because I don't trust it to recognise weekends… it is more time consuming for them and… me because … the authorisation process is a lot longer, rather than just sign a couple of forms which used to take seconds… you go through three or four different stages and then if you've got more staff who want annual leave, you've got to go all the way back to your homepage and go through the process again and again and again."

7 Some participants felt that authority was inefficiently distributed as only Grade 7s (middle managers) have oversight of the team's activities and this created more work for them. Participants generally thought that their managers' time could be better spent on other tasks rather than concentrating on administrative tasks such as sick leave.

"There have been days when my Grade 7 has spent the entire day on shared services – what an absolute waste of their skills… their abilities and the amount that we pay them, when we could have an [Administrative Assistant]… doing the same thing."

"Nobody other than the Grade 7 has an overall picture of … everybody in a single team. … it's not really for the Grade 7 to be spending all of their time looking at whether they can approve leave, so it means that things can't transfer over to the People Management Team, that are supposed to be."

8 Participants mentioned that although the new system allowed Grade 7s a greater overview of their staff's activities they are not able to delegate this authority.

Security and accuracy of the information stored

9 Participants observed that staff who do not have a computer workstation find it difficult to check their payslips as these are all now electronic. One participant's team has three computers between approximately 70 employees. If staff want a hard copy of their payslip then they must print it out themselves. Some participants were concerned that their private data might be viewed by others before collection.

"There's not enough information on [the payslips]. I like to know when I work my overtime because my memory's not very good. … If you want to have a printout, then … you have to run to the printer to make sure you get your payslip before somebody else sees it."

10 Those participants who did have regular access to a computer appreciated the fact that they could now review their payslips a week earlier than before and report any errors before the money was transferred to their accounts.

11 Participants were generally positive about the Payroll element of the Shared Service Centre. System maintenance is performed at weekends rather than during the week which allows staff more time to input data into the system. Travel and subsistence and other pay-related items can be added up to a week later within the monthly cycle than the previous system. Participants generally had the perception that data is now input by the Shared Service Centre with greater speed and higher levels of accuracy.

12 Participants raised concerns over the accuracy of some information stored by the system. Several participants commented that the choice of reasons for sickness absence was not comprehensive. One respondent commented that time taken off for a broken shoulder was recorded as a 'heavy cold', another that time taken off due to a bereavement was recorded as 'anxiety'.

"One of my prime responsibilities at the moment … is reporting on our sick absence rates and … from what I'm hearing … people are being recorded as sick when they're not … the information we're producing is garbage."

13 Some participants were concerned about this with regard to career development, with concerns being voiced that incorrect recording of significant periods of sick leave would adversely affect their chances of promotion.

"I broke my foot and I had long-term sick and I broke my shoulder and I had long-term sick and against those absences it says 'unreadable', which, to someone looking at my record, if I was going to the promotion board, they'd think 'well god, she had two months off there, two months off there', whereas if they could clearly see a 'fracture', then you just can't avoid that."

14 One respondent noted that the new system had not accurately recorded the starting dates of some employees and that this had resulted in these employees being informed that they were entitled to significantly less leave than they should have been.

"So I raised the service ticket, I did all that but now they've come back and told me that he's going to lose nine days' annual leave because they've got him down as 1st September and that's the date that he's joined DSA, but I've tried to explain to shared services that he actually joined the Civil Service on 1st August but they haven't done it. They got mine wrong as well."

Stability of the system

15 Participants raised particular concerns regarding the overall stability of the computer system. Several stated that they thought it felt cheap, that it had not been planned out properly and that when it went online it was not complete. In several of the focus groups, respondents felt that the Shared Service Centre had been rushed to meet a political deadline when it was clear that there were still major issues with the system.

"Really bad! As always happens, you go with the cheapest quote really and it shows. The concept would have been better supported, I think, if they'd actually really invested some good money in this."

16 This lack of completeness was highlighted as several users, when seeking online help regarding a query suddenly found their queries being answered in German rather than English. Respondents also commented that the reporting function and the Team Calendar used to organise and manage staff had never worked.

"I was in MaxFlow and I've seen people get messages in German."

"When you log on, it tells you in German that your password has expired; I think absolutely everybody got that."

