



National Audit Office

**Department for Business, Innovation and Skills**

# Shared services in the Research Councils

## Detailed Methodology

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## Scope

1 This National Audit Office report assesses the value for money provided by the seven UK Research Councils (the Councils) in establishing a shared service centre (the Centre). It examines the origins of the project, the Councils' decision to establish a shared service centre, the reasons for problems encountered in implementation and the current performance of the shared service centre. The Department for Business, Innovation and Skills (the Department) sponsors the Councils. In this context, value for money means the extent to which the project has delivered its objectives and its achievements compared to full business case.

## Methodology

2 This document provides a detailed description of the methodology of our report, *Shared services in the Research Councils*. A summarised version is available in Appendix One of the main report. The methods we used for this study were:

- Review and modelling of financial data on the project costs, the Centre's operating costs and costs of retained functions, projected savings, project net present value and payback.
- Review of procurement benefits.
- Review of the project, the Centre's and the Department's documentation.
- Semi-structured interviews with project team, project board members, Council staff, staff from the Centre and officials from the Department and their advisers.
- Four focus groups, one per function, with nominated representatives of each Council.
- Applying of Process Management Maturity Model.

The main elements of the fieldwork took place between March and June 2011.

## Review of financial data

3 We reviewed the summary financial case and financial case by individual Councils and used this data in Part Two of our report (Figure 7). In particular, we reviewed different iterations of the financial case for the shared service centre to determine the level of procurement savings forecast in each and changes over time.

**4** We compared planned and actual delivery of project milestones to show the difference in terms of months of when Councils and activities actually migrated compared to plan. We also reviewed the final cost outturn for the project compared to budget and analysed the nature of the overruns, classifying increases according to whether they were scope changes, items in scope but not fully budgeted for, or a result of inefficiencies and time overruns (Figure 8). We also reviewed actual cost allocations compared to plan (Figure 9). This analysis is presented in Part Three of the report.

**5** In terms of the current performance of the Centre, and to get a better understanding of the volume of transactions that the shared service centre is currently processing now that it is operational, we reviewed the number of payslips issued per month by the Oracle systems (Figure 12). We also looked at the current performance of the Centre and the Councils in terms of paying invoices within 30 days, compared to performance in 2008-09 (Figure 13) as this was the only area where we could obtain historic performance data. We also reviewed the achievement of financial benefits to date compared to business plan (Figure 15). This analysis is presented in Part Four of the report.

## Financial modelling

**6** We used three sources of data to model the impact of delayed implementation and reduced forecast benefits on the ten-year net present value of the project. The sources of data were:

- actual (to 2010-11) and targeted (to 2017-18) operational benefits data, supplied by the Councils;
- implementation costs of the project, supplied by the Councils; and
- actual (to 2010-11) and targeted (to 2017-18) procurement benefits data, supplied by the Centre.

**7** We compared this to forecasts in the full business case to show the reduction in forecast savings, the forecast reduction in net present value and the additional payback period expected on the project (Figure 16).

## Review of procurement benefits

**8** From our document review and semi-structured interviews we identified doubts about whether some of the procurement savings claimed by the Councils were valid. We therefore tested 19 high value procurement savings representing 40 per cent of total procurement savings claimed. We obtained documentation from the Councils and the Centre in support of the sample of procurement savings and reviewed the evidence to ensure savings were counted validly against the business case, including whether savings were cash releasing and were not double counted against operational benefits.

## Document review

**9** We reviewed project documentation to assess the decision to proceed with the project, the implementation of the project and current operation and strategy of the Centre. In reviewing the decision to proceed with the project we looked at documents that detailed the rationale for the shared service centre, the documents discussing the options appraisal undertaken to reach the preferred option and the business case. Key documents included the initial business case (roadmap), the outline business case, the strategic business case and the full business case. We also reviewed key assurance documents which reported on the project at key stages.

**10** To assess the implementation of the project we looked at the minutes of the project board meetings, and reviewed papers presented in these meetings. We also looked at documentation supporting the appointment of Fujitsu to put in place ICT systems and associated contract documentation. For current operation and strategy of the Centre we reviewed internal documents such as monthly statistics on Procure to Pay (P2P) produced by the finance department, customer feedback, the Gartner report on ICT systems and internal audit's review of the current operation of the shared service centre. We also looked at the individual Councils' documents such as annual reports and accounts as well as their delivery plans to identify good experience and/or issues arising from their transfer to a shared service environment. We have drawn on the understanding gained from these documents throughout our report.

