The Honourable Anna Bligh MP  
Premier of Queensland and Minister for the Arts  
Level 15 Executive Building  
100 George Street  
BRISBANE QLD 4000

30 September 2010

Dear Premier

Review of Shared Services Model for Queensland Government

It is with pleasure that I present you with this report, which outlines the findings of our review of the Shared Services Model for Queensland Government.

In accordance with the Terms of Reference provided by you, this report provides an analysis of the current shared services practices for Queensland Government and recommends a future shared services model, including the implementation of the Corporate Solutions Program.

This report incorporates strategic input and consultation from your Director-General for Public Works and Communities and the Under Treasurer. We would particularly like to acknowledge the cooperation, support and input provided by all stakeholders throughout the review.

I draw your attention to the Executive Summary and Section 4 of this report which, based on our research, provide viable operating, delivery, funding and governance recommendations for Queensland Government’s shared services into the future.

I commend this report to you.

Yours sincerely

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About this report and the review

PricewaterhouseCoopers (PwC) was appointed by Queensland Government to conduct a review of their shared services model. The Terms of Reference for the review were released on 13 July 2010. This report presents the findings in relation to the review.

Objectives

The objectives of the review were:

1. to review the organisation of corporate services under the shared services model, including finance and human resources management across Government to determine the most appropriate arrangements for the Queensland Government into the future
2. to investigate and make recommendations on the appropriate governance model for shared services within the Queensland Government going forward
3. in light of the above, provide recommendations for the future rollout of the Corporate Solutions Program and make recommendations for the most effective way to deliver the Program.

Scope

The scope of the review was confined to:

- the services currently provided by CorpTech
- finance and human resources management services, such as accounts payable, payroll and recruitment, provided by Shared Service Agency (SSA), Queensland Health Shared Service Partner (QHSSP) and Department of Education and Training (DET).

We were not asked to perform a detailed review of the suitability or efficiency of specific business processes and systems.

This report describes a number of recommendations for improvement and change. We have not conducted the detailed planning including cost-benefit and risk analysis that will be required to implement these recommendations. Our proposed changes as they relate to the Auditor-General’s recommendations in Report to Parliament No. 7 for 2010: Information systems governance and control, including the Queensland Health Implementation of Continuity Project appear in the ‘Response to the Auditor-General’s Report’ section of this report, overleaf.

The scope of this review was agreed with the project steering group, and determined the area of focus for our attention and allocation of resources to address the stated objectives. This report addresses the agreed scope as outlined in Appendix D.

Approach

The findings of the review are based on our assessment of the facts, combined with our knowledge of, and experience in, shared services. We used a number of different methods to obtain the evidence supporting the facts, including:

- interviews with over 70 stakeholders from the executive and senior operational leadership of the shared service providers (SSPs), their customers and other key Government stakeholders
- analysis of over 500 documents and data collected from the SSPs.
Response to the Auditor-General’s Report

The Auditor-General’s Report to Parliament No. 7 for 2010: Information systems governance and control, including the Queensland Health Implementation of Continuity Project made a number of key recommendations in relation to shared services. There are five key changes we propose, which are cross-referenced with each of the Auditor-General’s recommendations below. The five proposed changes are:

1. Accountable Officers
2. Governance of shared services projects
3. Governance of whole-of-Government shared services
4. The role of the Queensland Government Chief Information Officer (QGCIO)
5. The Corporate Solutions Program.

Our proposed changes support the ‘Toward Q2’ vision for Queensland, by making changes to the way shared services are provided that enable a stronger focus on front-line service delivery.

<table>
<thead>
<tr>
<th>Auditor-General’s recommendations</th>
<th>Proposed changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 &amp; 2 This report does not address the Auditor-General’s recommendations 1 and 2 as they relate specifically to Queensland Health payroll and rostering systems projects, and are outside the Terms of Reference for this review</td>
<td>N/A N/A N/A N/A N/A</td>
</tr>
<tr>
<td>3</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>4</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>5</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>6</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>7</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
</tbody>
</table>
### Proposed change 1: Accountable Officers

**Proposed changes**
- The Director-General, Department of the Premier and Cabinet, is to be accountable for the whole-of-Government shared services initiative, which is to focus on strategy, planning, policy, project delivery and service delivery that supports the ‘Toward Q2’ vision
- The Director-General, Queensland Health (QH), is to be accountable for the management of QH finance and HR/payroll business applications
- The Director-General, DET, is to be accountable for the management of DET finance and HR/payroll business applications
- The Director-General, Department of Public Works (DPW), is to be accountable for the management of rest of Government (RoG) finance and HR/payroll business applications
- The accountability of the QGCIO is to be reinforced, in reference to the strategy, standards, policy and planning for technology and information relating to whole-of-Government shared services

**Actions and timing**
- Formalise the current Project Steering group as the Shared Services CEO Sub-Committee. This group will also oversee the proposed transition  
  End Oct 2010
- Establish a transition project office  
  End Oct 2010
- Complete the current cost/benefit analysis work on preliminary evaluation of report recommendations  
  End Nov 2010
- Document the current state for each SSP and develop a full transition plan for the change  
  End Mar 2011
- Plan the transition of responsibility for business applications management from CorpTech to SSA, DET and QH  
  End Jun 2011

### Proposed change 2: Governance of shared services projects

**Proposed changes**
- The Directors-General of each agency are to be accountable for the delivery of project outcomes for shared services projects in their respective departments
- A new central body is to be set up under the QGCIO to provide specialist expertise that supports the delivery of agency projects
- A new central body is to be set up under the QGCIO for portfolio management of shared services projects

**Actions and timing**
- Report on the progress of key shared services projects at the CEO Leadership Team (CLT) and in periodic Cabinet reporting  
  Oct 2010 onwards
- Review the use of QGCIO mandated methodologies and include this in periodic Cabinet reporting  
  Dec 2010 onwards
- Relocate specialists from CorpTech and augment in a centre of project capability with the QGCIO  
  End Jun 2011
- Relocate specialists from CorpTech and augment capability into a Shared Services Strategy, Planning and Portfolio Management Group under the QGCIO  
  End Jun 2011

### Proposed change 3: Governance of whole-of-Government shared services

**Proposed changes**
- A new Shared Services CEO Sub-Committee, chaired by the Director-General, DPC, is to have oversight of the delivery, performance and improvement of core finance and HR/payroll services, of the whole-of-Government strategy for shared services and of the transition to target state for shared services

**Actions and timing**
- Develop a detailed implementation plan for the establishment of the new governance model  
  End Dec 2010
- Set out performance measures on the whole-of-Government shared services initiative and report progress to Cabinet every six months  
  Starts Dec 2010

### Proposed change 4: The role of the QGCIO

**Proposed changes**
- Government to formally consider the role of the QGCIO to improve whole-of-Government consistency, accountability and clarity including the option of this role being a statutory officer

**Actions and timing**
- Conduct a full review of role and responsibilities of the QGCIO function, including potential change plan  
  End Nov 2010

### Proposed change 5: Corporate Solutions Program

**Proposed changes**
- Realistically assess the roadmap for the Corporate Solutions Program (CSP) to confirm the costs and timeframes for rollout of shared services systems to each agency

**Actions and timing**
- Formally review business cases and prioritisation of projects to realign the CSP, including MoG changes, to focus firstly on a rolling 2 year planning horizon  
  End Jun 2011
Executive summary

This executive summary sets out our findings in relation to the review of the shared services model for Queensland Government. It also outlines our recommendations for the proposed improvement in shared services for Government consideration.

a) Our overall perspective on shared services

The private sector has been using shared services to deliver efficiency and savings and to improve corporate services since the 1990s. Globally, this has encouraged the public sector to adopt shared services for both financial benefit and social value. A 2006 report found that more than two-thirds of government agencies in western countries were using shared services. In Australia, governments at all levels have now moved toward various models of shared services.

Successfully introducing shared services within the public sector is challenging

Successfully introducing shared services within a public sector environment is typically a longer journey than within the private sector, due to:

- the increased complexity of stakeholder relationships
- public ownership and scrutiny of government activities
- a lower appetite for risk.

There is a continued need for shared services

During our consultation, agencies consistently agreed that there is a continued need for shared services within Government.

We agree that shared services remains a valid option for the Queensland Government, and implementing an optimised shared service model will enable Government to focus on delivering its ‘Toward Q2: Tomorrow’s Queensland’ priorities.

b) Response to review objective 1: Determine the most appropriate arrangements for the Queensland Government into the future

The Queensland Government should implement an integrated operating model which combines the benefits of central control, scale and standardisation with a flexible, service-centric approach. The three components of this proposed model are shared service provision:

- within Queensland Health (QH)
- within the Department of Education and Training (DET)
- to the rest of Government (RoG).

Each of the shared service providers proposed above meet the optimum threshold for potential economies of scale (being more than 50,000 end users).
Key changes for QH and DET

The key change for QH and DET is that responsibility for the management of their finance and HR/payroll business applications should move from CorpTech to QH and DET respectively.

For both QH and DET, it is our view that this transfer would remove inefficiencies out of the separation of applications management from transaction processing, improve clarity and increase the proximity to the business. The benefits, costs and risks associated with this transfer will need to be quantified and managed. Alternative approaches, of moving transaction processing into a single whole-of-Government centre or of a multi-agency decentralised model, would incur substantial costs and risks, disproportionate to the potential benefits.

It is our view that the transfer is appropriate as the substantial size of the QH and DET customer base means that no material additional economies of scale are likely through operation via a central shared services model.

In the case of QH specifically, the transfer is also necessary to:

- further empower QH to respond to the complexity of their payroll business requirements, which include in excess of 24,000 potential payroll combinations
- enable QH to more closely manage the uncertainty around the future delivery and management mechanism for health services both nationally and locally.

In the case of DET, the potential timing and transition of finance applications management is to be subject to confirmation of a comprehensive business case.

Project delivery should be led by the agencies

We further recommend that agencies should have accountability for project delivery, with centralised portfolio management and project support provided as needed to ensure consistency. It will be the responsibility of the QGCIO to provide this support to agencies.

Key features of the operating model

The key features of the recommended operating model apply to the shared service provider for RoG as well as to QH and DET. The key features of the operating model are:

- operating through a department with a commercial focus. The key characteristics of this are a clear commercial mandate from Queensland Government and a focus on overall improvements in productivity and value for money. These improvements should be measured and monitored as part of six-monthly progress reporting to Cabinet
- mandating services. For the benefit of both the provider and the customer, there has to be certainty about the composition of the portfolio of services. Longer-term certainty in this respect enables service providers to drive towards increased efficiency and economy
- funding mandated services through an annual capacity charge which is agreed between the service provider and the customers based on expected demand, and reviewed quarterly. To avoid micro-management and improve the client/supplier relationship, core funding should not vary unless usage falls outside of agreed tolerance levels
- ensuring fee-for-service options are only used for cost recovery beyond the agreed tolerance usage levels for mandated services, and for non-mandated service charging. Fee-for-service should remain the exception rather than the rule.
Stay in Government control, enhancing the commercial focus

There is no present imperative to move from 100 per cent public sector ownership and control. However, we emphasise that while remaining under Government control, the SSPs must adopt a commercial service-oriented culture and adopt the four key features stated above.

c) Response to review objective 2: Make recommendations for the appropriate governance model for shared services

Robust governance is fundamental to the success of the operating model for shared services. The future governance of shared services should be characterised by clarity, inclusive representation, open communication and performance improvement.

The right governance model is crucial

The governance approach must include:

- a shared services vision that is clearly defined, communicated, incentivised and supported
- a reinforced commitment and willingness to jointly change and improve through strong leadership
- a clear framework with defined and agreed accountabilities to the whole-of-Government and agencies, matched by an obligation by the agencies to accept mandated services within a pre-agreed range of services and systems
- an offering of an agreed but limited range of non-mandated services and systems, within the same accountability framework
- clear service and project focused performance metrics and quality improvement mechanisms with supporting enforcement
- close and effective working relationships at a strategic, operational and project level to maintain trust and deliver value improvements
- substantive and compliance-level assessment of risk and an holistic risk management plan.

Queensland Government has a number of existing project governance frameworks in place, including QGCIO Project Methodologies, the Project Assurance Framework, the Value for Money Framework and the Gateway Review Process. In our view, greater consistency in applying these frameworks will provide greater rigour to whole of life project governance and investment assurance.

Key changes to the governance model

Necessary changes to the governance model include:

- introduction of a single executive sponsor with an appropriate level of authority for shared services across the whole-of-Government, reporting to Cabinet on a six-monthly basis on the status of shared services across whole-of-Government and on the progress of key initiatives
- distinct and clear governance arrangements for the delivery of ‘business as usual’ services, project delivery and whole-of-initiative strategy, planning and portfolio management
- an increased level of leadership and commitment to governance across all SSPs and agencies
- comprehensive training for staff regarding their accountabilities within the governance model.
d) Response to review objective 3: Provide recommendations for the future rollout of the Corporate Solutions Program

Standardisation of systems is an appropriate long-term objective for the improvement of shared services. We observed that SSPs have for some time been engaged in moving to common technical solutions. We support that direction, while noting that competing demands have led to delays in delivery. It is important to recognise that while standardisation of technical solutions is appropriate, benefits will remain limited without standardisation of associated business processes.

Key changes to the Corporate Solutions Program

We recommend that Government:

- reassess the present program, confirming that timeframes are achievable. In our view, the current program of work is not realistic in light of competing demands, exposing the shared services providers to material risk. The present five-year rollout approach should be substituted with a rolling two-year planning structure, as in our view this will enhance both accountability and agility. The initial review under this revised approach should be completed within three months of acceptance of these recommendations
- continue with standardisation of the use of SAP and other relevant government systems. We found that SSPs have taken reasonable steps to mitigate risks associated with applications other than SAP that are nearing the end of their supported life
- establish a process standardisation program to be run as an integral part of the Corporate Solutions Program. While there is an existing program for process standardisation it must proceed in a unified fashion with the systems rollout. This may best be done by passing responsibility for both programs to an integrated team.

e) Action plan

Given the multiple dependencies and complexity for the Queensland Government’s shared services needs, we acknowledge that there is a need for robust and detailed planning for the implementation of these changes. To enable rapid, sustainable progress, a number of streams of activity will need to be run in parallel, as outlined below:

- Stream 1 ‘Laying the Foundations’ – by December 2010
  The first stream requires a further detailed level of analysis of the recommendations provided in this report, commitment to the preferred approach and communication with key stakeholders. A framework should be developed at this stage to track the benefits realised through transition to the target state.
- Stream 2 ‘Getting to the Transition State’ – by June 2011
  We expect that the transition to the proposed target state will take some time. Therefore, a number of smaller key transitional changes are proposed in the short-term with an expectation that the transition state will be in place by June 2011. We anticipate that the transition state will be in place for a further 1 to 2 years, until the target state operating model can be fully planned and implemented.

We recommend that, as part of the transition to the target state and to enhance clarity and mandate, consideration be given to the role and responsibilities of the QGCIO, including the option of this role being a statutory officer.
Executive summary

- Stream 3 ‘Realign the Corporate Solutions Program’ – by June 2011
  As a key component of the transition to the target state, we recommend revisiting the Corporate Solutions Program roadmap. Queensland Government needs to determine the appropriate sequencing and disciplines to be applied for the future application rollout or upgrades, using an agreed framework that is driven by business benefit, risk and cost.

- Stream 4 ‘Getting to the Target State’ – by June 2013
  Following the completion of Streams 1 to 3, the transition to the target state should include the continuation of ongoing activities established in the previous streams (such as six-monthly reporting to Cabinet), with regular monitoring and review of all activities over the 1 to 2 year period.

Change management is a critical enabler of project success

The failure rate of business change projects is high. To enable the successful delivery of this complex project, appropriate and comprehensive change management programs and activities should be planned and undertaken, commencing from the outset of the project.

f) Conclusion

In summary, we recommend that:

- shared services remains a valid option for Queensland Government, and that an optimised shared service model is implemented to enable Government to focus on delivery of its ‘Toward Q2’ priorities

- Queensland Government implement an integrated shared operating model which combines the benefits of central control, standardisation and scale with a flexible, service-centric approach. The three components of this model are separate shared service provision for each of QH, DET and RoG

- the governance of shared services be characterised by clarity, inclusive representation, open communication and joint performance improvement

- standardisation of systems remain a long-term objective for the improvement of shared services. It is important to recognise that while standardisation of technical solutions is appropriate, benefits will remain limited without standardisation of associated business processes.
Contents
Response to the Auditor-General’s Report vi
Executive summary viii
Contents xiii
1 Key observations 1
2 Current state 5
3 Driving principles and critical success factors 11
4 Target state 13
  4.1 Key recommendations 14
  4.2 Target state operating model 16
  4.3 Target state delivery model 23
  4.4 Service portfolio 26
  4.5 Target state governance 28
  4.6 Target state funding model 36
  4.7 Target state systems environment 41
5 Action plan 47
Appendices 57
Appendix A Acronyms, abbreviations and glossary 59
Appendix B Terms of Reference 61
Appendix C Background and approach 63
Appendix D Primary mapping of scope with report structure 75
Appendix E Summary of benchmarking results 77
Appendix F Key features of potential operating models 79
Appendix G Assessment of potential operating models 81
Appendix H Current operating model 85
Appendix I Benefits and challenges of clustering options 87
Appendix J Delivery model options 89
Appendix K Template for assessing services to be shared 91
Appendix L Assessment template: General Ledger example 93
Appendix M QGCIO role: pros and cons for statutory officer appointment 95
Appendix N Benefits and challenges of funding model options 97
Appendix O Stakeholder consultation 99
Appendix P Reference list 103
Key observations
1  Key observations

This section of the report outlines the key observations that were identified during consultation with stakeholders from the customer agencies and the service providers. Common trends and significant variation in the opinions held by stakeholders emerged during our consultation.

The following tables also indicate whether an observation was identified from consultation with the customer agencies, service providers or both.