17 Frequent system crashes were also a major issue with respondents, with comments referring to the length of time the system was down and that the longest and most frequent crashes occurred shortly after each time the system was upgraded. Participants generally felt that on average a crash of the system would mean that it would not be functional for at least a day, although some respondents did indicate that it was not unknown for longer delays. However, there were respondents who felt that the overall stability of the system had improved markedly since April 2007 but problems had resurfaced recently following a software update.

"In the past couple of weeks it's been on a daily basis and there'll be times when you go in and you're all right and then suddenly you'll get a message up and the system's gone down and then it's down for a day."

18 In order to combat weaknesses in the system a series of workarounds have been created in order that some of the problems can be bypassed. Many of the respondents felt that this merely emphasised the fact that the system was not ready to be rolled out and that these further added to the complexity of the system.

"People are working around, so they are not doing purchase orders; they continue to do invoicing, they are finding ways of bypassing the system rather than interacting with it, because it is quite complicated to use."

Provision of training

19 There was widespread agreement that the training provided for the new system was insufficient. Many respondents commented that there was a time delay between the training offered and the roll out of the system so many had forgotten much of what they were told. There were also several comments regarding the nature of the training. Many stated that the training consisted of little more than a presentation on the system and that the impression was given that the system would be intuitive.

"Because the training you did have was before the system was available for you to be able to play with it, so you had a one-off presentation, you couldn't then go back straight afterwards and do something with it; you had to wait months before it came in, by which point any little thing that you'd remembered from the screen was gone."

20 Many respondents regretted the fact that there was no "hands-on" training available and that as such they have had to find their own way around the system, often with departments creating unofficial guides for their staff to assist them.

"For what it's worth, my view is that the training was inadequate because we didn't have a training environment; it was done as simulation training, it wasn't hands-on, it wasn't interactive."

"Okay. Well, if we start with training then, for me – there is no training client, there is no training environment, so that means you can't do hands-on, actually working through a process using the PC in front of you; it's all simulation training, where you are following boxes around a screen."

"We were just sat there looking at a screen and listening to whoever was telling you what to do and that's all very well and good but when the system comes online you wouldn't have a clue! .. I'd sit and look at the screen and think 'what do I do now?'"

21 The Driving Standards Agency trained a number of its staff to be 'floorwalkers'. They had particular expertise in the new system and provided assistance. Several respondents reported the following problems with this system: it was often hard to identify floorwalkers; the floorwalker often had such a large area to cover that it was not feasible for them to assist all who needed it; and the floorwalkers had their own jobs to do and given the volume of people who required help it was often difficult to receive prompt assistance.

Learning and development

22 Beyond the provision of specific training, the new system itself has had a negative effect on other training programmes within the organisation. Some participants noted that the new system had to be used to book a recently installed training suite which was now underused due to problems with the system.

"It was just after they went live… there was no learning activity taking place in that building; the learning programme was suspended, which meant that occupancy levels nose-dived and loads of rooms (that cost millions) sat empty, plus, the staff weren't being developed either."

Quality of service provided

Support staff and service tickets

23 There was widespread agreement that one of the main disadvantages of moving to an electronic system was that it was extremely difficult to speak to an individual when a problem was encountered. Instead the system required an individual to raise a 'service ticket' which was effectively a form of internal email. A number of respondents did not like this system as they felt responses were slow.

"I think, sometimes, if you could just speak to someone for two seconds, it would actually save you having to raise seven service tickets."

"Well, I raised a ticket number in July and they still haven't come back to me. I sorted it out myself because I've got contacts there and I can phone them directly but I went the long way around (as everybody else would who probably doesn't have to have that contact) and I still haven't heard back from them since July!"

24 In order to circumvent this, some respondents reported that managers who knew other staff in relevant departments such as human resources would contact them directly to get their problem corrected rather than raising a service ticket. However, several respondents stated that they had had no problems with the service ticket system and that their problems had been dealt with swiftly, but these individuals were in the minority.

Helpdesk responses and guidance

25 Several respondents stated that in the vast majority of cases the guidance issued for the new system was incorrect. One focus group estimated that up to 90 per cent of the guidance issued was wrong and that there had been a degree of arrogance on the part of those who implemented the system with regard to the ease with which staff would be able to adapt to the new system.

"I think they need training; a great deal of training. I don't find them helpful; I find that sometimes they're stupid; 'do not use a supplier beginning with the number 7', a simple instruction to give all your staff; I have to check it every week and they still use the vendors beginning with the number 7! And all it does is frustrate you because you have to go in and check every week for something that should be so simple."