**11** We have also reviewed the Department's documentation to assess the oversight of the project by the Department and the decision by the Department to move its own services to the Centre. To this end, we have looked at the Department's strategic business case, which outlines and discusses different options that the Department could pursue in order to achieve efficiency savings as part of the wider government deficit reduction plan. We have also looked at work undertaken by advisers in support of the Department's decision-making processes. We have drawn on the understanding gained from these documents in Part Four of our report.

## Literature review and synthesis of National Audit Office reports

**12** We undertook a review of previous National Audit Office reports that look at shared services in government. We did this to develop an understanding of performance of other central government shared service centres and to provide some comparison. The reports reviewed were:

- Comptroller and Auditor General, *Improving Corporate Functions using Shared Services* (HC 9, Session 2007-08, 29 November 2007).
- Comptroller and Auditor General, *Shared Services in the Department for Transport and its Agencies* (HC 481, Session 2007-08, 23 May 2008).

**13** We also reviewed best practice guidance produced by the then Office of Government Commerce (Office of Government Commerce, *Common Causes of Project Failure*, January 2005) to identify common project failings and reviewed the extent to which the shared service centre project reflects these.

### **Semi-structured interviews**

**14** We conducted a number of semi-structured interviews with project team staff. The purpose of these meetings was to inform our understanding of how the Research Councils planned, designed and implemented the shared service centre project.

**15** We also conducted interviews with members of the project board and other staff within the Research Councils including the previous Senior Responsible Officer for the project who has now left the Research Councils. These interviews centred on the decision to proceed with the project, the implementation of the project and current operation and strategy of the Centre. Interviews with members of the project board also aimed to develop our understanding of the governance structure of the project and the oversight provided to the project team during implementation. We targeted interviews with other staff within Research Councils at individuals who had worked in the project from conception or had represented their individual Councils on project steering committees.

**16** We also conducted a number of interviews with senior staff in the Centre to inform our understanding of the current performance and strategy of RCUK SSC Limited. Notably, we held interviews with the Chief Executive Officer, the Chief Operating Officer, the Corporate Services Director, the Chief Procurement Officer and the non-Executive chair of the Board.

**17** We held interviews with officials from the Department to assess the decision to proceed with the project as well as the oversight of the project by the Department. We further assessed the Department's decision to move its own services to the Centre and interviewed the Department's advisers about their work in support of this.

**18** We also conducted interviews with staff from other stakeholder organisations including Fujitsu, as systems integrator on the project and Prospect, the trade union, which represents some of the staff in the Councils and in the Centre. We also interviewed and received written documentation from the initial director of the joint procurement unit within the Councils that existed before the Centre.

## Focus groups

**19** We held four focus groups, focusing each on an individual function (finance, human resources, procurement and grants), with nominated representatives of each Council. The purpose of the focus groups was to develop our understanding of customer perspectives on the implementation and operation of the shared service centre. We asked participants to share their experience of the transition from seven individual Research Councils into a shared services environment drawing in particular on what had gone well and what did not go well, especially in the immediate period after migrating.

**20** Participants had facilitated discussions on training offered, system solution testing undertaken, experience of culture change and the performance of the Centre compared with their previous environment. Participants also discussed what they liked and disliked most about the new environment and their recommendations for improvements.

## Process management maturity assessment

**21** Our specialist process management team performed process walkthroughs on five processes within the Centre. The Centre selected the processes. We looked at recruitment (HR), incident management (ICT), requisitions (finance), sourcing (procurement) and initiating (grants). Employees of the shared service centre had three weeks' advance warning to prepare sources of evidence for review.

**22** We assessed the processes examined against the National Audit Office's Process Management Maturity Model to develop our understanding of whether the direction of travel in the Centre is towards strong process management. Process maturity was assessed against five key areas in the framework:

- using strategy to define and drive process activity;
- using information to manage and improve process performance;
- using continuous improvement to target areas of most benefit;
- ensuring the end-to-end process has the capacity and capability to meet demand; and
- helping people manage and improve process performance.