1.1  Driving principles and critical success factors

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Key observations relating to the driving principles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agencies</strong></td>
<td><strong>Providers</strong></td>
</tr>
<tr>
<td>The majority of stakeholders agreed that there is a need for shared services within Queensland Government</td>
<td>✓</td>
</tr>
<tr>
<td>Stakeholders are clear and engaged around the need to prioritise Government resources and focus on the delivery of front-line services to Queensland</td>
<td>✓</td>
</tr>
<tr>
<td>The Shared Services Initiative (SSI) is lacking a universally accepted vision and mandate across the whole-of-Government</td>
<td>✓</td>
</tr>
<tr>
<td>There is a lack of clarity and demonstrated commitment to shared services for the whole-of-Government</td>
<td>✓</td>
</tr>
<tr>
<td>Business process improvement and standardisation is a major opportunity to deliver enhanced value for customers, but requires a whole-of-Government focus for this to be achieved</td>
<td>✓</td>
</tr>
<tr>
<td>It should be recognised that there is also a level of compromise that comes with applying a single standard across all of Government – one size does not necessarily fit all</td>
<td>✓</td>
</tr>
<tr>
<td>The service providers should focus on the delivery of core services, with non-core services only offered if the related business case is clear and demonstrable</td>
<td>✓</td>
</tr>
</tbody>
</table>
### 1.2 Operating model

#### Table 2  Key observations relating to the operating model

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some agencies have gained significant cost benefits through collaboration with the shared service providers (SSPs)</td>
<td>✓</td>
</tr>
<tr>
<td>There is a broad consensus from customers and providers that transactional services should continue to be managed by an SSP</td>
<td>✓</td>
</tr>
<tr>
<td>To improve consistency and clarity, a single entry point for customer relationship management is essential</td>
<td>✓</td>
</tr>
<tr>
<td>The provider of applications management services should have a direct relationship with customers</td>
<td>✓</td>
</tr>
<tr>
<td>Few agencies are prepared to take on ownership and management of their own corporate solutions</td>
<td>✓</td>
</tr>
<tr>
<td>There remain significant opportunities for customers to realise efficiency gains through shared services</td>
<td>✓</td>
</tr>
<tr>
<td>Customers would benefit from greater control over where they source strategic services</td>
<td>✓</td>
</tr>
<tr>
<td>Customers need a mechanism for determining whether a non-core service can be provided in-house or should be provided by an SSP</td>
<td>✓</td>
</tr>
<tr>
<td>A number of customers are looking for the opportunity to negotiate the scope of services they receive, with the flexibility to take responsibility for services that they feel are better delivered from within the agency</td>
<td>✓</td>
</tr>
<tr>
<td>It is acknowledged that skilled applications management resources are scarce and a fully decentralised model for applications management services would carry with it a high degree of risk</td>
<td></td>
</tr>
<tr>
<td>A number of customers are looking for the opportunity to receive corporate services that meet agency-specific requirements (for example, on a 24 x 7 operational basis)</td>
<td>✓</td>
</tr>
</tbody>
</table>

### 1.3 Delivery vehicle

#### Table 3  Key observations relating to the delivery vehicle

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSPs need to be held fully accountable for their performance</td>
<td>✓</td>
</tr>
</tbody>
</table>
1.4 Governance

Table 4  Key observations relating to governance

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>The focus and governance of shared services could be improved if projects and day-to-day service delivery were managed separately</td>
<td>✓</td>
</tr>
<tr>
<td>The current division of accountability between stakeholders is often unclear, particularly with regards to project delivery</td>
<td>✓</td>
</tr>
<tr>
<td>Accountability for project delivery (including benefits realisation) should be exercised by the customer, in line with Government standards, and any major vendors should also be engaged directly by the agency</td>
<td>✓</td>
</tr>
<tr>
<td>Many stakeholders in the customer agencies do not feel that they have the appropriate opportunity to participate in key decisions relating to the delivery of corporate services. Governance of whole-of-Government shared services needs to be more inclusive</td>
<td>✓</td>
</tr>
<tr>
<td>The focus for shared services should always be driven by a demonstrable business need and business case</td>
<td>✓</td>
</tr>
<tr>
<td>The focus of shared services projects needs to shift away from systems and on to processes</td>
<td>✓</td>
</tr>
<tr>
<td>There needs to be greater incentive for leaders of all stakeholder groups to demonstrate a commitment to collaboration</td>
<td>✓</td>
</tr>
<tr>
<td>There is an opportunity to improve whole-of-Government outcomes for project delivery by carrying out portfolio and program management more consistently</td>
<td></td>
</tr>
</tbody>
</table>

1.5 Funding model

Table 5  Key observations relating to the funding model

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>The current fee-for-service funding model requires considerable effort from providers and the customers to administer</td>
<td>✓</td>
</tr>
<tr>
<td>The alignment between service prices and service costs is not always clear, and some services may be effectively subsidising others</td>
<td>✓</td>
</tr>
<tr>
<td>Currently there is no clear link between the quality of service provided and the price that customers are charged</td>
<td>✓</td>
</tr>
<tr>
<td>Projects as a result of machinery of Government (MoG) changes are currently funded by the customer or by the SSPs; there is a view that these should be centrally funded, coordinated and prioritised</td>
<td></td>
</tr>
<tr>
<td>While core business solutions are still being implemented, charging a fee-for-service applies a penalty to early adopters of the standard solution for mandatory services</td>
<td>✓</td>
</tr>
</tbody>
</table>
Key observations

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing a base level of central funding for the provision of core systems would remove a lot of the cause for contention between customers and providers</td>
<td>✓</td>
</tr>
<tr>
<td>Shared services has driven improvements in the robustness of internal costing models and provided an increase in the level of available costing data</td>
<td>✓</td>
</tr>
<tr>
<td>There needs to be a mechanism for sharing efficiency gains between customers and providers</td>
<td>✓</td>
</tr>
<tr>
<td>Some customers have expressed a view that the cost of corporate services to agencies would be lower if shared services were opened to contestability</td>
<td>✓</td>
</tr>
</tbody>
</table>

### 1.6 Systems environment

Table 6  Key observations relating to the systems environment

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>A limited choice of options for business solutions should be provided with exceptions to be business case driven, and subject to Queensland Government Chief Information Officer (QGCIO) signoff</td>
<td>✓</td>
</tr>
<tr>
<td>Significant funds have been invested in the current shared services platform. Any realignment of the systems environment would need a strong business case</td>
<td>✓</td>
</tr>
</tbody>
</table>

### 1.7 Next steps

Table 7  Key observations relating to the next steps

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a risk that corporate knowledge will be lost if the operating model is realigned. The balancing of experienced staff across agencies will require careful consideration and planning</td>
<td>✓</td>
</tr>
<tr>
<td>The successful delivery of improvement in shared services will require a significant focus on and investment in change management</td>
<td>✓</td>
</tr>
<tr>
<td>Increased comparison with the private sector should be used as a model for better practice and efficiency improvements</td>
<td>✓</td>
</tr>
<tr>
<td>A number of agencies have requested to return the General Ledger service from Shared Service Agency (SSA) back to agencies – the opportunity warrants further investigation and is covered later in the report</td>
<td>✓</td>
</tr>
</tbody>
</table>
Current state
2 Current state

This section represents our assessment of the current state of the shared services environment, including major strengths, opportunities for improvement and a comparison with external benchmarks.

The current issues are not unique

We found that the issues the Queensland Government has had to address in its shared services implementation are consistent with the challenges that other public sector entities have faced. These include:

- a lack of wholehearted commitment across all agencies, that has undermined the purpose of shared services
- significant cultural issues as a result of bringing together multiple cultures in a single SSP
- inertia and resistance to change
- a lack of understanding of shared services resulting in a level of scepticism towards adoption and change
- a high risk of failure without an effective and committed supporting implementation and change program
- a lack of governance arrangements which treat the SSPs and the agencies with equally high levels of respect and recognition
- an historical focus for shared services that has primarily been on cost savings rather than overall value and performance delivery to agencies
- agency resentment and a feeling of a loss of control over their finance and HR/payroll services
- a tendency to drive change based primarily on systems (rather than enterprise-wide transformation centred on business processes) leading to sub-optimal outcomes and benefits.

During the review, we also identified a number of key opportunities for shared services specific to the Queensland Government:

- to promote more widely the success stories and strengths of the SSPs
- to improve performance, as compared to external benchmarks
- to increase the level of confidence that customers have in the SSPs’ ability to add value.
2.1 **Major strengths**

To ensure a balanced view of the current state, it is important to recognise the major strengths of the existing arrangements for shared services. Except where stated otherwise, references to SSPs in this section refer to Queensland Health (QH) and the Department of Education and Training (DET) shared services as well as SSA and CorpTech.

<table>
<thead>
<tr>
<th>Table 8</th>
<th>Strengths of the existing shared services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expertise</td>
<td>SSPs maintain discipline-specific expertise and capability which is able to be utilised by their customers</td>
</tr>
<tr>
<td>Focus</td>
<td>The shared services environment provides the opportunity for customers to focus on their core competencies and front-line service delivery (this is particularly advantageous for smaller agencies)</td>
</tr>
<tr>
<td>Scale</td>
<td>SSPs already operate on a scale that provides opportunities for increased savings through economies of scale. This is supported by the UK Cabinet Office position that Government corporate services are expected to supply customer bases larger than 20,000 and ideally nearer to 50,000&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Standardisation</td>
<td>A degree of standardisation has been achieved in corporate services, particularly in the finance systems area where the majority of agencies are operating on the same version of SAP for Finance</td>
</tr>
<tr>
<td>Savings</td>
<td>The Shared Service Initiative (SSI) has generated positive operating benefits for the whole-of-Government&lt;sup&gt;2&lt;/sup&gt; and the target of $100m in annual savings is expected to be achieved by 2012/13&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>The shared services model has achieved some real savings, and it is our view that substantially more savings are achievable through true business process reform, standardisation and streamlining</td>
</tr>
<tr>
<td>Relationships</td>
<td>There are a number of customers with whom the SSPs enjoy a positive and constructive relationship. An independent assessment of the relationships between SSA/CorpTech and their customers appears later in this section</td>
</tr>
</tbody>
</table>

These strengths should be retained, communicated and built upon where possible, when implementing any proposed model changes.

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<sup>1</sup> D Whitfield, *Shared Services in Britain: A Report for the Australian Institute for Social Research and the Public Service Association, European Services Strategy Unit, June 2007.*


## 2.2 Opportunities for improvement

A number of key opportunities have been identified in the current operating model, to improve service quality, risk management, stakeholder confidence and value for money.

### Table 9 Opportunities to improve the existing shared services

<table>
<thead>
<tr>
<th>Driving principles</th>
<th>There is a diverse range of opinions regarding the whole-of-Government vision and strategy for shared services, indicating that it needs to be reconfirmed and communicated in order to achieve a common understanding and widespread support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating model</td>
<td>Relationships between SSA, CorpTech and their customers are not consistently effective, and can tend to focus on cost disputes rather than strategic issues, relationship development and continuous improvement</td>
</tr>
<tr>
<td></td>
<td>Multiple handoff points in the service chain for the delivery of ‘business as usual’ shared services highlight multiple contact points, fragmented end-to-end processes and opportunities for improvements in value for money. This includes the current operational interface between CorpTech and its core customers: QH, DET and SSA</td>
</tr>
<tr>
<td>Delivery vehicle</td>
<td>The current performance management framework can be tailored to drive the SSPs to monitor customer feedback and non-cost driven variations in service delivery, rather than focusing on cost performance</td>
</tr>
<tr>
<td>Governance model</td>
<td>Although a large number of projects have been identified to improve shared services systems and processes, there is no clear and consistent working framework for managing and prioritising this complex portfolio of work</td>
</tr>
<tr>
<td></td>
<td>The governance structure and accountability for project delivery in the shared services environment are not clearly articulated⁴</td>
</tr>
<tr>
<td></td>
<td>Formal governance of ‘business as usual’ shared services does not involve customer agency representation (with the exception of QH and DET shared services, which fall within the normal governance structure of their respective Departments)</td>
</tr>
<tr>
<td></td>
<td>Following project delivery, there is insufficient focus on and accountability for successful overall management of benefits realisation⁵</td>
</tr>
<tr>
<td>Funding model</td>
<td>In an environment where standard systems and processes are not yet in place, the current detailed fee-for-service cost recovery model does not sufficiently drive optimal behaviours in SSA, CorpTech and their customers</td>
</tr>
<tr>
<td></td>
<td>Funding for project delivery can be better aligned to the accountability for project success. In our experience, sustainable change should be business-led, rather than systems led, and the accountability and funding model should reflect this</td>
</tr>
<tr>
<td>Systems environment</td>
<td>The service providers are currently operating in a complex systems environment, where the level of standardisation across and even within agencies is sub-optimal</td>
</tr>
</tbody>
</table>

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⁵ As above.
Comparison to benchmarks

We used benchmarking to compare SSA and CorpTech’s performance with a number of shared service reference organisations. Benchmarking is a useful tool for identifying opportunities for improvement; however, care needs to be taken in the interpretation of the results as below-median performance against a benchmark may be a satisfactory result in the context of factors such as organisational strategy, sector practices, regional environment, transformational maturity and operating or change constraints.

For this review we benchmarked key business processes provided by SSA and CorpTech against a number of reference groups. These benchmarking results have been provided by Global Best Practices®, an independent business unit of PricewaterhouseCoopers LLP, using SSA and CorpTech performance data for the 2009/10 financial year.

Our results for all reference groups found that the results of SSA/CorpTech were below median. Details of the reference groups and of the benchmark results are listed in Appendix E. We recommend that, at a future date, benchmark results are also compared for the shared services provided by QH and DET.

The value in benchmarking is realised not by focusing on the benchmarking results but by how respondents use the outputs to focus and drive improvements.

Assessment of relationships

A key dimension of a shared service operation is the existence of strong service provider/customer relationships. This is a critical success factor for shared services for the Queensland Government. We found current relationships between SSA, CorpTech and the customers are not consistent, and a considerable amount of focus is often on cost disputes rather than strategic issues, relationship development and continuous improvement.

The Supplier Relationship Management Model, a model ratified by the Chartered Institute of Procurement and Supply (UK), has been used to assess relationships, jointly align expectations and move towards shared outcomes. This model is also used by PwC to manage and improve its key supplier relationships. This is a tool that can be used within the shared services environment to underpin change and improve relationships.

Using stakeholder consultation, document reviews and data analysis, we have undertaken an independent assessment of current relationships with SSA and CorpTech. This assessment is displayed in the chart below, using the Supplier Relationship Management Model. In this chart, labels for the service provider (SSA/CorpTech) and agencies indicate how they are aligned across the five facets of the relationship model, being: alignment, durability, exchange, improvements and reliability.

The following chart indicates that opportunities exist to improve the consistency and effectiveness of relationship management practices across all facets of the service provider/customer relationship. For example, some improvements have been delivered to some customers, but this is not consistently communicated to or experienced by other customers.
Figure 1  Supplier relationship management model

Value register

A value register is another tool that can be used to demonstrate value in a shared services environment. A value register highlights where the service provider has delivered value above the standard agreed in their Operating Level Agreement. It is kept updated by the service provider, and reported on a quarterly basis to the customer to reinforce the value of the relationship and build trust. We recommend that, at a future date, a value register is considered for use to assist in improving priority service provider/customer relationships within Government.
Driving principles and critical success factors
3 Driving principles and critical success factors

A critical step to determining the most appropriate shared service arrangements for the Queensland Government into the future is to understand the underlying driving principles.

Throughout the consultation process we found that further clarity was required in relation to the driving principles for shared services in the Queensland Government. Based on our research, we propose the following driving principles for shared service delivery. It is our view that compliance with these principles may require tradeoffs within individual organisations. In this context, ‘we’ refers to the Queensland Government.

3.1 Driving principles for shared services in Queensland

<table>
<thead>
<tr>
<th>Driving principles for shared services</th>
<th>Driving principles for project delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value</strong></td>
<td>We deliver shared services in an economical, effective and efficient manner for individual agencies and the Government as a whole</td>
</tr>
<tr>
<td><strong>Clarity</strong></td>
<td>We provide shared services to agencies through a model that demonstrates clear and effective governance of service delivery, with absolute clarity of roles, responsibilities and accountabilities</td>
</tr>
<tr>
<td><strong>Standardisation</strong></td>
<td>We provide standardised processes and systems with flexibility to accommodate specific agency requirements with strong business justification</td>
</tr>
<tr>
<td><strong>Commitment</strong></td>
<td>We deliver shared services with demonstrable top-down leadership and commitment with service providers and agencies working together with a spirit of sharing and collaboration</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>We deliver shared services in an environment that supports sharing of knowledge and continuous improvement of business processes and service delivery across the entire service chain</td>
</tr>
<tr>
<td><strong>Service</strong></td>
<td>Our delivery of shared services is guided by a service-focused culture where client service standards are agreed, measured and monitored</td>
</tr>
</tbody>
</table>
3.2 Critical success factors

Critical success factors (CSFs) are the key activities that must be executed well for the Queensland Government to achieve its shared services vision and for the initiative to be judged as successful. CSFs are important to guide, direct, and prioritise the activities that the whole-of-Government shared services initiative must consistently perform well in, to manage and achieve success in service delivery.

The CSFs have been developed in consultation with the Steering Group to frame and focus the shared services strategy, goals and activities. These elements provide a common point of reference to drive and direct the operational activities and tasks that are important to achieving the defined goals. It is our view that any activities undertaken must ensure consistently high performance in these key areas.\(^6,7,8\)

The following CSFs require continuous attention to achieve service delivery success:

<table>
<thead>
<tr>
<th>Table 11 CSFs for service delivery success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vision</strong></td>
</tr>
<tr>
<td>Develop a shared services vision that is clearly defined, communicated, incentivised and supported</td>
</tr>
<tr>
<td><strong>Incremental</strong></td>
</tr>
<tr>
<td>Build on momentum through manageable increments to achieve sustainable change</td>
</tr>
<tr>
<td><strong>Leadership</strong></td>
</tr>
<tr>
<td>Reinforce commitment and willingness to joint change and improvement through strong leadership</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
</tr>
<tr>
<td>Create a clear governance framework with defined and agreed accountabilities to the whole-of-Government and agencies with a managed choice of provision</td>
</tr>
<tr>
<td><strong>Change management</strong></td>
</tr>
<tr>
<td>Undertake effective organisational change management</td>
</tr>
<tr>
<td><strong>Focus on service excellence</strong></td>
</tr>
<tr>
<td>Establish clear, service and project focused performance metrics and quality improvement mechanisms with supporting enforcement</td>
</tr>
<tr>
<td><strong>Relationships</strong></td>
</tr>
<tr>
<td>Work closely together at a strategic, operational and project level to maintain trust and deliver value improvements</td>
</tr>
</tbody>
</table>

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\(^7\) Government of Western Australia, Department of Treasury and Finance, *Strategic Business Review of Corporate Services Reform within the Western Australian Government Sector (Deliverable A Report)*, July 2003.

Target state
4 Target state

A key objective of the review is to determine the most appropriate arrangements for delivery of shared services for the Queensland Government into the future. The following section outlines the proposed options, benefits, challenges and implications for:

- the operating model, which outlines the operating approach that supports delivery of the shared services vision, priorities and objectives
- the delivery model, which outlines how shared services will be offered to clients
- governance arrangements, which defines the process by which decisions are implemented
- the funding model, which outlines how shared services are funded throughout Government
- the systems environment, with particular reference to the most effective way to deliver the future Corporate Solutions Program (CSP).

Our recommended target state operating model consists of three SSPs, providing services to each of QH, DET and the rest of Government (RoG).

The key change we recommend is that QH, DET, and ‘RoG SSP’ should take on responsibility for the management of their finance and HR/payroll business applications. In the case of DET, the transition of finance applications management is to be subject to confirmation of a comprehensive business case.

We further recommend that agencies should have accountability for project delivery, with centralised portfolio management and project support provided as appropriate to ensure consistency.