26 Several respondents felt that helpdesk staff came across as very defensive and that there appeared to be a lack of willing to take responsibility for any issues that arose, simply stating that it was a 'known issue'. However, some respondents had been dealt with quickly and efficiently when they had contacted the helpdesk via telephone.

"I had an issue, where I phoned up and they wouldn't give me a name, so when I phoned again, I only got the main helpline number, so you could get anybody at all, so then you get 'I don't know anything about this', so you have to go through it all again and you're just going around in circles until eventually you do get to the point where you lose your temper a bit."

Treatment of documents and invoices

27 Due to documents repeatedly being lost, many staff had stopped sending original documents such as medical and marriage certificates, stating a lack of confidence that they would be returned. Instead managers had been taking copies and then signing them to state that the copy was acceptable.

"You have to send any medical certificates to the Shared Service Team, you have to send the originals to them and as the People Management Team, we now photocopy everything we send – and also, things like marriage certificates and we're photocopying everything and we've now said that we're not sending any more marriage certificates; we take a copy, we sign across that we've accepted it because things were getting lost and these are really important documents!"

28 Invoices to customers had been duplicated or not sent at all. Further to this one of the respondents stated that they had in fact been fined on several occasions by suppliers for failing to pay invoices. Furthermore, respondents gave examples of invoices being sent out more than once, the inability to see on the system to which branch a customer invoice had been sent if they had more than one branch and invoices being sent and / or paid in the wrong currency or being billed in Sterling and then being paid in Euro.

"I keep getting emails to say 'sorry, this invoice is late ... can you please authorise it today' and I get no end of them. And we get 'this is in your inbox and it has been for so long' and I know that yesterday I had nothing in there. Obviously your experience is different from mine but I think it has vastly improved."

"A supplier is threatening not to supply us any more because they're not being paid promptly as they've been used to being paid by us. To put it into perspective; we used to achieve a 98 per cent prompt payment target; since the SSC has gone down as low as 60 odd per cent."

"We have had some fines, we've had to pay interest to some people for the late payment of invoices but even those, that should be paid the next day; they don't get paid the next day; four days was a good one and the first one took 21, we'd marked on it 'urgent payment'."

APPENDIX SIX

Financial analysis

1 This Appendix details the methods and assumptions used in carrying out our financial analysis.

2 We discounted all costs and savings to 2005-06 values to give comparability to the figures used in the report, which follows the same methodology that the Department followed in its initial appraisal of the Programme. We have not adjusted the Department's appraisal estimates of April 2005 or January 2006, which discounted all subsequent years using the Treasury's discount rate of 3.5 per cent. For the current forecast we also used 2005-06 as the base year and discounted subsequent years at the Treasury's discount rate of 3.5 per cent.

3 We have not included the Shared Service Centre running costs as a separate line in the Net Present Value calculations in Figures 10 and 14 as these are already included within the figures for the first tranche of benefits. These figures are the difference between the cost of running support services under the old regime and the cost of running the Shared Service Centre and the elements of human resources and finance which are retained within the fully migrated businesses.

4 The Department's benefits status report of January 2008 states that the first tranche of benefits realised are forecast to be £40.1 million (in 2005-06 terms). The apportionment of the benefits to financial years is taken from Annex A to the benefits status report. There is a slight discrepancy between the report's interim business case planned total of £128.6 million (undiscounted) and the annex's interim business case planned total of £129.5 million (undiscounted). Our analysis assumes that the report total is correct, and has allocated the difference of approximately £900,000 in an even profile across the period 2005-06 to 2014-15.

5 Our analysis assumes that the Department can realise routine procurement benefits at the median of the range determined by KPMG in their November 2006 review of the Department's routine procurement spend. The range suggested was 5 per cent to 15 per cent of around £500 million consumable spend. For the purposes of our analysis we have assumed the median of these figures, i.e. £50 million per year, but the Department has not presented to us any evidence that this will be achievable, other than the KPMG review. We have included this only to illustrate how the Department hopes to recover the Programme. **Figure 14** shows that under the original investment appraisal period of ten years to March 2015, if the median routine procurement benefits were achievable then the Department may be able to deliver a benefit of £84.4 million in 2005-06 terms, before any costs of implementation are taken into account. However, as stated in paragraph 2.28, the delivery timeframe and scale of these benefits remains unproven.