Our recommendation is that mandated services be funded through an annual capacity charge which is confirmed between the service provider and the customers based on expected demand, and reviewed quarterly. Fee-for-service options should only be used for cost recovery beyond the agreed tolerance usage levels for mandated services, and for non-mandated service charging.

Government control of the SSPs does not need to change. We recommend that the SSPs should operate through a department with an increased commercial focus, under a clear mandate from the Queensland Government.

Necessary changes to the governance model include:

- introduction of a single executive sponsor for shared services across the whole-of-Government
- distinct and clear governance arrangements for the delivery of ‘business as usual’ services, project delivery and whole-of-initiative strategy, planning and portfolio management
- an increased level of leadership and commitment to governance across all SSPs and agencies
- comprehensive training for staff regarding their accountabilities within the governance model.

With regards to the future rollout of the Corporate Solutions Program, we recommend that Government:

- reassess the present program, with the present five-year rollout approach be substituted with a rolling two year planning horizon
- continue with standardisation of the use of SAP and other relevant Government systems
- establish a process simplification and standardisation program to be run as an integral part of the Corporate Solutions Program.
4.1 **Key recommendations**

Our key recommendations for the shared services target state are listed below. These recommendations are also highlighted in the body of the report.

**Operating model**

We recommend:

- the Queensland Government retain the shared operating model for shared services
- a target state operating model consisting of three SSPs providing services to each of QH, DET and RoG
- that the management of business applications move from a central capability to a shared model
- that project delivery is agency-led
- that a centralised, discrete and independent Shared Services Strategy, Planning and Portfolio Management Group is established.

**Delivery model**

We recommend:

- that shared services remain 100 per cent public sector controlled
- the Director-General, Department of Public Works (DPW) remains the accountable officer for the ‘business as usual’ service provider to RoG.

**Service portfolio**

We recommend:

- the Queensland Government adopt a formal framework to help guide the assessment about whether a service should be included in the shared services portfolio or delivered from within the customer agencies.

**Governance**

We recommend:

- that the executive sponsor for shared services is the Director-General, Department of the Premier and Cabinet (DPC)
- that periodic benchmarking is undertaken to measure and monitor the performance of all SSPs
- that staff receive comprehensive training regarding their governance accountabilities
- establishing a new Shared Services CEO Sub-Committee to have oversight of the delivery, performance and improvement of core finance and HR/payroll services, of the whole-of-Government strategy for shared services and of transition to the target state
- that effective stage-gating for approval of projects is reinforced at the appropriate times in the project development lifecycle
• establishing individual Project Boards with Agency Sponsors, for all active projects on the Corporate Solutions Program of Work
• Queensland Government consider the role and responsibilities of the QGCIO, including the option of this role being a statutory officer
• establishing a discrete and independent Shared Services Strategy, Planning and Portfolio Management Group
• preserving and strengthening a centralised Corporate Solutions Program Centre of Project Capability.

Funding model

We recommend:
• that the mandated core service offering of the SSPs, and the management of the business applications that support it, are funded by the customer to an agreed level of annual capacity
• that funding for the mandated core service offering should not vary unless usage falls outside of agreed tolerance levels
• that non-core service offering and volume beyond the planned capacity are funded by the recipient customers through a fee-for-service cost recovery model
• that project delivery is funded directly to the responsible agencies
• that standards development, portfolio management and the Centre of Project Capability are centrally funded.

System environment

We recommend:
• the target state system environments as described below:
  – QH maintaining separate SAP finance and HR/payroll solutions
  – DET maintaining a separate HR/payroll solution, with the potential for a transition to a separate SAP finance solution in the future, based on a favourable business case
  – SSA and all its customer agencies to consolidate on a single whole-of-Government finance and HR/payroll solution.
• that the suggested framework is adopted by shared services for determining the appropriate sequencing and disciplines to be applied for future application rollout or upgrades
• the existing Corporate Solutions Program roadmap is revisited.
4.2 **Target state operating model**

The operating model sets out how shared services should be delivered within the Queensland Government. It also describes in broad terms how SSPs will operate and interact with customers and other stakeholders. In our view, adopting a more effective shared services operating model provides the potential to further enhance the efficiency and effectiveness of public services in Queensland.

When considering the future shared services operating model, we considered how the approach could be improved to deliver against the driving principles outlined in Section 3 of this report.

We identified a number of strengths within the current operating model across the dimensions of expertise, focus, scale, standardisation, savings and relationships. However, we also noted a number of opportunities primarily in the areas of service quality, risk management, stakeholder confidence and value for money.

### 4.2.1 Overview of potential operating models

We considered a range of potential operating models that may be used to deliver shared services in Queensland Government. Appendix F summarises the key features of the potential operating models.

A decentralised approach typically means that agencies are faster and more flexible locally to respond to changes. However, this also runs the potential risk of missing opportunities for synergies across the whole-of-Government, cost inefficiencies and producing variable levels of service quality and inconsistencies in practice.\(^9\)

Centralisation, on the other hand, has the advantages of control and efficiency directed from the centre, leading to the avoidance of duplication of work. Centralised models focus on economies of scale and scope and creating clarity in strategic alignment. However, there are numerous challenges involved with a centralised model, such as achieving consensus and buy-in to standardised services from the agency customer base, whose operations are distinctly different from each other.

Shared services aim to produce the benefits of both centralisation and decentralisation while minimising the disadvantages of both approaches. A shared model, which is a combination of centralisation and decentralisation, therefore offers a valid option for major consideration for the Queensland Government. A detailed assessment of each of the models can be found in Appendix G.

The current state model for shared services in the Queensland Government is mixed, with services provided through a combination of shared and centralised operating models. A summary of the current state operating model is provided in Appendix H to this report.

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4.2.2 Proposed operating model

Delivery of shared services should aim to have central control of core support functions, avoid duplication where possible, and offer services more efficiently and at lower cost. The target state model must align with the overall shared services vision and driving principles for shared services in the Queensland Government. It should also be robust, scalable and adaptive.

These requirements potentially lead to a shared option as being the preferred approach to delivering shared services in the future. Further, review of how other similar organisations are approaching this issue has highlighted that successful shared service arrangements have incorporated the best of centralised and decentralised approaches.\(^\text{10}\)

We recommend that the Queensland Government retain the shared operating model for shared services. There is no compelling and clear case to move away from a shared model. This is also supported by sector trends and by the ‘Toward Q2: Tomorrow’s Queensland’ strategy\(^\text{11}\), which advocates a focus on front-line service delivery. At this time, there would be significant cost, risk, service, technology, senior leadership bandwidth and people impacts of moving to either a totally centralised or decentralised model.

4.2.3 Clustering options

Current practices around Australia show that agencies with large numbers of staff and distinctive service requirements have tended towards developing their own shared service arrangements. In most cases health, education and defence organisations maintain their own in-house SSPs\(^\text{12}\), with smaller agencies forming clusters to be serviced by a common shared provider.

While there is no ‘one size fits all’ approach that identifies the appropriate number of clusters, many public sector shared service arrangements have three to seven clusters, reflecting the trade-off between economies of scale and the distinctive requirements of a few large departments.\(^\text{13}\) The United Kingdom, as an example, has guidelines of a minimum of 20,000 and ideally nearer to 50,000 end users when forming clusters.\(^\text{14}\)

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\(^{12}\) State Services Authority Victoria, *Background Paper on Shared Services Models*, 2007, Appendix A.

\(^{13}\) State Services Authority Victoria, *Background Paper on Shared Services Models*, 2007, p 16.

\(^{14}\) D Whitfield, *Shared Services in Britain: A Report for the Australian Institute for Social Research and the Public Service Association*, European Services Strategy Unit, June 2007.
Taking into account the current state shared model in Queensland, the driving principles, the CSFs and constraints highlighted through the stakeholder consultation, three potential options for a shared model have been considered for the 13 agencies within the Queensland Government. The potential options are outlined in the table below:

### Table 12 Potential options for shared operating model

<table>
<thead>
<tr>
<th>Shared 3</th>
<th>Shared 2</th>
<th>Shared 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>• QH</td>
<td>• QH</td>
<td>• QH</td>
</tr>
<tr>
<td>• DET</td>
<td>• DET</td>
<td>• twelve other agencies</td>
</tr>
<tr>
<td>• eleven other agencies in up to three clusters based on business commonality, operational risk failure, business requirements, (eg, employee awards, 24 x 7 operations, growth/change trend, current systems environment)</td>
<td>• eleven other agencies (RoG)</td>
<td></td>
</tr>
</tbody>
</table>

A summary of the merits of these shared options across the service portfolios of business processes, technology and project delivery is outlined in Appendix I. These have been assessed in line with the agreed driving principles, outlined in Section 3 of this report, for both ‘business as usual’ service delivery and project delivery to improve shared services.

#### 4.2.4 Proposed clustering approach

In considering and assessing the proposed shared models there are only a small number of key points of differentiation separating the options. From a whole-of-Government perspective there are some overriding drivers which lead to the recommendation of Shared 2 as the most appropriate model for the Queensland Government at this time. These drivers are:

- **QH’s business requirements (especially in relation to payroll) are inherently complex and unique.** There is no indication that this complexity will decrease in the near future. The Auditor-General found:

  > The Queensland Health payroll system has complex award structures. There are 13 awards and multiple industrial agreements which provide for over 200 different allowances, and in excess of 24,000 different combinations of calculation groups and rules for Queensland Health employees who on average total around 78,000.\(^{15}\)

- **Significant investment would be required to integrate DET and QH corporate services into a single SSP with RoG.** DET and QHSSP have both made progress operating in their single agency environments. Integrating these agency-specific SSPs with RoG is neither practical nor appropriate at this point in time given the differing levels of maturity.

DET and QH’s current size and capabilities are sufficient to support their own in-house corporate services. The separation of SSPs for health and education is consistent with other government jurisdictions, such as in New South Wales and Western Australia, and we concur with the 2007 Service Delivery and Performance Commission finding that the size of QHSSP and the DET service provider (then CAPS) makes it unlikely that further economies will be achieved through the aggregation of staff\textsuperscript{16}.

These findings are also aligned with the UK public sector examples, where Government corporate services are expected to be delivered through a handful of professional organisations – serving a customer base of greater than 20,000 but nearer to 50,000 end users\textsuperscript{17}.

When aggregated into a single customer of shared services, RoG meets the optimum scale for economies of efficiency (being more than 50,000 end users). Therefore it is recommended that RoG is serviced by a single SSP. QH and DET should continue to be serviced by their own dedicated in-house service providers. We recommend a target state operating model consisting of three SSPs providing services to each of QH, DET and RoG.

To effectively account for agency-specific business needs, we propose that service delivery within the RoG SSP is provided through a combination of client-dedicated teams, supported by a pool of shared resource. The pool of shared resource within the ‘RoG SSP’ will help enable knowledge-sharing and continuous improvement. We also recommend that a business case be developed around the viability of some services that may be required to meet agency-specific requirements (for example, on a 24 x 7 operational basis).


4.2.5 Proposed target state operating model

The optimal operating model for shared services within the Queensland Government combines the benefits of centralisation with the advantages of decentralisation. Our proposed target state operating model is represented diagrammatically below:

In order to deliver more effectively against the driving principles, there are a number of proposed realignments of services under the operating model.

First, we recommend that the management of business applications move from a central capability to a shared model. That is, QH and DET will directly manage their own applications while ‘RoG SSP’ would manage those for RoG. Responsibility for the integration components, operating systems and technical infrastructure layers should remain centrally managed.

Aligning business processes with applications management will provide greater clarity over end-to-end processes to facilitate a more holistic approach. We expect that this will also provide a single customer interface and easier customer/provider relationship management.

We propose that DET and QH have responsibility for the management of their finance and HR/payroll applications. For HR/payroll, operational risks of the related change for DET and QH can be managed as these applications are currently supported primarily by dedicated teams within CorpTech. This change will require careful planning and execution.

Another risk area is the support of the DET finance business application, as DET are currently supported by the whole-of-Government solution. Therefore, a detailed business case, with appropriate Gateway review and signoff by the Shared Services CEO Sub-Committee, should be undertaken for DET to determine whether finance application support and maintenance should remain centrally managed or be transitioned into DET. The business case should also assess the appropriate timing for such a change. The most appropriate timing for such a transition may be in parallel with a future transition away from The Solution Series (TSS) to the whole-of-Government HR/payroll application suite.
It is reasonable that the ownership of finance and HR/payroll applications would rest with each of the SSPs, in line with their applications management responsibilities. We recommend that this be reviewed in line with normal Government practices and accounting requirements.

Second, we recommend that project delivery is agency-led with centralised portfolio management and project support provided as appropriate. We propose that a central capability for these functions exist to support project rollouts and ensure consistency. Agencies will be heavily dependent on the software skills, system configuration and release management capability that will be maintained by this central capability. For more details on the function and responsibilities of the Corporate Solutions Program Centre of Project Capability, refer to Section 4.5.2.

Third, we recommend that a centralised, discrete and independent Shared Services Strategy, Planning and Portfolio Management Group is established and that this team report directly to the QGCIO. This group will be responsible for providing strategic direction, policy and standards for shared services for the whole-of-Government (that is, including DET and QH). This group will also be responsible for portfolio prioritisation, and the approval and signoff of business cases for projects undertaken within the Corporate Solutions Program.

4.2.6 **Key benefits**

Implementing the proposed operating model successfully will provide the opportunity for the Queensland Government to realise the following benefits:

- alignment of business processes with applications management, removing some of the current complexity in relation to handoffs and dependencies and promote a more consistent face of shared services to the customer. This will allow for improved customer interactions and enhanced service quality

- enhancement of the opportunity for end-to-end process improvement and small system changes. This would be facilitated through the proximity of application support to business process teams building stronger business understanding and improves the value for money generated by shared services

- optimisation of knowledge sharing and skills transfer through the opportunity to work collaboratively to identify opportunities for improvement. With appropriate governance arrangements (discussed in Section 4.5) the SSPs will promote collaboration and knowledge sharing which provides several benefits. The Gershon Efficiency Review found:

  As departments merge and share corporate functions, staff will be defined not by the department they work for but the role they pursue. Often they will work between departments and beyond geographies.  

- easement of transition associated with future MoG changes. Training for staff coupled with improved/standardised processes within the three SSPs would mean that future MoG changes can be brought about more easily and in a more cost effective way.


4.2.7 Key challenges

Challenges for moving to the proposed target operating model are listed below:

Table 13 Key challenges and mitigation strategies for the proposed target operating model

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mitigation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to balance whole-of-Government project priorities across the three SSPs, to optimise technology and resource usage</td>
<td>A clear shared services direction and strategic plan for whole-of-Government</td>
</tr>
<tr>
<td>Gaining cross-departmental collaboration and cooperation and building trust at strategic, operational and project levels, to deliver whole-of-Government improvements</td>
<td>Ownership and accountability at CEO/senior levels for all facets of shared services from strategy, through project delivery and into ‘business as usual’</td>
</tr>
<tr>
<td>Managing the impact on CorpTech staff who may resist re-alignment with a specific SSP</td>
<td>Full and effective transition planning and management is needed for successful implementation of this change</td>
</tr>
<tr>
<td>Ensuring a balanced distribution of specialist applications management knowledge and skill from CorpTech to SSPs</td>
<td>Full and effective transition planning and management is needed for successful implementation of this change</td>
</tr>
<tr>
<td>Arriving at a consensus on the preferred whole-of-Government technology solution, due to the varied requirements between agencies. In the proposed shared model there will be an element of trade-offs between leveraging broader standardisation and fit for purpose technology</td>
<td>Acknowledgement upfront that some compromise between agencies will be required. Acceptance from all agencies that solution options which provide the greatest whole-of-Government cost-benefit will be the preferred option. The governance model will help to mitigate this by facilitating a more cohesive whole-of-Government approach to portfolio management and strategic decision making</td>
</tr>
<tr>
<td>Ensuring that agencies will have access to the appropriate specialist expertise to support project delivery</td>
<td>Maintenance of the appropriate capability and capacity in the Corporate Solutions Program Centre of Project Capability to support project delivery</td>
</tr>
</tbody>
</table>

There is a high risk that a hurried implementation of an inappropriate model might dissipate, rather than harness, knowledge and skills. Section 5.1 of this report highlights a considered and measured approach to transition and change from the existing model.
4.3 **Target state delivery model**

The delivery model outlines the vehicle through which shared services will be provided to customers. As it determines the nature of the relationships in which services are delivered, it is integral to achieving the long-term vision and benefits of the Queensland Government’s shared services arrangement.

There are a number of delivery models being used for shared services in both the private and public sectors. The review revealed that there is no consistent precedent apparent for how shared services should be delivered, which in our view means there is no ‘one size fits all’ approach to delivering shared services.

4.3.1 **Overview of potential delivery models**

This section outlines the delivery models considered and a proposed continuum of change that would help the Queensland Government realise efficient and cost effective shared services over a period of time.

The review found that there is future potential for Government to provide shared services at arm’s length from an agency, with a potential staged progression toward a commercial model. This view was reflected in the UK Cabinet Office Central Government Shared Service, *Making Government Work Better* document. This document provides guidance to customers and providers of shared services by categorising the delivery options into three categories: 100 per cent public sector control, joint control (or 50/50) and 100 per cent private sector controlled.

Using the UK model as a guide, the continuum for shared services in Queensland could be categorised by the following:

<table>
<thead>
<tr>
<th></th>
<th>100% Public Sector Control</th>
<th>Shared Control (50/50)</th>
<th>100% Private Sector Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department</td>
<td>Department business unit</td>
<td>Statutory authority</td>
<td>Joint venture (PPP or Alliance)</td>
</tr>
<tr>
<td>business unit</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Each of the delivery model options is described in more detail in Appendix J of this report.

4.3.2 **Proposed delivery model**

The review identified that despite being in operation for several years, due to a number of constraints, the current state of shared services is still at a relatively low level of maturity. This is especially the case in terms of internal service efficiency, service delivery outcomes and the overall strength of the relationships between the SSPs and their customers.

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This means that there is significant progress to be made before potentially considering moving outside a model that is entirely public sector controlled. The rationale for this is that an immature model:

- is unlikely to attract private sector interest from an investment and risk sharing perspective
- may be vulnerable to high costs, particularly if there are high error rates and non-standard processes.

We recommend that shared services remain 100 per cent public sector controlled. Characteristics of this model would ideally include tied customers and mandated services with fee for service options beyond the core offering. This model would provide a solid foundation for a progression to increased commercialisation and give such a transition a greater chance of success. The review has found that there is no compelling reason for a successful shared services business unit needing to transition to a Statutory Authority.

We recognise that maintaining a commercially-focused business unit within a department requires investment by Government. However, from a whole of life perspective, cost savings and efficiencies are likely to be realised as it progresses along a commercial continuum.

When choosing an owner/delivery agency, the Queensland Government should consider which agency is in a leading position to progress to commercialisation with consideration given to efficiency, risk and the requirements to deliver front-line services. At this point in time we recommend that the Director-General, DPW, remains the accountable officer for the ‘business as usual’ service provider to RoG.

### 4.3.3 Key benefits

The key benefits of the proposed 100 per cent public sector owned delivery model are as follows:

- commercial characteristics can be developed as service delivery matures
- Government retains full control of governance and management of shared services, until such time as the implementation of the proposed shared operating model has matured
- until such time as service delivery within the proposed operating model has matured, it provides less risk that misalignment between policy and delivery will develop, than with a shared or 100 per cent private sector controlled entity
- it does not require new legislation to establish, and therefore is a cost effective model option at this point in time
- there is no requirement to transfer service delivery staff into other entities, and staff retain public service status
- it provides a greater range of funding options compared to other models.
4.3.4 **Key challenges**

The following are some of the key challenges associated with the proposed delivery model and suggested strategies for addressing these challenges.

**Table 15  Key challenges and mitigation strategies for the proposed delivery model**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mitigation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerating the potential benefits of shared services</td>
<td>▪ Delivery of shared services to be provided through a business unit with a commercial focus, ensuring that the entity maintains focus on its core business, being shared services. As service delivery matures, progressively develop more commercial characteristics</td>
</tr>
<tr>
<td>Governance and accountability are harder to achieve than with a shared or 100% private sector controlled entity</td>
<td>▪ Strengthen governance arrangements by ensuring executive, customer and external representation on shared services governance groups, as outlined in Section 4.5</td>
</tr>
<tr>
<td>May not be seen by customers as independent or customers do not feel that they have a voice</td>
<td>▪ Provide for customer representation on shared services governance groups</td>
</tr>
</tbody>
</table>
4.4  **Service portfolio**

A key step towards implementing the new operating model is to confirm which services should be provided as a shared service.

There are some inherent limits to the type of services or processes that could take advantage of the efficiency gains shared services create.

The private sector experience has witnessed some successful migration to shared services.\(^{21}\) However, it should also be noted that 'shared services may be a viable method of providing some business services, but they are not appropriate in all situations due to the diversity and complexity of services that need to be provided'.\(^{22}\)

Further insight from around Australia indicates that 'shared services have been most successful where the functions being procured are relatively routine, common and standard between agencies. Where a high level of customisation is required to meet agency requirements, shared services are likely to be less effective'.\(^{23}\)

SSA currently provides a number of mandated and optional services to their customers as a shared service.

Under Government policy, all agencies apart from QH and DET are required to purchase mandated services from SSA. The current portfolio of mandated services for finance and human resources include:

- accounts payable
- accounts receivable
- assets
- taxation
- general ledger
- operational purchasing
- workforce management
- HR and payroll
- recruitment
- HR management and information.

The mandated core service offering of the SSPs includes finance and HR/payroll systems and processes, and is defined and agreed with the Shared Services CEO Sub-Committee, described in Section 4.5. For the benefit of both the provider and the customer, there has to be certainty about the composition of the portfolio of services. Longer-term certainty in this respect enables service providers to drive towards increased efficiency and economy.

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\(^{21}\) PricewaterhouseCoopers, *Shared service for even greater efficiency in local government*, 2005.


Optional services currently include Financial Transactional Training and Performance Management. Agencies may elect to purchase these services from SSA, provide them in-house or source them from a third party.

While we do not propose that all mandatory and optional services be reviewed at this time, we recommend that the Queensland Government adopt a formal framework to help guide the assessment about whether a service should be included in the shared services portfolio or delivered from within the customer agencies. A proposed assessment template has been included in Appendix K. Based on stakeholder consultation and an assessment using this template, we propose that some General Ledger functions be considered for potential realignment. A high-level worked assessment for the General Ledger service has been included in Appendix L. This has been highlighted as a potential change opportunity by both the SSA and some of their customers.
4.5 **Target state governance**

4.5.1 **Overview of the governance considerations**

Stakeholder groups from both agencies and service providers raised the following concerns regarding current governance arrangements for shared services:

- A clear and universally accepted vision and mandate for shared services is not recognised by all stakeholders. There is a common view that the priorities for corporate services within some agencies differ to the whole-of-Government agenda due to this lack of clarity.
- The overall leadership and ultimate accountability for achieving the outcomes of the SSI is not clear to all key stakeholders. There is a view that integrating governance within agency governance processes has blurred the accountability for outcomes.
- Clarity of accountability in relation to whole-of-initiative coordination can be improved.
- There are significant concerns that SSPs are not held accountable for performance. Likewise, there is a perception that some agencies do not fully understand their roles and responsibilities in being a ‘good customer’.
- Governance of the Corporate Solutions Program is subject to regular departmental governance within DPW with limited visibility or understanding of program-level risks outside of CorpTech management.
- Portfolio, program and project management services appear to be performed in a fragmented way.
- Formal and effective management and measurement of benefits for projects undertaken within the Corporate Solutions Program can be significantly improved.

A critical step to determining the most appropriate governance arrangements to address these concerns is to ensure that they align with the driving principles for shared services principles which have been aligned with the driving principles for shared services.

4.5.2 **Preferred target state governance model**

The preferred future transitional and target governance arrangements are outlined below. The following assumptions have been made in determining the preferred governance arrangements:

- the preferred operating model is a shared model.
- the preferred delivery model is a 100 per cent public sector owned model.
- as a constraint, there will be limited effort to drive standardisation of processes and systems between QH, DET and RoG except in respect of whole-of-Government requirements such as consistent financial reporting to Treasury.
- corporate solutions business applications are owned and managed by each SSP on behalf of the agencies they support.

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24 Queensland Audit Office, Auditor-General of Queensland, Report to Parliament No. 7 for 2010: Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010, p.44.
The following are the key features of the proposed target state governance arrangements:

- Agency CEOs using shared services remain responsible for the overall corporate service function delivered to the agency.
- The Director-General, DPW, remains the Accountable Officer for the ‘business as usual’ service provider to RoG.
- The Directors-General of QH and DET remain the Accountable Officers responsible for their respective dedicated in-house SSPs.
- The QGCIO is to be accountable for the strategy, standards, policy and planning for technology and information relating to whole-of-Government shared services.
- The Directors-General of each agency are to be accountable for the delivery of project outcomes for shared services projects in their respective departments.
- The establishment of a single executive sponsor for shared services across whole-of-Government. This recommendation recognises that the initiative still requires a significant cross-sector organisational change plan in order to achieve greater maturity in the delivery of shared services.

In order to drive a whole-of-Government mandate, we recommend that the executive sponsor for shared services is the Director-General, DPC. The role of the sponsor is to ensure that there is a common, consistent understanding of the shared services vision and expected behaviours across the whole-of-Government, and the sponsor will have the legitimate authority to intervene where individual agencies fail to act in accordance with this vision and behaviours.

We expect that the sponsor will report on a six-monthly basis to Cabinet on the status of shared services across whole-of-Government, and on the progress of key initiatives.

- We recommend that periodic benchmarking is undertaken to measure and monitor the performance of all SSPs in Government. The benchmarking comparisons are to include comparisons with both the Queensland Government internal entities (QH, DET and ‘RoG SSP’) and relevant external entities. The outputs from this process will be used to drive continuous improvement planning and implementation.
- We recommend that staff receive comprehensive training regarding their governance accountabilities.

The Accountable Officers for shared services are outlined below.

**Figure 3  Proposed target state governance model – Accountable Officers**

```plaintext
<table>
<thead>
<tr>
<th>Accountable Officers for shared services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared Services CEO Sub-Committee (including DG DPC as the executive sponsor)</td>
</tr>
<tr>
<td>Reporting to Cabinet on a six-monthly basis</td>
</tr>
</tbody>
</table>

- DG Health (QH)
- DG Education (DET)
- DG DPW (RoG)
- QGCIO
- Agency DG (as project sponsor)
- DG DPC (as executive sponsor)
```

`Review of the Shared Services Model for Queensland Government
PricewaterhouseCoopers`
Shared Services CEO Sub-Committee

- We recommend the establishment of the Shared Services CEO Sub-Committee, to have oversight of the delivery, performance and improvement of core finance and HR/payroll services, of the whole-of-Government strategy for shared services and of the transition to target state. This group will be accountable for advising on the ongoing operating model, management arrangements, service levels, performance metrics, funding arrangements and continuous process improvement.

- We recommend that this group is accountable to the executive sponsor for shared services and that it convene monthly. In addition, we recommend that committee membership includes:
  - the executive sponsor for shared services (as chair)
  - the Under Treasurer
  - Director-General, QH
  - Director-General, DET
  - Director-General, DPW
  - QGCIO
  - representation from other customer agencies on a rotational basis, particularly from those undergoing significant projects
  - Public Service Commissioner
  - independent external representation (e.g., from organisations in the private or semi-private sector with direct and relevant experience of the successful implementation of shared services).

- A secretariat function for the Shared Services CEO Sub-Committee is to be established, to focus on performance management, funding model approaches and ongoing process and technology improvements.

- The executive sponsor will report to Cabinet on a six-monthly basis on the performance of business as usual service delivery, the status of agency-led projects and the overall initiative’s ongoing progress toward the strategy. This reporting will include key performance indicators such as average cost per transaction, average turnaround times and client satisfaction, as compared with other internal SSPs and external providers.

- We recommend that this governance group have accountability for approving business cases for new business solutions, prioritising and publishing the program of work on a two-year rolling schedule, and for the provision and sharing of program/project management, implementation and benefits realisation frameworks.

- The Shared Services CEO Sub-Committee will also oversee the full transition to the proposed target state.

- We recommend that effective stage-gating for approval of projects is reinforced at the appropriate times in the project development lifecycle. This will help to ensure compliance with QGCIO and other Queensland Government project and governance methodologies, particularly in relation to investment approvals and management of the Corporate Solutions Program through the Shared Services CEO Sub-Committee.
Project governance

- We recommend the establishment of individual Project Boards with Agency Sponsor, for all active projects on the Corporate Solutions Program of Work. The Project Boards would have representation from the Shared Services Strategy, Planning and Portfolio Group under the QGCIO.

- Business cases for projects to improve shared services will be sponsored by the appropriate customer agency Director-General. Where there are multiple agencies involved in a project, a lead Director-General will be agreed between the agencies. They will be supported in the development of these cases by the Shared Services Strategy, Planning and Portfolio Group under the QGCIO. Funding for such projects will be held centrally and allocated to agency leads following completion and sign off for the related business case.

- Queensland Government has a number of existing project governance frameworks in place, including QGCIO Project Methodologies, the Project Assurance Framework, the Value for Money Framework and the Gateway Review Process. In our view, greater consistency in applying these frameworks will provide greater rigour to whole of life project governance and investment assurance.

The role of the QGCIO

- We recommend that Queensland Government consider the role and responsibilities of the QGCIO, including the option of this role being a statutory officer. This process would seek to:
  - reinforce the mandate that the QGCIO holds in the target state model for the whole-of-Government shared services environment, providing a greater degree of control over the shared services environments in QH and DET than would otherwise be possible
  - allow greater independence in relation to high risk project decisions and project reviews/investigations
  - encourage a broader and more consistent level of compliance with QGCIO and other Government frameworks
  - help to ensure that high risk projects could be managed more centrally, enabling the appropriate expertise to be applied during earlier project stages.

  A statutory officer may have a clear mandate and powers similar to the role of the Coordinator-General under the State Development and Public Works Organisation Act 1971. An initial analysis of the pros and cons of this consideration is described in Appendix M.

- We recommend that the authority basis for the role of the QGCIO as it relates to shared services be reviewed in further detail. This review specifically recommends that the QGCIO is accountable for the centralised Corporate Solutions Program Centre of Project Capability function and the Shared Services Strategy, Planning and Portfolio Management Group function.

- We also recommend that Government consider what the most appropriate host agency would be for the QGCIO in the target state. Key factors for Government to consider relating to the status and location of the role include:
  - strength of mandate
  - clarity of accountability
  - reporting responsibility.
Support for shared services strategy, planning and portfolio management

- **We recommend** the establishment of a discrete and independent Shared Services Strategy, Planning and Portfolio Management Group, which will support the executive sponsor for shared services in the following key activities:
  - Setting whole-of-Government shared services strategy and priorities
  - Determining, driving and measuring whole-of-initiative outcomes
  - Portfolio prioritisation, including coordinating and administering the Corporate Solutions Program. This includes integrated portfolio planning incorporating ‘RoG SSP’, DET and QH corporate solutions programs of work as follows:
    - Maintaining portfolio, program and project management, and the implementation frameworks tools and templates
    - Facilitating knowledge sharing between agencies
    - Providing specialist program and project management capabilities and support to active projects
    - Providing representation on agency project boards for all approved Corporate Solutions projects.

- **We recommend** that this function report to the QGCIO. This is consistent with the policy and standards role previously adopted for a number of other whole-of-Government initiatives. The QGCIO will be accountable to the executive sponsor for performance of these functions.

- This function is currently provided within DPW. This should continue to be the case until the role of the QGCIO, as it relates to shared services, is further reviewed and clarified.

- **We recommend** the alignment of the solution architecture capability within the corporate Solutions Program Centre of Project Capability to perform a solution governance role over the design and integration of the standard suite of corporate applications. Examples of the role of this group may include the following:
  - Seeking to ensure that customisations are avoided and that ‘vanilla’ software is implemented wherever possible
  - Providing guidance on technical and functional issues
  - Providing input to impact assessments for significant change requests.

- **We recommend** that this solution governance body play an advisory role to the Shared Services CEO Sub-Committee on the strategic direction for the whole-of-Government business solutions.
Support for project delivery

- We recommend the preservation and strengthening of a centralised Corporate Solutions Program Centre of Project Capability. While we recommend that agencies have accountability for project delivery, a central capability for project management and corporate systems project delivery would exist to support project rollouts and ensure consistency across projects delivered within the Corporate Solutions Program.

- We recommend that this function report to the QGCIO and be centrally funded, with agencies undertaking projects approved by the Corporate Solutions Program able to access this expertise for no fee. This would encourage agencies to utilise the specialised skills and capability to contribute to the successful delivery of projects and the ongoing sharing of knowledge. We note, however, that within agreed business case parameters, agencies would be free to engage alternative skilled resources from the open market as they are ultimately accountable for project delivery.

- This function is currently provided within DPW. This should continue to be the case until the role of the QGCIO, as it relates to shared services, is further reviewed and clarified.

The relationship between the shared services operating units and the Accountable Officers in the proposed target state is outlined below.

**Figure 4 Proposed target state governance model – Operating units**
Target state

Figure 5 Summary of the proposed governance arrangements

The scope of this model covers whole-of-Government shared services, including BAU service delivery, project delivery to improve shared services and planning/portfolio management. It does not include CITEC. Prior to implementation, significant consideration needs to be given to the role and responsibilities of the QGCIO.
4.5.3 **Key benefits**

The key benefits of the proposed governance model are as follows:

- enabling a common, consistent understanding of the shared services vision and expected behaviours across the whole-of-Government through a single shared services governing body and executive sponsor
- raising the governance of shared services from normal departmental governance processes to the multi-agency Shared Services CEO Sub-Committee recognises that there is still a substantial cross-sector organisational change agenda to be planned and managed in order to increase the maturity of the shared services implementation
- establishing centralised governance with independent, external representation, better positions Government for future delivery model options as the implementation of shared services matures
- encouraging a more customer-focused culture with customers being active participants in the governance of shared services. This should lead to greater cross-sector collaboration and the likelihood of buy-in to the ongoing strategies, priorities and working arrangements
- recognising that ‘one size does not fit all’ through the provision of separate and independent governing arrangements for larger, single-agency providers. This enables these providers and agencies to evolve their shared services relationship and model to better match their customer needs independently of the clustered agencies supported by ‘RoG SSP’.

4.5.4 **Key challenges**

The following are some of the key challenges associated with the proposed governance model and suggested strategies for addressing these challenges.

**Table 16 Key challenges and mitigation strategies for the proposed governance model**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mitigation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building effective executive sponsorship with the ability to gain cross-sector support and balance conflicting cross-sector interests</td>
<td>▪ Sponsor appointed with clear roles and responsibilities</td>
</tr>
<tr>
<td></td>
<td>▪ Establishment of Shared Services CEO Sub-Committee with multi-agency representation</td>
</tr>
<tr>
<td>Planning and executing effective communication</td>
<td>▪ Specific focus and management around key stakeholder and communications planning and execution</td>
</tr>
<tr>
<td>Gaining cross-departmental collaboration and cooperation</td>
<td>▪ Ownership and accountability at CEO/senior levels for all facets of shared services from strategy, through project delivery and into ‘business as usual’</td>
</tr>
<tr>
<td>Creating and assigning accountability for key performance metrics, and measuring progress early and frequently</td>
<td>▪ Consultation in the development of key performance metrics between the board and key suppliers/ customers. Focus on the use of performance metrics to drive improvement and deliver real business need</td>
</tr>
</tbody>
</table>

The governance model and its successful implementation is a critical step in the improvement of shared services in the Queensland Government.
4.6  **Target state funding model**

As part of this review and potential related change to the operating delivery and governance models, there is an opportunity to review the funding model for shared services to ensure that it fully supports the proposed driving principles. This report highlights changes to the funding model which build upon the strengths of the existing model and takes advantage of any opportunities for improvement.

4.6.1  **Overview of potential funding models**

The following options have been considered as potential candidates for the application to the shared services model.

**Table 17  Funding model options**

<table>
<thead>
<tr>
<th>Model</th>
<th>Description</th>
<th>Typical example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct appropriation</td>
<td>Direct funding to the service provider from consolidated revenue, determined during the annual Budget process</td>
<td>Lead agencies and many front-line services (eg, state schools)</td>
</tr>
<tr>
<td>Agency funding (volume-driven at a macro level)</td>
<td>Agencies provide funding to the service provider to an agreed level of annual capacity. The forecasts are prepared collaboratively and reviewed quarterly. Variance on forecast is recovered from customers on a cost recovery basis</td>
<td>DPW business unit service delivery to Department of Communities</td>
</tr>
<tr>
<td>Fee-for-service – cost recovery</td>
<td>Service provider charges the customer based on actual transaction volumes and the actual cost of service delivery</td>
<td>Current model for SSA’s transaction processing</td>
</tr>
<tr>
<td>Fee-for-service – benchmark</td>
<td>Service provider charges the customer based on actual transaction volumes and agreed unit costs (ie, benchmarks)</td>
<td>Private sector model</td>
</tr>
<tr>
<td>Fee-for-service – full cost pricing</td>
<td>Service provider charges customer based on the actual cost of service delivery, plus loading for tax equivalents and dividends to enable the private sector to compete</td>
<td>Services for which the private sector competes</td>
</tr>
</tbody>
</table>

Application of appropriate funding arrangements will help to ensure that the shared services model supports the driving principles, outlined in Section 3 of this report. Appendix N summarises the potential benefits and challenges of each of the model options.
4.6.2 Proposed target state funding model

The proposed target state funding model for the SSPs is outlined in the table below. For the purposes of illustration it is assumed that QHSSP and the DET internal service provider are currently funded by QH and DET respectively on a volume-driven basis.