6 Our analysis has allocated a profile to the realisation of the routine procurement benefits consistent with statements made in KPMG's report that it would take at least six months from implementation to realise any benefits, and that it would take upwards of three years to realise the full annual saving. **Figure 15 on page 48** shows this profile and the table beneath the benefits accumulated in each year. Our analysis also assumes that the Department will not be able to implement the routine procurement facility until 1 April 2009, thus realising £2.5 million of benefits in 2009-10.
The costs of implementing a stronger, coordinated routine procurement regime have not been estimated and so are not included in the above analysis. The profile used and figures produced are therefore a crude and incomplete approximation to how the Department would realise benefits from routine procurement, and are meant only to be illustrative rather than our opinion on what can be achieved by the Department.

14 Financial appraisal if routine procurement savings of £50 million annually are achieved (£ million)

	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	Total to 14-15
Costs											
Programme costs	15.6	47.0	31.6	21.1	4.9	1.0	–	–	–	–	121.2
Benefits											
First tranche of benefits	0.2	0.2	(3.9)	6.4	3.9	8.0	4.6	16.3	7.3	(2.9)	40.1
Routine procurement benefits	–	–	–	–	2.2	16.8	32.5	39.3	38.0	36.7	165.5
Total benefits	**0.2**	**0.2**	**(3.9)**	**6.4**	**6.1**	**24.8**	**37.1**	**55.6**	**45.3**	**33.8**	**205.6**
Net annual (cost)/savings	(15.4)	(46.8)	(35.5)	(14.7)	1.2	23.8	37.1	55.6	45.3	33.8	84.4
Net cumulative (cost)/savings	**(15.4)**	**(62.2)**	**(97.7)**	**(112.4)**	**(111.2)**	**(87.4)**	**(50.3)**	**5.3**	**50.6**	**84.4**	

Source: National Audit Office analysis of data provided by the Department for Transport

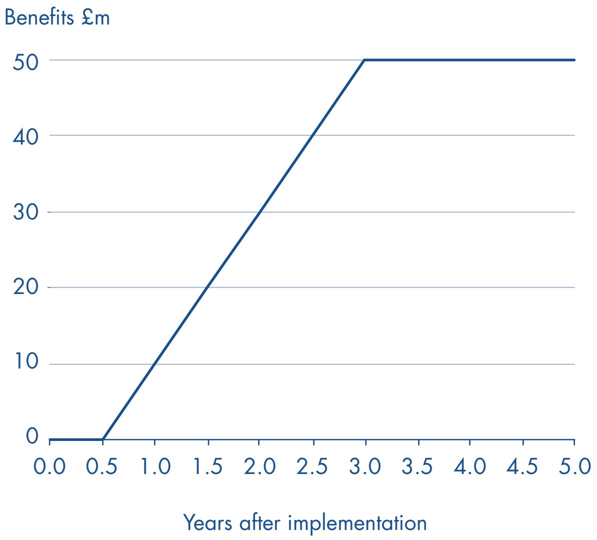
NOTES

1 All figures discounted using the Treasury discount rate of 3.5 per cent.

2 Appendix 6 has more detail on assumptions underpinning this analysis.

3 The addition of routine procurement benefits is speculative and the figures included are illustrative only.

15 NAO assumed realisation profile for routine procurement benefits



Time frame – years after implementation	Undiscounted benefits (£ million)	Discounted to 2005-06 values assuming 2009-10 start (£ million)
Yearly benefits	**50.0**	
Year 1	2.5	2.2
Year 2	20.0	16.8
Year 3	40.0	32.5
Year 4	50.0	39.3
Year 5	50.0	38.0
Year 6	50.0	36.7

Source: National Audit Office analysis of data provided by the Department for Transport

NOTE

This is a crude approximation to the profile of routine procurement benefits realisable by the Department based on assertions in a KPMG early feasibility study. The figures produced are approximations based on the rebuttable presumption that the Department can realise these benefits. Costs of implementation are not estimated. This is indicative only and has been produced solely to illustrate the effect that the implementation of routine procurement methods may have on the value of the Programme to the Department.

Printed in the UK for the Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
5820994 05/08 65536

Design and Production by
NAO Marketing & Communications Team
DP Ref: 8324VB

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