Table 18 Proposed target state funding model

<table>
<thead>
<tr>
<th>Service portfolio</th>
<th>Funding options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core service offering for finance, HR and payroll</td>
<td>Direct appropriation: SSPs / QHSSP and DET</td>
</tr>
<tr>
<td></td>
<td>Agency funding (volume-driven): QHSSP and DET</td>
</tr>
<tr>
<td></td>
<td>Fee-for-service – cost recovery: SSA</td>
</tr>
<tr>
<td></td>
<td>Fee-for-service – benchmark: SSPs / SSA</td>
</tr>
<tr>
<td></td>
<td>Fee-for-service – full cost pricing: CorpTech</td>
</tr>
<tr>
<td>Non-core services and volume beyond the planned capacity</td>
<td>Direct appropriation: QHSSP and DET</td>
</tr>
<tr>
<td></td>
<td>Agency funding (volume-driven): SSPs / SSA</td>
</tr>
<tr>
<td></td>
<td>Fee-for-service – cost recovery: SSA</td>
</tr>
<tr>
<td></td>
<td>Fee-for-service – benchmark: CorpTech</td>
</tr>
<tr>
<td>Core applications management</td>
<td>Direct appropriation: CorpTech</td>
</tr>
<tr>
<td>Non-core applications management</td>
<td>Agency funding (volume-driven): CorpTech</td>
</tr>
<tr>
<td></td>
<td>Fee-for-service – cost recovery: CorpTech</td>
</tr>
<tr>
<td>Standards, portfolio management and the Centre of Project Capability (including architecture)</td>
<td>Direct appropriation: QGCIO</td>
</tr>
<tr>
<td></td>
<td>Agency funding (volume-driven): CorpTech</td>
</tr>
<tr>
<td></td>
<td>Fee-for-service – cost recovery: CorpTech</td>
</tr>
<tr>
<td>Project delivery</td>
<td>Direct appropriation: Agencies *</td>
</tr>
<tr>
<td></td>
<td>Agency funding (volume-driven): CorpTech</td>
</tr>
<tr>
<td></td>
<td>Fee-for-service – cost recovery: CorpTech</td>
</tr>
<tr>
<td>ICT Infrastructure</td>
<td>Direct appropriation: CITEC</td>
</tr>
</tbody>
</table>

Legend:
- Grey text: Current state
- Red text: Target state
- Arrow represents the change from current state

* Note that, depending on the size of the project, level of risk to Government, and other factors, the business cases for shared services projects may require appropriate stage-gating approvals in accordance with the QGCIO and other Queensland Government project and governance methodologies, as described earlier in this report.
The following are key features of the proposed target state funding arrangements, which apply to the shared service provider for RoG as well as to QH and DET:

- **We recommend** that the mandated core service offering of the SSPs, and the management of the business applications that support it, are funded by the customer to an agreed level of annual capacity. This capacity is in line with robust demand forecasts that are developed collaboratively with the service provider on an annual basis and reviewed quarterly.

- **We recommend** that pricing should be set at a macro level rather than necessarily on a transactional basis, and should be structured to drive the desired behaviour in both the SSPs and the customer agencies. For the annual capacity charge to be efficient and fair, it will be necessary for the funding model to be underpinned by a robust and sufficiently detailed level of cost modelling. Costing of services within SSPs must maintain at least the current level of transparency.

- To avoid micro-management and negative customer/supplier relationships, we recommend that funding for the mandated core service offering should not vary unless usage falls outside of agreed tolerance levels (for example, five per cent).

- **We recommend** that non-core service offering and volume beyond the planned capacity are funded by the recipient customers through a fee-for-service cost recovery model. This includes the applications management of any non-core systems that support these services. The applicable fee-for-service cost recovery model is agreed with the customer agency in advance of the service being provided, and supported by a clear business case.

- **We recommend** that project delivery is funded directly to the responsible agencies after appropriate approval of a business case, in line with portfolio priorities and normal project governance methodologies. This may include funding for project costs that are to be incurred by an SSP as agreed between the agency sponsor and the Accountable Officer for the SSP.

- **We recommend** that development of standards, portfolio management and the Centre of Project Capability are centrally funded (that is, agencies receive these services for no fee). The provider of these services, under the QGCIO, will be funded to a level of capability and capacity that is agreed with the executive sponsor for shared services to support the Corporate Solutions Program and the whole-of-Government shared services strategy. Currently, some of these services are provided under a fee-for-service funding model, with funding provided by the customer agencies.

- While CITEC continues to compete with the private sector, it is appropriate for ICT infrastructure to continue to operate under a fee-for-service funding model that is compliant with competitive neutrality principles.

- Efficiency gains as a result of ongoing shared services improvements will be shared between the SSP and its customers, to encourage collaboration and innovation in the optimisation of end-to-end processes.
4.6.3 **Key benefits**

The key benefits of the proposed funding model are as follows:

- raising the level of pricing for the core service offering to a macro level can refocus the relationship between the SSPs and customers onto strategic issues, value for money, improvements and quality instead of cost and administrative minutiae
- increasing emphasis on collaboration and forward planning by the agencies will improve the ability of the SSPs to maintain appropriate long-term capacity and reduce costs
- providing longer-term certainty to service providers regarding their revenue stream and to customers regarding their corporate services expenditure and volume through robust demand forecasts
- centrally funding the development of standards, portfolio management and the Centre of Project Capability will encourage agencies to utilise their specialised skills and capability, as required to contribute to the successful and consistent delivery of projects for which the agencies are accountable
- aligning major project funding with the appropriate accountability for projects (within the customer agency) will improve the ownership and control of projects.
### 4.6.4 Key challenges

The following are some of the key challenges associated with the proposed funding model and suggested strategies for addressing these challenges.

#### Table 19 Key challenges and mitigation strategies for the proposed funding model

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mitigation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining cost pressure on centrally funded services without affecting quality</td>
<td>Maintain a framework for demonstrating the value for money provided by centrally funded services, including consideration of non-monetary benefits</td>
</tr>
</tbody>
</table>
| Controlling demand for centrally funded services to what is actually necessary | Ensure that the demand forecasting process includes reference to prior year demand, inter-agency benchmarks and external factors  
|                                                                          | Establish a mechanism for intervention by the executive sponsor for shared services where appropriate to control demand |
| Developing robust demand forecasts for use in the SSP funding processes    | Mandate joint signoff of the demand forecasts to ensure that the customers have consulted adequately with the service provider during the development of the demand forecasts each year  
|                                                                          | Seek independent advice to develop a robust demand forecasting process that is statistically reliable and supported by the customers as well as the SSPs |
| Maintaining an internal costing discipline to support the fee-for-service cost recovery model for the non-core service offering and volume beyond the planned capacity | Maintain and develop the internal costing discipline already in place in SSA  
|                                                                          | Ensure that there is a clear distinction between the core service offering and the non-core service offerings  
|                                                                          | Monitor demand for core services to identify volume beyond the planned capacity |
4.7 Target state systems environment

From its inception, one of the key features of the SSI was the development and rollout of standard business solutions for HR, payroll and finance functions, which were mandated on a whole-of-Government basis. CorpTech currently provides a central technology centre of skill to supply and support shared services related applications and infrastructure, and coordinates the implementation of the standard business solutions via the Corporate Solutions Program.

There have been a number of notable achievements in relation to standardisation of systems, including the consolidation of infrastructure for finance and HR/payroll applications, and the deployment of a common finance business solution to a number of agencies. However, the complexity of the single environment and schedule delays in transitioning to standard systems has resulted in SSPs continuing to operate in a complex systems environment with multiple software versions in use and limited standardisation of end-to-end business processes. There are currently 21 HR and finance systems supported within the Corporate Solutions Program.

4.7.1 Multi-system environment versus more standardised processes and systems

This review reaffirms the need to maximise the standardisation and simplification of business solutions in order to achieve the greatest potential benefits. However, from our experience, maximum long-term business benefits will be achieved through simplification and standardisation of processes first, supported by the gradual implementation of common application software to support the standard process model. We recognise that there are a number of existing business applications in use that represent unacceptable risks for specific agencies due to age and/or lack of effective ongoing support.

In determining the most appropriate systems environment to support the proposed target state operating model, the key business factors to consider are that a:

- single whole-of-Government environment has the potential to generate maximum economies of scale, however creates a complex environment with significant interdependencies between agencies and potential limitations on flexibility
- multi-instance environment provides for greater flexibility and lower complexity, however may not generate maximum potential economies of scale.

The target state operating model recognises that the three SSPs and their customer agencies have some unique business drivers, and supports a multi-instance approach for finance and HR/payroll applications.

The target state operating model also provides for consolidation of the applications management service provided today by CorpTech and the business process service providers into three integrated shared services operations.

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A multi-instance approach would allow for each of the SSP/agency groups to share common infrastructure but also enable tailored design and configuration of functional components where necessary. It would allow a higher degree of processing independence for larger agencies, while still providing the benefit of economies of scale for the medium to smaller sized agencies.

There are a number of technical and financial implications that must be considered in determining whether a common integration layer is maintained across the three environments. While many of these could be reasonably overcome, critical to the decision whether to maintain a common integration layer is the potential cost of migrating to and supporting multiple Development, Quality Assurance (QA) and Production environments for each environment independently.

### 4.7.2 Target state systems environment

Following the approach outlined above, we recommend the target state system environments as described below:

- QH maintaining separate SAP finance and HR/payroll solutions into the future
- DET maintaining a separate HR/payroll solution, being TSS in the short-to-medium term, migrating to the whole-of-Government SAP application suite in the long-term
- the potential for DET to transition to a separate SAP finance solution in the future, based on a favourable business case
- SSA and all its customer agencies to consolidate on a single whole-of-Government finance and HR/payroll solution.

This recommended approach is consistent with that put forward to the Shared Service CEO Governing Board in 2008. Note that while in principle this review supports the multi-instance approach there has not been a detailed analysis of the financial considerations, nor a validation of the costing proposed to the Shared Service CEO Governing Board in 2008.

### 4.7.3 Future rollout of the Corporate Solutions Program

Stakeholder discussions indicated a general consensus that a number of improvements can be made to the services provided in support and control of projects. The result has been ongoing challenges in committing to delivery timelines, inconsistency in overall project resourcing and variability in the quality of project support functions. With agencies taking a lead on projects in the target state, it will be important that Government achieves a single consolidated system for RoG in a timely and coordinated way.

In order to effectively control the speed, prioritisation and effectiveness of solution rollouts, it is clear that there remains a need for ongoing central coordination of the business solutions within a Corporate Solutions Program function, including solutions to be deployed to DET, QH, and the SSA customers.

The operating model proposed defines this whole-of-Government Corporate Solutions Program function as primarily a policy, standards, support and facilitation function operating as a discrete and independent Shared Services Strategy, Planning and Portfolio Management Group.

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For effective governance of this function the proposed governance model provides for direct reporting to the QGCIO with accountability to the Shared Services CEO Sub-Committee.

The potential for future success of this function can be improved through enhanced portfolio planning, management and monitoring including the following:

- greater maturity in the application of frameworks and methods outlined in Queensland Government methodologies, particularly in relation to project approvals
- all future Corporate Solutions Program projects to be funded only after formal business case approval following the QGCIO governance frameworks, including a review of business cases for current in-flight projects. Ongoing project funding to be linked to performance and delivery of project outcomes
- commitment to capability and skill development in portfolio, program and project management.

The importance of the portfolio planning activities cannot be understated. We therefore recommend that the following framework is adopted by shared services for determining the appropriate sequencing and disciplines to be applied for future application rollout or upgrades:

- consolidate and where appropriate upgrade existing solutions for previous MoG changes and to facilitate standardisation (for example, proposed Aurion HR/payroll standardisation).
- develop detailed business case for migration from high-risk non-standard platforms (for example, LATTICE)
- subject to business case, ensure the separation of DET finance applications facilitates a closely controlled transition to the target state operating model
- limit further application rollout until process standardisation design is completed and revised governance framework and recommendations implemented. This supports the ‘Toward Q2 through ICT’ strategy\(^{28}\) of adopting a ‘one government’ ICT approach across Government agencies
- confirm the ultimate goal of standardisation to an SAP platform for finance and HR/payroll processing (excluding rostering) but with no defined timeframe for completion
- implement robust process and stage-gates for business case approval, business risk assessment and benefits tracking
- implement a rolling two-year horizon detailed planning approach, with a broad five-year plan for funding purposes only.

The sequence of projects outlined in the existing Corporate Solutions Program roadmap appears broadly consistent with these drivers, however it is clear that the timeframes currently indicated are unlikely to be met due to the significant redeployment of resources required to support the QH program of work.

We recommend that the existing Corporate Solutions Program roadmap be revisited to ensure:

- the sequencing of priorities is consistent with the framework outlined above
- the need for significant effort to be devoted to process simplification and standardisation is factored into the program as a key priority
- agency expectations are not unrealistically set through a detailed five-year program given the potential for further significant governmental changes in the years ahead. This has been a source of significant agency frustration in the past
- confirmation that the sequencing of activities is driven by business risk and business benefit arising and not the ease of technology implementation.

4.7.4 **Key benefits**

Commitment to standardised business solutions and the proposed Corporate Solutions Program roadmap supports the following key benefits:

- support for the ‘Toward Q2 through ICT’ strategy\(^{29}\)
- efficient software licensing costs
- ability to adapt more quickly to MoG changes
- ability to support increased automation and standardisation of business processes within SSPs
- consistency of data and access to information across agencies
- sharing of business processing and technical support resources with common skills and knowledge.

The multi-instance model for HR and finance business solutions, with each SSP potentially supporting its own discrete business solution in the future, recognises that ‘one size does not fit all’, and optimises the standardisation of processes and systems by allowing agencies with critical mass and a high level of complexity to configure the functional components of the standard software suite to best meet business needs.

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4.7.5 **Key challenges**

The following are some of the key challenges associated with the proposed approach to business solutions, and proposed mitigation strategies.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mitigation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to the scale of the Corporate Solutions Program the remaining rollout has a high level of complexity and requires a high level of coordination</td>
<td>▪ Enhanced maturity and capability in portfolio planning, management and monitoring</td>
</tr>
<tr>
<td></td>
<td>▪ Review the plans for the upcoming DOCS payroll implementation project to ensure that Government receive the planned benefits while appropriately managing risks</td>
</tr>
<tr>
<td>Gaining cross-agency collaboration and cooperation</td>
<td>▪ Ownership and accountability at CEO/senior levels for all facets of Corporate Solutions Program</td>
</tr>
<tr>
<td></td>
<td>▪ Agency representation on governance bodies</td>
</tr>
<tr>
<td>Maintaining appropriate control and management of program scope in a rapidly changing business environment</td>
<td>▪ Enhanced maturity and capability in portfolio planning, management and monitoring including regular review of program priorities and business cases</td>
</tr>
<tr>
<td>Enabling agency accountability for delivery of project outcomes</td>
<td>▪ Establishment of individual Project Boards with agency Sponsor, for all projects</td>
</tr>
<tr>
<td>Complexity of separating applications to enable the three SSPs to manage their own application environments</td>
<td>▪ Requires completion of a detailed business case, technical impact assessment and planning</td>
</tr>
<tr>
<td>Some duplication of specialist technical resources</td>
<td>▪ Requires completion of a detailed business case to support the change</td>
</tr>
</tbody>
</table>
Action plan
5 Action plan

The recommendations and changes proposed in this report rely on multiple dependencies and have a relatively high level of risk without a committed implementation program. Implementing these changes will require executive sponsorship to provide clear vision, direction and leadership and a restatement of the whole-of-Government mandate for shared services. It will also require careful consideration of the potential benefits, costs and risks, commitment to organisational change and a long-term view of sustainable improvements.

In recognition of this complexity, we recommend that the proposed changes to the shared services environment are planned and implemented in stages. In developing these stages and next steps, the critical success factors have been used to guide and prioritise the activities that shared services must address. The key benefits of this approach are as follows:

- focus on activities that directly support achievement of the defined and **agreed goals**
- committing to and **achieving** success early in the project increases the commitment to the change
- early demonstrable success **builds momentum** and support for the change, accelerating future delivery
- planning for long-term change incrementally provides the **flexibility and agility** to adjust plans to react to changing external factors during delivery
- allows the later stages of the implementation to **learn** from experiences of earlier stages
- encourages the **involvement** of the people who will be delivering the change in practice, improving capability development and knowledge transfer.

Using this approach, we propose that this program of work could be structured into the streams outlined below:

**Table 21 – Action plan aligned with critical success factors**

<table>
<thead>
<tr>
<th></th>
<th>Stream 1 Laying the Foundations</th>
<th>Stream 2 Getting to the Transition State</th>
<th>Stream 3 Realign the CSP</th>
<th>Stream 4 Getting to the Target State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Leadership</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Governance</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Change management</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Focus on service excellence</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Relationships</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
5.1  **Phased approach**

Given the multiple dependencies and complexity for Queensland Government’s shared services needs, there is a need for robust and detailed planning for the implementation of these changes. Throughout this process, benefits need to be managed with a focus on the driving principles for shared services; being value, clarity, standardisation, commitment, performance and service.

To enable rapid, sustainable progress, a number of streams of activity will need to be run in parallel, as outlined below.

5.1.1  **Stream 1 ‘Laying the Foundations’ – by December 2010**

The first stream requires a further detailed level of analysis of the recommendations provided in the report, commitment to the preferred approach and communication with key stakeholders. We recommend that the following activities are undertaken as part of Stream 1:

- Appoint the Director-General, DPC, as the executive sponsor for shared services, accountable for the whole-of-Government shared services initiative, which is to be centred on core service delivery, strategy, planning, policy, and project delivery
- Set up the steering group to oversee the transition project, including establishing the official Terms of Reference. We recommend that the project steering group for the *Review of the Shared Services Model for Queensland Government* continue in its current form, amalgamated with wider agency support including the Directors-General of DET and QH, to fulfil this responsibility. This body is currently made up of executive representation from each of Queensland Treasury, DPC, DPW and DOC as a client of shared services. This group should be formalised as the Shared Services CEO Sub-Committee
- Develop a communications plan to keep staff and unions informed and engaged
- Set out performance measures on whole-of-Government shared services initiative and initiate six-monthly progress reporting to Cabinet
- Complete current benefit, risk and cost analysis work on preliminary evaluation of report recommendations
- Establish a transition project office
- Review the use of QGCIO mandated methodologies, and include in periodic Cabinet reporting
- Baseline each SSP and develop a full transition plan for the change
- Develop a Preliminary Evaluation, including a more detailed cost case and risk assessment, to enable informed decisions to be made about how to proceed with the recommendations of this report
- Endorse the transition project and funding
- Develop a framework for tracking the benefits expected to be achieved through the transition to the target state
- Develop a detailed implementation plan for the establishment of the new governance model
- Develop a detailed implementation plan for the integration of application management into SSA, QH and DET, including consideration for workforce planning and cultural alignment
- Plan for the change management that will be required to successfully transition to target state
- Clearly define and communicate the shared services vision for whole-of-Government.
5.1.2 **Stream 2 ‘Getting to the Transition State’ – by June 2011**

We expect that the transition to the proposed target state will take some time. Therefore, a number of key transitional changes are proposed in the short-term with an expectation that the transition state will be in place by June 2011. We anticipate that the transition state will be in place for potentially a further 1 to 2 years, until the target state operating model and the associated changes can be fully planned and implemented. Stream 2 activities include:

- Consider the role and responsibilities of the QGCIO, including the option of this role being a statutory officer. This includes a full review and report with a potential change plan
- Review the governance framework for projects within the Corporate Solutions Program to ensure that the Shared Services CEO Sub-Committee is given appropriate oversight of ongoing projects
- Transition accountability of agency projects to an appropriate agency sponsor
- Plan the transition of responsibility for applications management from CorpTech to SSA, DET and QH
- Integrate the team and responsibility for applications management (currently held within CorpTech) into SSA
- Relocate specialist planning and portfolio management expertise from CorpTech into the new Shared Services Strategy, Planning and Portfolio Management group, reporting to the QGCIO
- Relocate specialist project delivery expertise from CorpTech into the new Corporate Solutions Program Centre of Project Capability, reporting to the QGCIO
- Develop a capacity and capability for SSP staff and plan for the specialist groups reporting to the QGCIO
- Develop a funding model for business as usual services, to support annual capacity charges at a macro level
- Review benefits realisation to date and reassess plans for the future achievement of benefits from the target state.

5.1.3 **Stream 3 ‘Realign the Corporate Solutions Program’ – by June 2011**

The Corporate Solutions Program is a key component of the transition to target state, and as outlined in Section 4.7, we recommend that the existing roadmap is revisited. Queensland Government needs to determine the appropriate sequencing and disciplines to be applied for the future application rollout or upgrades, using an agreed framework that is driven by business risk and benefit. To facilitate this, the following activities should be undertaken as part of Stream 3:

- Confirm the ultimate goal of standardisation to an SAP platform for finance and HR/payroll processing (excluding rostering) but with no defined timeframe for completion
- Confirm the current systems landscape baseline
- Baseline current projects within the Corporate Solutions Program
- Develop an agreed framework for prioritisation of projects within the Corporate Solutions Program, including process standardisation and simplification
- Develop a detailed business case for migration from higher-risk non-standard platforms (eg, LATTICE)
Action plan

- Reassess the business cases and prioritisation of projects to realign the Corporate Solutions Program, including MoG changes, to focus on a rolling two-year planning horizon
- Assess the business case and timing for the separation of DET finance applications
- Report on progress of key shared services projects to the Shared Services CEO Sub-Committee and in periodic Cabinet reporting
- Limit further application rollout until the process standardisation design is completed and revised governance framework and recommendations are implemented
- Implement a rolling two-year horizon detailed planning approach, with a broad five-year plan for funding purposes only.

5.1.4 Stream 4 ‘Getting to the Target State’ – by June 2013

Following the completion of Streams 1 to 3, the transition to the target state should include the following key activities as Stream 4, which will continue over a 1 to 2 year period:

- Complete the transition of responsibility for DET and QH applications management to DET and QH respectively
- Continue to invest in people and develop the capability of the specialist groups under the QGCIO
- Subject to the review of business cases, continue the implementation of the Corporate Solutions Program and move towards a common finance and HR/payroll business solution
- Monitor the realisation of benefits through the appropriate governance channels, with an ongoing focus on the driving principles
- Regularly benchmark the performance of the SSPs to identify opportunities for improvement
- Continue to report to Cabinet on a six-monthly basis on the performance of whole-of-Government shared services
- Continue to review the shared services strategy and vision at key points throughout the implementation.

Change management

In our experience, the failure rate of business change projects is high. To enable the successful delivery of this complex project, appropriate and comprehensive change management programs and activities should be planned and undertaken, commencing from the outset of the project. This includes:

- identifying benefits and setting measures to track them
- involving the people who will deliver the change to build commitment, obtain consensus and ensure that the approach is balanced between activities driven from the top and ideas from the teams on the front-line
- developing a consistent communication strategy and ensuring it is followed
- supporting change champions and leaders, ensuring that they model new behaviours
- putting in place systems, performance management and training processes to reinforce the change.
5.2 Risks

There are a number of key risks and challenges that should be considered during the development of the shared services transition plans. Outlined below are the key risks to consider, with some suggested mitigation strategies as well as our initial assessment of the likelihood and consequence of each risk using a high/medium/low scale.

Table 22 Risks and mitigation strategies during the transition to target state

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Mitigation strategy</th>
</tr>
</thead>
</table>
| People        | Loss of key personnel with systems, application management, and leadership capabilities during the transition from the current to the target state | High       | High   | ▪ Ensure key personnel are identified, consulted and engaged forthwith and during the transition to mitigate staff attrition and ensure there is a continuation of core competencies  
▪ Document key existing processes, systems and applications  
▪ Early, open and regular communication |
| Product       | System implementation by ‘RoG SSP’ is unsuccessful due to the complexity and unique requirements of its client agencies | Medium     | High   | ▪ Scope of system implementation is clearly defined and agreed upon by all client agencies, with clear accountabilities defined for managing system change requests to control scope |
| People        | A lack of commitment across all agencies to the vision for shared services, and recommended operating model may undermine the achievement of outcomes | Medium     | High   | ▪ Introduction of a single executive sponsor with an appropriate level of authority for shared services across the whole-of-Government  
▪ Ownership and accountability at CEO/senior levels for all facets of shared services and Corporate Solutions Program  
▪ Regular governance group meetings with decisions and actions are being taken in a timely fashion |
| People        | A lack of understanding of the vision and direction for shared services may result in a level of scepticism towards adoption of the change | Medium     | High   | ▪ All appropriate stakeholder groups are effectively represented on governance bodies  
▪ Open and regular communication |
| People        | A lack of cross-departmental collaboration, cooperation and trust at strategic, operational and project levels may destabilise the initiative going forward | Medium     | High   | ▪ Ownership and accountability at CEO/senior levels for all facets of shared services and the Corporate Solutions Program  
▪ All appropriate stakeholder groups are effectively represented on governance bodies  
▪ Comprehensive training for staff regarding their accountabilities within the governance model |
<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Mitigation strategy</th>
</tr>
</thead>
</table>
| Operational  | Benefits of specific projects or initiatives are not clearly defined and measured resulting in priorities being directed to activities that do not provide the greatest outcomes | Medium     | High   | • Implement robust process and stage-gates for business case approval business risk assessment and benefits tracking  
• Assign clear accountability for project outcomes and ownership of benefits |
| Operational  | Due to the scale of the Corporate Solutions Program and the complexity of the remaining program of work, achieving delivery timeframes, consistency in project resourcing and high quality project outcomes will continue to be a challenge | Medium     | High   | • Enhanced maturity and capability in portfolio planning, management and monitoring, including commitment to capability and skill development in these areas  
• Plan for long-term change incrementally rather than approach change with a ‘big bang’ approach!  
• Prioritise and publish the program of work on a two-year rolling schedule to enhance accountability, agility, and ability to adjust plans to react to changing external factors |
| People       | Staff who may be realigned with the implementation of the recommended operating, delivery and governance models may resist their realignment | Medium     | High   | • Active involvement of people who will be impacted by the change  
• Effective transition planning and management. Ensure that the approach is balanced between activities driven from the top and ideas from the impacted teams  
• Early, open and regular communication |
<p>| Process      | Standardisation of technical solutions may occur independently of process standardisation, with technology change continuing to be the focus for achieving shared services outcomes and benefits. This will result in sub-optimal outcomes | Medium     | Medium | • Establish a process standardisation program to be run as an integral part of the Corporate Solutions Program. Process standardisation must proceed in a unified fashion with the systems rollout, and in many cases can proceed without significant systems change |</p>
<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Mitigation strategy</th>
</tr>
</thead>
</table>
| People        | Insufficient specialist application management resources are available in the current centralised pool to be allocated across three SSPs | Medium | Medium | • Document existing processes, systems and applications to share knowledge and reduce reliance on key individuals  
• Establish mechanisms for cross-agency sharing of resources |
| Financial     | There will an overriding focus on cost savings rather than overall value and performance delivery | Medium | Medium | • Clear service and project focused performance metrics, with assigned accountability for attainment, and mechanisms to support enforcement  
• Measure progress early and frequently  
• Use external benchmarks to measure and improve performance |
| Operational   | Implementation of the recommendations may not result in long-term, sustainable behavioural and cultural change that will lead to continuous improvement | Low   | High  | • Appropriate change management activities should be planned and undertaken, commencing from the outset of the project  
• Involve the people who will deliver the change to build commitment  
• Develop a consistent communication strategy and ensure it is followed  
• Support change champions and leaders, ensuring that they model new behaviours and put in place systems, performance management and training processes to reinforce the change |
| Financial     | Financial costs of transitioning to the target state exceed forecasted budget | Low   | High  | • Track the financial costs and progress by planning regular milestones and implement a strategy that reduces tasks into achievable bodies of work. Regularly report on the financial costs and progress, and implement intervening strategies if costs are beyond an acceptable threshold. |
### 5.3 Costs

The upfront cost to Government for transition to the target state should not be underestimated. To assist in the development of a detailed cost case, outlined below are some of the key cost areas which are likely to be relevant to Queensland Government.

<table>
<thead>
<tr>
<th>Cost area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change management</td>
<td>Change management activities will centre on CorpTech and the three target state SSPs, but will also require a focus on the customer agencies. These activities will include the management of communication with staff and unions, stakeholder engagement, training, workforce planning and maintaining agency buy-in for the change. Investing in change management will help to ensure the delivery of sustainable benefits and will build momentum for the change.</td>
</tr>
<tr>
<td>Business case</td>
<td>Analysis of the benefits, risks and costs of transition, and development of a Preliminary Evaluation, will inform the Government decision about how to proceed with transition to the target state. This should be followed by a detailed business case.</td>
</tr>
<tr>
<td>Baseline</td>
<td>The due diligence to assess and document the current state of CorpTech, SSA, plus impacted areas in QH and DET will include roles, responsibilities, technology and business processes. It will also involve identifying key performance indicators and establishing them as baseline against which to measure future benefits.</td>
</tr>
<tr>
<td>Detailed implementation planning</td>
<td>Planning of the transition to the target state will take into consideration the ‘how’ of the changes in people, processes, systems, applications, infrastructure and elements such as accommodation.</td>
</tr>
<tr>
<td>Reassessing the CSP roadmap</td>
<td>Reassessing and revising the Corporate Solutions Program roadmap.</td>
</tr>
<tr>
<td>Cost model</td>
<td>Robust and detailed cost modelling will be required to assess the current cost of service provision by the SSPs and to support the target state pricing model.</td>
</tr>
<tr>
<td>Funding model</td>
<td>The design and implementation of the target state funding model will be required for ‘RoG SSP’, QH and DET, with input from Treasury.</td>
</tr>
<tr>
<td>Designing processes and tools for the new central organisations</td>
<td>The new organisations under the QGCIO will require some support in establishing the necessary tools and core capabilities to ensure they can contribute to agency-led projects and to the whole-of-Government shared services agenda.</td>
</tr>
<tr>
<td>Reviewing the architecture, ICT infrastructure and security</td>
<td>A technical review of current corporate systems will be necessary, including architecture, infrastructure, systems, applications and IT security.</td>
</tr>
<tr>
<td>Third party provisioning</td>
<td>Reviewing existing agreements with third party providers (eg, CITEC) and transitioning these as required.</td>
</tr>
</tbody>
</table>
Following implementation of the target state, the ongoing cost of applications management for finance and HR/payroll is likely to be higher than at present, due to the need to replicate some roles, functions and infrastructure. However, it is anticipated that these costs will be offset by the greater opportunity of benefits realisation through end-to-end business process improvement by SSPs and their customers.
## Acronyms, abbreviations and glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAU</td>
<td>Business as Usual</td>
</tr>
<tr>
<td>CAA</td>
<td>Corporate Administration Agency (a subdivision of DPC)</td>
</tr>
<tr>
<td>CAPS</td>
<td>Corporate and Professional Services (a former shared service provider within DET)</td>
</tr>
<tr>
<td>CBRC</td>
<td>Cabinet Budget Review Committee</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CLT</td>
<td>CEO Leadership Team (for the Queensland Government)</td>
</tr>
<tr>
<td>CorpTech</td>
<td>Provider of corporate applications and infrastructure services for the Shared Service Initiative</td>
</tr>
<tr>
<td>CSF</td>
<td>Critical success factors</td>
</tr>
<tr>
<td>CSP</td>
<td>Corporate Solutions Program</td>
</tr>
<tr>
<td>DET</td>
<td>Department of Education and Training</td>
</tr>
<tr>
<td>DG</td>
<td>Director-General</td>
</tr>
<tr>
<td>DPC</td>
<td>Department of the Premier and Cabinet</td>
</tr>
<tr>
<td>DPW</td>
<td>Department of Public Works</td>
</tr>
<tr>
<td>FTE</td>
<td>Full-time equivalent staff</td>
</tr>
<tr>
<td>GL</td>
<td>General Ledger</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>LLP</td>
<td>Limited Liability Partnership</td>
</tr>
<tr>
<td>MoG</td>
<td>Machinery of Government</td>
</tr>
<tr>
<td>NAICS</td>
<td>North American Industry Classification System</td>
</tr>
<tr>
<td>PAF</td>
<td>Project Assurance Framework</td>
</tr>
<tr>
<td>PwC</td>
<td>PricewaterhouseCoopers</td>
</tr>
<tr>
<td>QA</td>
<td>Quality Assurance</td>
</tr>
<tr>
<td>QGCIO</td>
<td>Queensland Government Chief Information Officer</td>
</tr>
<tr>
<td>QH</td>
<td>Queensland Health</td>
</tr>
<tr>
<td>QHIC</td>
<td>Queensland Health Implementation of Continuity Project</td>
</tr>
<tr>
<td>QHSSP</td>
<td>Queensland Health Shared Service Partner</td>
</tr>
<tr>
<td>RoG</td>
<td>Rest of Government</td>
</tr>
<tr>
<td>SAP</td>
<td>Systems Applications and Products (referring to a specific corporate services application currently in use within the Queensland Government)</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
</tr>
<tr>
<td>SPV</td>
<td>Special Purpose Vehicle</td>
</tr>
<tr>
<td>SS</td>
<td>Shared Services</td>
</tr>
<tr>
<td>SSA</td>
<td>Shared Service Agency</td>
</tr>
<tr>
<td>SSC</td>
<td>Shared Service Centre</td>
</tr>
<tr>
<td>SSI</td>
<td>Shared Service Initiative</td>
</tr>
<tr>
<td>SSP</td>
<td>Shared Service Provider</td>
</tr>
<tr>
<td>TSS</td>
<td>The Solution Series (referring to a specific corporate services application currently in use within DET)</td>
</tr>
</tbody>
</table>
Appendix B  Terms of Reference

The Terms of Reference for the review were released by the Premier of Queensland on 13 July 2010.

Objectives

The objectives of the review are:

- to review the organisation of corporate services under the shared services model, including finance and human resources management across Government to determine the most appropriate arrangements for the Queensland Government into the future
- to investigate and make recommendations on the appropriate governance model for shared services within the Queensland Government going forward
- in light of the above, provide recommendations for the future rollout of the Corporate Solutions Program and make recommendations for the most effective way to deliver the Program.

Scope

The scope of the review includes consideration of:

- the strategy and direction of shared services at the processing and systems level;
- the development of role clarity for all those entities involved in the delivery of shared services including the agencies, the shared service providers and CorpTech;
- the appropriateness of current organisational delivery arrangements and governance arrangements for shared services delivery including performance management and monitoring, compliance management, risk management, financial management and audit arrangements;
- an assessment of the benefits and risks to Government from moving to more standardised processes and systems; and
- an assessment of the benefits and risks of maintaining a multi-system environment.

Secretariat support will be provided by the Department of the Premier and Cabinet.
Appendix C  Background and approach

Shared services defined

An understanding of the key drivers and objectives involved in the delivery of shared services is fundamental to any recommendation presented in this report.

Shared services are ultimately about optimising people and their skills, assets, time and other resources. The term ‘shared services’ is used to define a model of service delivery in which multiple agencies share common corporate services through a dedicated SSP, often referred to as shared service centres (SSCs).

Instead of having their various departments devolve activities across a number of offices, SSPs allow organisations to centralise and standardise repetitive, transaction based processes. These typically include finance and accounting processes as well as HR management, payroll processing, purchasing and related information technology support processes.

By taking these common processes out of individual departments and moving them into a stand-alone entity, departments are able to focus on the delivery of front-line services. In the case of The Queensland Government, these align with the ‘Toward Q2 through ICT’ strategy. This also allows the SSP to achieve improved efficiencies and economies of scale while providing an agreed level of service to their customers.

Shared services combines the benefits of both centralised and decentralised operations as illustrated in Figure 1:

Figure 6  The benefits of shared services

Source: PricewaterhouseCoopers, 2001

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30 PricewaterhouseCoopers, Shared service for even greater efficiency in local government, 2005.
In our experience, the quantifiable benefits of relocating processes to SSPs include:

- the elimination of duplicate activities across different departments
- the creation of economies of scale and the achievement of reductions in overall headcount
- the standardisation of processes, practices, definitions and codes
- coordination and application of leading practice to improve the quality and consistency of service provided
- the availability of comparable and timely performance data for benchmarking in line with industry standards.

Not all benefits are easily quantifiable. Some softer benefits from consolidation of common corporate functions relate to improvements in service, support and flexibility provided to the business. These include:

- long-term improved morale and a career path for finance and other support staff
- management in each location are freed up from the responsibility of managing support processes
- the facilitation of similar change in other areas
- reduction in the cost and complexity of subsequent change initiatives.

**Shared services in the private sector**

Shared service arrangements emerged in the private sector throughout the 1990s. Many large multinational organisations, including General-Electric, Hewlett Packard, Diageo and BP began establishing shared service centres for aspects of their business. Similar arrangements have been increasingly embraced by private sector companies, with more than 70 per cent of the Fortune 500 companies having now implemented shared services. A recent PwC survey found that, before the economic downturn, the number of companies establishing finance shared services centres more than tripled, from 14 per cent in 2005 to 50 per cent in 2007.

The focus for implementation has generally been the reduction of administrative costs and improved operational efficiencies, with cost reductions generally expected to be between 20 per cent and 40 per cent over the three to five year horizon.

There are numerous examples of significant savings achieved through shared services models in the private sector. These include:

- Pacific Bell reducing their cost of delivering internal support services by 54 per cent between 1991 and 1996, with a marked rise in customer satisfaction
- Xerox saving more than $600 million in costs between 1993 and 1999, attributable to their shared service organisation

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35 As above.
• Dupont reducing costs by $1.5 billion as a result of an internal service review.\(^{38}\)
• Proctor and Gamble saving around $600 million as a result of the consolidation of back-office functions into a shared services unit.\(^{39}\)

The typical benefits to be derived from simplification and standardisation tend to be in proportion to the complexity of the change required.

### Shared services in the public sector

The potential for cost reduction and improved service delivery demonstrated in the private sector has encouraged the adoption of shared services across the public sector. Internationally, governments at all levels are pursuing a shared services delivery model for both financial benefit and social value. A 2006 international research report by the Economist Intelligence Unit highlights this trend, finding that over two-thirds of government agencies across major western countries are using shared services or are in the process of implementing it for some functions.\(^ {40}\)

Global research undertaken by AT Kearney suggests that cost-saving opportunities within this sector can be significant, with improvements of between 15 per cent and 25 per cent being seen as the achievable target range.\(^ {41}\) The largest case example reviewed in this study involved the consolidation of all common services within the European Ministry of Defence in 2002. The transition from four divisions into an SSP resulted in an estimated €200 million cost reduction and significant service improvements within the ministry.

Australian governments at all levels have now implemented various versions of shared services models for support services; however public sector implementation has presented unique challenges. In relation to the Queensland Government, a review by Dollery and Akimov observed that:

\[
\text{(The) scope and scale economies of private companies and higher levels of governments are completely different. This market place is characterised by the need to provide a compelling business argument for shared services without relying on top-down coercion. It is a more challenging environment and one that requires a rigorous commercial approach to the delivery (and receipt) of services.}\] ^{42}\)

While government agencies have made substantive progress towards realising the benefits of shared service delivery experienced in the private sector, we note that efforts to refine their approach continue.\(^ {43}\)

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\(^{38}\) As above.


\(^{43}\) For an example, refer to the NSW Department of Premier and Cabinet, ‘Blueprint for Corporate and Shared Services in the NSW Government’, 15 July 2010.
Shared services in the Queensland Government

Shared services arrangements in both the Australian private and public sectors have increased significantly over the past decade. The increasing uptake of shared services models is largely driven by a desire for cost savings and increased efficiency of services.

In December 2002, the Queensland Government made the decision to transition to a shared services model for the delivery of its corporate services. Under the proposed model, common services traditionally carried out within agencies would be centralised and delivered to agency clusters. QH and DET (then known as the Department of Education and the Arts) clusters would operate in their own right due to their size and complexity. The goal of the initiative was to reduce administrative costs and redirect resources to Government priorities.\(^{44}\)

It was proposed that benefits of the initiative could include:

- maximising cost-effectiveness by leveraging from the Government’s investment in corporate services
- providing a rewarding and challenging career for corporate service professionals
- being more responsive and generate consistent information
- being more adaptable to agency structural change
- delivering the benefits of both the centralised and decentralised approaches to service delivery.\(^{45}\)

The transition to this desired model required significant structural change. From 2003, common back-office functions and supporting technology began to be transferred from Government agencies to shared services providers.

There are three overall functional responsibilities to the SSI:

- whole-of-initiative strategy, portfolio coordination, guidance and accountability
- service delivery, including business process management, applications management and the delivery of infrastructure services to support shared services
- delivery of the corporate solutions program in conjunction with providers and agencies.

Since the inception of the SSI, there have been a number of changes made to structures and governance arrangements.

In April 2006 the Cabinet Budget Review Committee (CBRC) approved revised arrangements for the SSI. The revised operating model provided for the formation of a new entity called SSA, with the Under Treasurer accountable for the delivery of the shared services. In 2007 SSA became the responsibility of DPW. The SSPs for QH, DET and Parliamentary Services remained outside this organisational structure.

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There are currently four SSPs that are subject to this review, providing services to Government agencies:

- SSA – delivers finance, human resource management, payroll, procurement, facilities management and mail support services to around 80,000 public servants in 11 agencies and six statutory authorities.
- CorpTech – consists of two key areas: service management and shared service solutions. It provides whole-of-Government corporate applications and IT systems support to the SSA, SSPs and other entities.\(^{46}\)
- QHSSP – provides state-wide corporate support services to QH including payroll and establishment, finance, HR and recruitment services, as well as the supply and provision of linen services. At the time of this review, the role and position of this entity was also under review. We understand that the reporting structure of QHSSP will be realigned to report through the Deputy Director-General, Performance and Accountability.
- DETs internal corporate services providers – who have previously been aggregated into a discrete business entity within DET known as Corporate and Professional Services (CAPS).

**Governance model**

Until 2008, the SSA had a dual role of initiative-level policy coordination and service delivery. Under this revised model, to ensure cross-sector engagement, a single Shared Service CEO Governing Board was established. This Board had two primary governance streams: to oversee the strategic direction of both the SSI and SSA. Membership of this Board included representatives of central agencies, QH and the Department of Education and the Arts.

In April 2008 the Shared Service CEO Governing Board\(^ {47}\) determined that the maturing of the three SSPs and the redesign of the implementation strategy for the new business solutions being undertaken by a Prime Contractor, removed the need for centralised governance of the initiative.

Following the changes highlighted above, this positioned shared services as a ‘mainstream’ function of Government, thus integrating governance within departmental governance processes. Specific arrangements to oversee the development and implementation of new business solutions, under the banner of the Corporate Solutions Program, remained. This resulted in the formation of an Executive Steering Committee, with representation from CorpTech and the three SSPs. This group is accountable for prioritising the remainder of the new business solutions program and for delivering these solutions on time and within budget.


An example of how projects are governed under the existing model is outlined in the diagram below:

Figure 7 Existing governance model

Shared Services Initiative timeline

A timetable of the key events since the inception of SSI has been summarised for this review by representatives from DPC. This timetable is set out below:

Table A2  Key events since SSI inception

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Dec</td>
<td>The Shared Service Initiative (SSI) approved by the CBRC (Decision No. 3872).</td>
</tr>
<tr>
<td>2003</td>
<td>July</td>
<td>SSI formally commenced with the establishment of four SSPs.</td>
</tr>
<tr>
<td>2004</td>
<td>Aug</td>
<td>The Shared Service Solutions program was established in CorpTech to design and build a whole-of-Government HR and Finance solution with a capital budget of $125m.</td>
</tr>
<tr>
<td>2005</td>
<td>Feb</td>
<td>Governor in Council (ECM 94) approved $74m for the SSI to 31 December 2005.</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>Contract negotiations concluded with SAP Australia for whole-of-Government HR and Finance Business Solution.</td>
</tr>
<tr>
<td></td>
<td>Nov</td>
<td>Contract negotiations concluded with IBM for the licensing, support and implementation services for the additional HR product set, consisting of Workbrain, SABA and Recruit ASP.</td>
</tr>
<tr>
<td>2006</td>
<td>July</td>
<td>Approximately 2,200 staff from three of the four original SSPs were consolidated to form the SSA, hosted by Queensland Treasury. CorpTech remained a separate entity reporting to Queensland Treasury.</td>
</tr>
<tr>
<td>2007</td>
<td>April</td>
<td>An independent review of the Shared Service Solution Program was commissioned by Queensland Treasury. The initial review findings presented in May identified issues with the overall program costs and timelines, and recommend that an experienced external Information and Communication Technology (ICT) organisation be appointed to lead and accelerate subsequent implementations.</td>
</tr>
<tr>
<td></td>
<td>Dec</td>
<td>The Under Treasurer, on behalf of the State of Queensland, entered into a contract with IBM to implement the new finance and HR systems for the SSI for a tendered cost of $115.6m which was partitioned into Phase 1 of $78.5m to implement SAP releases for six agencies and Phase 2 of $37.1m for remaining agencies.</td>
</tr>
<tr>
<td>2008</td>
<td>Jan</td>
<td>IBM officially commenced the implementation of the payroll system for Queensland Health (QH). The original scheduled completion for delivery of the system was August 2008 at a cost of $6.19m for the IBM work.</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>CBRC (Decision No. 2436) endorsed fiscal adjustments to achieve $100m p.a. saving by 2012-2013 and noted that this generated a funding source of $55.2m for reinvestment in Phase 2.</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>CorpTech officially transitioned to the Department of Public Works (DPW) as part of the mainstreaming of shared services, following the movement of 2,148 SSA staff to DPW in September 2007.</td>
</tr>
<tr>
<td></td>
<td>Oct</td>
<td>IBM advised that it underestimated the size, complexity and scope of the Phase 1 implementation. Consequently, IBM’s revised implementation cost estimates significantly exceeded its original tendered cost.</td>
</tr>
</tbody>
</table>
### Payroll implementation

As part of the SSI, a SAP payroll solution was mandated for whole-of-Government implementation. In 2006, the QH payroll and rostering system was selected for replacement. The system implementation was managed through the services of a prime contractor by CorpTech, the mandated Queensland Government SSP for business solution implementation.

As highlighted in the *Auditor-General’s Report to Parliament No. 7 for 2010*, the implementation experienced significant delay and exceeded cost estimates. When the system went live in March 2010, difficulties with the transition between systems resulted in approximately 1,800 QH staff receiving little or no pay.49

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Auditor-General’s report

The Auditor-General’s report, completed by the Auditor-General in June 2010, identified:

- a lack of a clear governance structure over system implementation
- the significant complexity of the QH payroll award structures
- inadequate documentation and agreement of business requirements at commencement.\(^{50}\)

Consequent recommendations were made to address these issues in future systems implementations, including:

- reconsideration of the QH business model to determine the most effective and efficient strategy to deliver payroll services
- roles and responsibilities of departmental Accountable Officers involved in the SSI to be reviewed and responsibility reinforced
- information technology governance frameworks, practices and processes to be implemented at a whole-of-Government level.\(^{51}\)

In response to the Auditor-General’s findings, the Queensland Government accepted all of the report’s recommendations, and determined that an independent review of the shared services model be undertaken. The Premier subsequently commissioned this review.

Approach

Our review of the shared services model commenced on 5 July 2010, in accordance with the terms of reference released by the Premier of Queensland. The Terms of Reference are included as Appendix B of this report. The scope of the review, as outlined in the Terms of Reference, has been addressed in this report as described in Appendix D.

Strategic input was provided by a steering committee, which consisted of the Directors-General of DPC, DPW and the Department of Communities, and the Under Treasurer. The steering committee was chaired by the Director-General, DPC, and met at least fortnightly throughout the review.

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\(^{50}\) Queensland Audit Office, Auditor-General of Queensland, Report to Parliament No. 7 for 2010: Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010.

The key stages of the approach are provided in greater detail in the diagram below:

### Consultation

This review involved extensive consultation with key stakeholders from SSPs and their customers. We conducted in excess of 70 interviews and information gathering sessions with executive and senior operational leadership from the SSPs, customers and other key stakeholders. A complete list of stakeholders interviewed during this review is provided in Appendix O.

The purpose of these meetings and discussions was to determine:

- the appropriateness of shared services as a corporate service delivery model
- the driving principles of shared services
- the optimal operating model for shared services
- the most appropriate governance model
- the most appropriate delivery vehicle and structure for shared services
- the most appropriate funding model
- the most appropriate systems environment
- what services are best delivered in a shared services model
- what success in the delivery of shared services looks like (critical success factors).
Stakeholder feedback and initial findings were validated at scheduled and extraordinary steering committee meetings. Internal local, national and international subject matter experts were also engaged for insight and feedback on a variety of focus areas relevant to the review. All relevant feedback has been considered in the development of this report.

It should be noted that a majority of service provider and customer meetings were focused on services and relationships between SSA/CorpTech and their customers. Only a small number of high level sessions were held with QH and DET regarding their shared business process services. This is reflected in the stakeholder interview list in Appendix O.

SSA currently provides services to a number of other Government entities, as well as Government departments. The approach to consultation with these customers was to communicate to their executive officer in writing and to seek relevant feedback. A questionnaire was distributed as a means of collecting their views on the areas of focus for the review, and the feedback provided through this process has also been considered in the development of this report.

Data inputs

In addition to consultation, a comprehensive data collection and analysis exercise was undertaken. In total over 500 documents were supplied by SSA, CorpTech, QH and DET. The relative volume of data received from each SSP is reflected in our analysis and proposed changes.

Scope of review

The scope of the review was limited to the shared services environment within the Queensland Government, specifically:

- the services currently provided by CorpTech
- finance and human resources management services, such as accounts payable, payroll and recruitment, provided by SSA, QHSSP and CAPS.

The list of focus areas for the review includes:

- target state and the desired outcome for Government
- services provided and the related value proposition
- efficiency and costs of the current model (includes potential ‘growback’)
- governance and relationships
- engagement model and performance management
- transition issues (in/out)
- fiscal political environment
- risk (including financial, operational, political, people, process and product)
- people and unions.
Specifically not in scope

The following activities were specifically excluded from the scope of the review:

- review of or commentary on historical developments around shared services in the Queensland Government
- consultation with any private sector third party service providers, vendors or clients
- direct consultation with other levels of Government, both locally, nationally, or globally
- consultation with or review of the Corporate Administration Agency (CAA)
- detailed review of the suitability or efficiency of specific business processes and systems (for example, rostering)
- review of the technology infrastructure platforms used in Government
- detailed planning of proposed improvements or changes related to whole-of-Government shared services
- engagement with the media on behalf of the Queensland Government.
## Appendix D  Primary mapping of scope with report structure

Table A3  Scope and report map

<table>
<thead>
<tr>
<th>Report section</th>
<th>Scope of the review</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strategy and direction of shared services at the processing and systems level</td>
</tr>
<tr>
<td></td>
<td>Development of role clarity for all entities involved in shared service delivery, including the agencies, the SSPs and CorpTech</td>
</tr>
<tr>
<td></td>
<td>Appropriateness of current organisational delivery arrangements and governance arrangements for shared services delivery including performance management and monitoring, compliance management, risk management, financial management and audit arrangements</td>
</tr>
<tr>
<td></td>
<td>Assessment of the benefits and risks to Government from moving to more standardised processes and systems</td>
</tr>
<tr>
<td></td>
<td>Assessment of the benefits and risks of maintaining a multi-system environment</td>
</tr>
<tr>
<td>Executive summary</td>
<td>✓  ✓  ✓  ✓  ✓  ✓</td>
</tr>
<tr>
<td>Background</td>
<td>✓  ✓  ✓  ✓  ✓  ✓</td>
</tr>
<tr>
<td>Key observations</td>
<td>✓  ✓  ✓  ✓  ✓  ✓</td>
</tr>
<tr>
<td>Current state</td>
<td>✓  ✓  ✓  ✓  ✓  ✓</td>
</tr>
<tr>
<td>Driving principles and critical success factors</td>
<td>✓  ✓</td>
</tr>
<tr>
<td>Target state</td>
<td>✓  ✓  ✓  ✓  ✓  ✓</td>
</tr>
<tr>
<td>Proposed next steps</td>
<td>✓  ✓  ✓  ✓  ✓  ✓</td>
</tr>
<tr>
<td>Appendices</td>
<td></td>
</tr>
</tbody>
</table>
Appendix E  Summary of benchmarking results

The reference groups are defined in the table below:

<table>
<thead>
<tr>
<th>Group</th>
<th>Description</th>
<th># respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1</td>
<td>All respondents in the benchmarking pool</td>
<td>439</td>
</tr>
<tr>
<td>Group 2</td>
<td>Respondents in the benchmarking pool who are located in Australia and New Zealand</td>
<td>24</td>
</tr>
<tr>
<td>Group 3</td>
<td>Respondents in the benchmarking pool who operate primarily in the Public Administration sector using the North American Industry Classification System (NAICS)</td>
<td>12</td>
</tr>
<tr>
<td>Group 4</td>
<td>Respondents in the benchmarking pool who employ more than 20,000 staff</td>
<td>39</td>
</tr>
</tbody>
</table>

A summary of the benchmarking results is listed in the table below. A result of ‘1st quartile’ or ‘2nd quartile’ indicates that performance is above the median for that benchmarking group, while ‘3rd quartile’ or ‘4th quartile’ results are below the median.

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Group 1 All</th>
<th>Group 2 Aust/NZ</th>
<th>Group 3 Public</th>
<th>Group 4 Large orgs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll cost per employee</td>
<td>4th quartile</td>
<td>4th quartile</td>
<td>N/A</td>
<td>4th quartile</td>
</tr>
<tr>
<td>Number of pays processed per payroll FTE</td>
<td>3rd quartile</td>
<td>4th quartile</td>
<td>N/A</td>
<td>4th quartile</td>
</tr>
<tr>
<td>Accounts payable cost per invoice processed</td>
<td>4th quartile</td>
<td>4th quartile</td>
<td>4th quartile</td>
<td>4th quartile</td>
</tr>
<tr>
<td>Number of invoices processed per accounts payable FTE</td>
<td>4th quartile</td>
<td>4th quartile</td>
<td>4th quartile</td>
<td>4th quartile</td>
</tr>
<tr>
<td>Invoicing cost per customer invoice processed</td>
<td>3rd quartile</td>
<td>4th quartile</td>
<td>3rd quartile</td>
<td>4th quartile</td>
</tr>
</tbody>
</table>

Note that benchmark results are only statistically relevant where data for a minimum number of respondents is available in the benchmarking group. Where ‘N/A’ appears in the table above, this indicates that a benchmark result is not available for this reason.
Appendix F  Key features of potential operating models

A range of potential operating models may be used to deliver shared services in Queensland Government, and have been considered in this review. A summary of the key features of the potential operating models is set out below.

Table A6  Key features of the potential operating models

<table>
<thead>
<tr>
<th>Operating model elements</th>
<th>Decentralised Agency-based multiple shared services centres</th>
<th>Shared A mixture of models through a cluster arrangement</th>
<th>Centralised One shared services centre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation</td>
<td>Multiple agency based services</td>
<td>Logical clusters of agencies (see clustering options table below)</td>
<td>One organisation</td>
</tr>
<tr>
<td>Locations</td>
<td>Multiple locations</td>
<td>Multiple locations</td>
<td>One or few locations</td>
</tr>
<tr>
<td>Standardisation</td>
<td>Non standardised processes</td>
<td>Consistent core processes Non-core processes may vary Focus on standardisation within the clusters</td>
<td>Standardised processes</td>
</tr>
<tr>
<td>Technology</td>
<td>Fit for purpose</td>
<td>Controlled choices</td>
<td>Common platforms</td>
</tr>
<tr>
<td>Governance</td>
<td>Multiple governance arrangements</td>
<td>Multiple governance arrangements</td>
<td>Central control</td>
</tr>
<tr>
<td>Service</td>
<td>Multiple points of customer contact</td>
<td>Several points of customer contact</td>
<td>Single point of customer contact</td>
</tr>
<tr>
<td>Value</td>
<td>Least economic, potentially more effective, less efficient</td>
<td>Range of outcomes</td>
<td>Most economical, most efficient, least effective</td>
</tr>
</tbody>
</table>
Appendix G  Assessment of potential operating models

An assessment of each of the potential alternative models against the driving principles was conducted. This assessment indicates that the Shared 2 model is the most appropriate model for the delivery of operational services (see Section 4.2.2).

Table A7  Assessment of potential operating models

<table>
<thead>
<tr>
<th>Business Processes</th>
<th>Centralised One organisation</th>
<th>Shared 1 Health and 1 agency cluster</th>
<th>Shared 2 Health, DET and 1 agency cluster</th>
<th>Shared 3 Health, DET and &lt;=3 agency clusters</th>
<th>Decentralised multiple SSPs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefits</strong></td>
<td></td>
<td>Common benefits</td>
<td>Common benefits</td>
<td>Common benefits</td>
<td>Benefits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Standardised processes across whole-of-Government</td>
<td>Standardised within agencies and clusters</td>
<td>Standardised within agencies and clusters</td>
<td>More accommodation of agency specific requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lower costs through economies of scale and purchasing power</td>
<td>Economies of scale through sharing of costs and resources</td>
<td>Economies of scale through sharing of costs and resources</td>
<td>Local knowledge and in-house capability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Greater ability to share knowledge, resources and skills</td>
<td>Business complexities considered and incorporated</td>
<td>Business complexities considered and incorporated</td>
<td>Agency ownership and control of end-to-end processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Potential for significant long-term cost savings</td>
<td>Optimised knowledge sharing and skills transfer</td>
<td>Optimised knowledge sharing and skills transfer</td>
<td>Ability to introduce agency change more quickly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Promotes collaboration across whole-of-Government</td>
<td>Promotes collaboration within clusters</td>
<td>Promotes collaboration within clusters</td>
<td>More flexible customer relationship</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Single governance arrangement Challenges</td>
<td>Requirements of duplication</td>
<td>Elements of duplication</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Requires commitment to collaborative relationships</td>
<td>Requires commitment to collaborative relationships</td>
<td>Requires commitment to collaborative relationships</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Requires strong leadership to drive organisational change</td>
<td>Agreeing and maintaining service standards and measures</td>
<td>Agreeing and maintaining service standards and measures</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Significant process changes and upfront investment</td>
<td>Several governance arrangements</td>
<td>Several governance arrangements</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loss of agency ownership and control</td>
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<tr>
<td></td>
<td></td>
<td>Retaining and harnessing specialised local knowledge</td>
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<td></td>
<td></td>
<td>Less flexible customer relationship</td>
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<td></td>
<td></td>
<td>Changes may take longer to implement</td>
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<tr>
<td><strong>Challenges</strong></td>
<td></td>
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<td></td>
<td></td>
<td>Significant process changes and cost</td>
<td>Significant process changes and cost</td>
<td>Significant process changes and cost</td>
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<tr>
<td></td>
<td></td>
<td>Some impact on staff</td>
<td>Some impact on staff</td>
<td>Some impact on staff</td>
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<td></td>
<td></td>
<td>Challenges</td>
<td>Challenges</td>
<td>Challenges</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Realigning DET to broader agency cluster</td>
<td>Realigning DET to broader agency cluster</td>
<td>Realigning DET to broader agency cluster</td>
<td></td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Maximum standardisation with limited fit for purpose</td>
<td>Significant standardisation with some fit for purpose</td>
<td>Targeted standardisation with significant fit for purpose</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continuation of current state</td>
<td>Continuation of current state</td>
<td>Continuation of current state</td>
<td></td>
</tr>
<tr>
<td><strong>Challenges</strong></td>
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<tr>
<td></td>
<td></td>
<td>Significant process changes and cost</td>
<td>Significant process changes and cost</td>
<td>Significant process changes and cost</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Duplication across cluster</td>
<td>Duplication across cluster</td>
<td>Duplication across cluster</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Restricted ability to respond to structural/demand changes</td>
<td>Restricted ability to respond to structural/demand changes</td>
<td>Restricted ability to respond to structural/demand changes</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ability to retain and optimise technical resources</td>
<td>Ability to retain and optimise technical resources</td>
<td>Ability to retain and optimise technical resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Determining common cluster requirements</td>
<td>Determining common cluster requirements</td>
<td>Determining common cluster requirements</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Significant upfront costs</td>
<td>Significant upfront costs</td>
<td>Significant upfront costs</td>
<td></td>
</tr>
<tr>
<td><strong>Common challenges</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Elements of duplication</td>
<td>Elements of duplication</td>
<td>Elements of duplication</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Requires commitment to collaborative relationships</td>
<td>Requires commitment to collaborative relationships</td>
<td>Requires commitment to collaborative relationships</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agreeing and maintaining service standards and measures</td>
<td>Agreeing and maintaining service standards and measures</td>
<td>Agreeing and maintaining service standards and measures</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Several governance arrangements</td>
<td>Several governance arrangements</td>
<td>Several governance arrangements</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>Centralised</td>
<td>Shared 1 Health and 1 agency cluster</td>
<td>Shared 2 Health, DET and 1 agency cluster</td>
<td>Shared 3 Health, DET and &lt;=3 agency clusters</td>
<td>Decentralised multiple SSPs</td>
</tr>
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<td>--------------------------------------</td>
<td>--------------------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Benefits</td>
<td>Standardisation of solution across whole-of-Government</td>
<td>Common benefits</td>
<td>Standard offering where suitable with business complexities considered and incorporated</td>
<td>Benefits</td>
<td>Fit for purpose systems</td>
</tr>
<tr>
<td></td>
<td>Lower cost of licenses and app maintenance through economy of scale and purchasing power</td>
<td>Economies of scale through sharing of technology, training and development costs</td>
<td>Economies of scale through sharing of technology, training and development costs</td>
<td>Benefits</td>
<td>More flexible customer relationship</td>
</tr>
<tr>
<td></td>
<td>Greater ability to share knowledge, resources and skills</td>
<td>Optimised knowledge sharing and skills transfer</td>
<td>Optimised knowledge sharing and skills transfer</td>
<td>Benefits</td>
<td>Agency ownership and control of technical solution</td>
</tr>
<tr>
<td></td>
<td>Promotes collaboration across whole-of-Government</td>
<td>Promotes collaboration within clusters</td>
<td>Promotes collaboration within clusters</td>
<td>Benefits</td>
<td>Quarantined risk of technology failure</td>
</tr>
<tr>
<td></td>
<td>Minimal change to current state</td>
<td></td>
<td></td>
<td>Benefits</td>
<td>Local knowledge and in-house capability</td>
</tr>
<tr>
<td>Challenges</td>
<td>Developing and maintaining specialised local knowledge of business requirements</td>
<td>Common challenges</td>
<td>Requires consensus on technology solutions because of difference in requirements between agencies/clusters</td>
<td>Challenges</td>
<td>Greater cost due to reduced purchasing power and economies of scale</td>
</tr>
<tr>
<td></td>
<td>Requires commitment to collaboration eg, agreeing change priorities</td>
<td>Elements of technology and resource duplication</td>
<td>Elements of technology and resource duplication</td>
<td>Challenges</td>
<td>Increased duplication of resources</td>
</tr>
<tr>
<td></td>
<td>Loss of agency ownership and control</td>
<td>Several governance arrangements</td>
<td>Several governance arrangements</td>
<td>Challenges</td>
<td>Limited knowledge sharing</td>
</tr>
<tr>
<td></td>
<td>Less flexible customer relationship</td>
<td></td>
<td></td>
<td>Challenges</td>
<td>Significant upfront investment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Multiple governance arrangements</td>
</tr>
<tr>
<td>Benefits</td>
<td>Greater ability to share knowledge and learnings</td>
<td>Benefits</td>
<td>Ability to share knowledge and learnings</td>
<td>Benefits</td>
<td>Ability to retain and optimise technical resources</td>
</tr>
<tr>
<td></td>
<td>Maximum standardisation with limited fit for purpose</td>
<td>Standardisation with significant fit for purpose</td>
<td>Significant standardisation with some fit for purpose</td>
<td>Challenges</td>
<td>Determining common cluster requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Significant upfront costs</td>
</tr>
<tr>
<td>Challenges</td>
<td>Realigning DET to broader agency cluster</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Projects | Centralised  
One organisation | Shared 1  
Health and 1 agency cluster | Shared 2  
Health, DET and 1 agency cluster | Shared 3  
Health, DET and <=3 agency clusters | Decentralised  
multiple SSPs |
<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefits</strong></td>
<td>Standard project management methods and processes</td>
<td>Common benefits</td>
<td>Benefits</td>
<td>More accommodation of agency-specific project methods</td>
<td>Agency ownership and control of project delivery</td>
</tr>
<tr>
<td></td>
<td>Promotes collaboration providing whole-of-Government view of projects</td>
<td>Standardisation of project methods within agencies and clusters</td>
<td>Economies of scale within clusters through sharing of costs and resources</td>
<td>Optimised knowledge sharing and skills transfer</td>
<td>Local knowledge and in-house capability</td>
</tr>
<tr>
<td></td>
<td>Greater ability to share knowledge, resources and skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cost savings through economies of scale and central control</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Minimal change to current state</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Challenges</strong></td>
<td>Requires commitment to collaboration (eg, agreeing change priorities)</td>
<td>Common challenges</td>
<td>Challenges</td>
<td>Limited sharing of project knowledge and experiences</td>
<td>Multiple governance arrangements</td>
</tr>
<tr>
<td></td>
<td>Perceived loss of agency ownership and control over projects</td>
<td>Several governance arrangements</td>
<td></td>
<td>More costly due to duplication</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Developing and maintaining specialised local knowledge of business environment</td>
<td>Elements of project management duplication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Requires commitment to collaborative project arrangements</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Appendix H  Current operating model

The following table summarises the high-level make-up of services currently provided under the existing operating model:

**Table A8  Current state model for shared services in Queensland**

<table>
<thead>
<tr>
<th>Service portfolios</th>
<th>Shared services operating model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Decentralised</td>
</tr>
<tr>
<td>Finance business process</td>
<td></td>
</tr>
<tr>
<td>HR business process</td>
<td></td>
</tr>
<tr>
<td>Payroll business process</td>
<td></td>
</tr>
<tr>
<td>Applications management and enhancement</td>
<td></td>
</tr>
<tr>
<td>Project delivery</td>
<td></td>
</tr>
<tr>
<td>Architecture</td>
<td></td>
</tr>
<tr>
<td>ICT Infrastructure</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix I  Benefits and challenges of clustering options

**Table A9 Benefits and challenges of clustering options**

<table>
<thead>
<tr>
<th>Business Processes</th>
<th>Shared 3 Health, DET and &lt;=3 Agency Clusters</th>
<th>Shared 2 Health, DET and 1 Agency Cluster</th>
<th>Shared 1 Health and 1 Agency Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common benefits</strong></td>
<td>• Standardised within agencies and clusters</td>
<td>• Economies of scale through sharing of costs and resources- Business complexities considered and incorporated</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Optimised knowledge sharing and skills transfer</td>
<td>• Promotes collaboration within clusters</td>
<td></td>
</tr>
<tr>
<td><strong>Common challenges</strong></td>
<td>• Elements of duplication</td>
<td>• Requires commitment to collaborative relationships</td>
<td>• Agreeing and maintaining service standards and measures</td>
</tr>
<tr>
<td></td>
<td>• Several governance arrangements</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>• Targeted standardisation with significant fit for purpose systems</td>
<td>• Significant standardisation with some fit for purpose</td>
<td>• Standardisation with more limited fit for purpose systems</td>
</tr>
<tr>
<td><strong>Challenges</strong></td>
<td>• Significant process changes and cost</td>
<td>• Duplication across cluster</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Restricted ability to respond to structural/demand changes</td>
<td>• Some impact on staff</td>
<td></td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td><strong>Common benefits</strong></td>
<td>• Standard offering where suitable with business complexities considered and incorporated</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Optimised knowledge sharing and skills transfer</td>
<td>• Promotes collaboration within clusters</td>
<td></td>
</tr>
<tr>
<td><strong>Common challenges</strong></td>
<td>• Requires consensus on technology solutions because of the difference in requirements between agencies/clusters</td>
<td>• Elements of technology and resource duplication</td>
<td>• Several governance arrangements</td>
</tr>
<tr>
<td>Benefits</td>
<td>Benefits</td>
<td>Benefits</td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td></td>
</tr>
</tbody>
</table>
| • Targeted standardisation with significant fit for purpose | • Ability to share knowledge and learnings  
• Significant standardisation with some fit for purpose | • Greater ability to share knowledge and learnings  
• Maximum standardisation with more limited fit for purpose |

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Challenges</th>
<th>Challenges</th>
</tr>
</thead>
</table>
| • Ability to retain and optimise technical resources  
• Determining common cluster requirements  
• Significant upfront costs | • Continuation of system standardisation | • Realigning DET to broader agency cluster |

### Projects

**Common benefits**

• Standardisation of project methods within agencies and clusters  
• Economies of scale within clusters through sharing of costs and resources  
• Optimised knowledge sharing and skills transfer

**Common challenges**

• Several governance arrangements  
• Elements of project management duplication  
• Requires commitment to collaborative project arrangements  
• Some impact on staff
Appendix J  Delivery model options

The following is a high-level description of the delivery model options for Queensland Government:

Department business unit

Under a department business unit model, shared services could be delivered from within a dedicated agency with a commercial focus. This expands on the status quo and would ensure that the Government maintains full control over the management and governance of shared services delivery.

Although shared services would still be delivered within a government agency, this model would allow the entity to focus on its core business, being shared services, and is a further step towards a more commercial focus. This would be an ideal prerequisite to potentially delivering shared services via a Statutory Authority or joint venture.

Statutory Authority

A Statutory Authority would likely be seen by customers as more arm’s length, or independent of a department delivery model. This model would require legislation that enshrines the entity and provides a mandate for shared services. Although at arm’s length from an agency, the Government would still have control and management over the entity and bear all risks. Being at arm’s length from the agency this option would also enable the entity to focus on its core business and long-term commercial strategy. Such an option could provide the opportunity for additional customer take up, and thus generate greater efficiency and cost savings to Government. Under this model employees could still maintain their public servant status.

Any potential future transition to a Statutory Authority should be subject to a public interest and threshold test, consistent with the recommendations outlined in the 2009 Weller Report. These include accountability, economy, efficiency, effectiveness and relevance in serving community expectations and working to guard against decisions being made by the most dominant self-maximising concerns.

Joint venture

Under this model, the Government could enter into a partnership or alliance with a private sector provider. The key benefit of this model is that economies of scale can be achieved for large scale or specific services, thus reducing the cost of delivery to Government. This model also has the potential to encourage private sector investment, and focus on reducing costs to the Government over time.

The success of this model is contingent on strict compliance with the Government’s current procurement and alliancing guidelines and a robust agreement with the alliance partner. This model would ideally be entered into through a Statutory Authority, or commercially focused departmental unit.

Privatised

Under this model shared services would be outsourced entirely to the private sector in a contestable open market. A benefit of this model is that each customer could maintain their own commercial relationship with the supplier and leverage those relationships to achieve efficiencies and cost savings. This model could also encourage private sector investment, thus reducing the set up costs to Government. A challenge for this model would be standardisation without a clear mandate from government. The success of this model would also be predicated on clear customer needs analysis and high levels of customer take-up. Under this model, the costs of future MoG changes could be significant.

Another delivery model that was considered but is omitted from this continuum is the possibility for shared services to be delivered by a Special Purpose Vehicle (SPV) company. This omission does not imply that it is not a viable option. It would be more independent from Government than a Statutory Authority and entirely commercially focused with an independent Board that would be responsible to its shareholder (the Queensland Government).

However, its independence could also pose a challenge for Government to exercise control over the company without being treated as a shadow director. A challenge may also arise from the recent commentary of the Auditor-General\(^{54}\) regarding the increasing use and poor governance of these types of public sector entities. The review therefore concluded that at this stage such an option is likely to be least unworkable at this time.

---

Appendix K  Template for assessing services to be shared

A proposed template has been provided below, to help guide the assessment about whether a service should be included in the shared services portfolio or delivered from within customer agencies. A worked example of the use of this template appears in Appendix L.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Rating</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complexity (skills/knowledge)</td>
<td>0 – 5</td>
<td>High complexity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>=&gt; centralise</td>
</tr>
<tr>
<td>Commonality between business units</td>
<td>0 – 5</td>
<td>High commonality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>=&gt; centralise</td>
</tr>
<tr>
<td>Potential economy of scale</td>
<td>0 – 5</td>
<td>High potential</td>
</tr>
<tr>
<td></td>
<td></td>
<td>=&gt; centralise</td>
</tr>
<tr>
<td>Potential for efficiency through standardisation of systems/processes</td>
<td>0 – 5</td>
<td>High potential</td>
</tr>
<tr>
<td></td>
<td></td>
<td>=&gt; centralise</td>
</tr>
<tr>
<td>Need for proximity to the business and customers</td>
<td>5 – 0</td>
<td>High need</td>
</tr>
<tr>
<td></td>
<td></td>
<td>=&gt; decentralise</td>
</tr>
<tr>
<td>Need for control of risk</td>
<td>0 – 5</td>
<td>High need</td>
</tr>
<tr>
<td></td>
<td></td>
<td>=&gt; centralise</td>
</tr>
</tbody>
</table>

Average #

For each service offering, factors are assigned a rating between zero and five to indicate the extent to which they apply. In some cases there may be specific factors which also apply. The average rating indicates whether the service should be centralised, delivered through a shared model or decentralised as follows:

- 0 – 2 indicates that the service should be decentralised
- 2 – 3 indicates that there is a requirement for a shared model
- 3 – 5 indicate that the service should be centralised.
Appendix L  Assessment template: General Ledger example

A high-level worked assessment of the template for assessing services to be shared has been provided below. The General Ledger service has been highlighted as a potential change opportunity by both SSA and some of their customer.

Table A11  General Ledger example

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Rating</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complexity (skills/knowledge)</td>
<td>2</td>
<td>• Most GL services (eg, journal processing) are not particularly complex</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Agencies may have differing requirements for GL reconciliations and can require intimate knowledge of the individual agencies</td>
</tr>
<tr>
<td>Commonality between business units</td>
<td>3</td>
<td>• Some GL services are common (eg, journal processing and bank reconciliation) while other GL services (eg, GL reconciliations) may not be common</td>
</tr>
<tr>
<td>Potential economy of scale</td>
<td>3</td>
<td>• For some common GL processes such as journal processing there is potential to realise economies of scale</td>
</tr>
<tr>
<td>Potential for efficiency through standardisation of systems/processes</td>
<td>4</td>
<td>• Some efficiencies can be realised for common GL services, requirements of systems and processes for GL services are relatively generic and there is a high potential for standardisation</td>
</tr>
<tr>
<td>Need for proximity to the business and customers</td>
<td>2</td>
<td>• Some GL services (eg, preparation of financial statements) need to be close to the customer since agency CFO has accountability for financial statements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Some GL processes require specialist business knowledge (eg, GL reconciliations)</td>
</tr>
<tr>
<td>Need for control of risk</td>
<td>3</td>
<td>• Some portfolios and some financial components inherently carry higher visibility and risk therefore require greater and localised control</td>
</tr>
</tbody>
</table>

Average 2.8

= Shared

A number of GL processes should be considered for decentralisation. Others are appropriate to be provided as a shared service.

The recommended future steps are:

- to agree a suitable framework for assessing which services are to be shared
- undertake an assessment of the General Ledger sub-process level to determine which services are appropriate to be provided under the shared services model.
Appendix M  QGCIO role: pros and cons for statutory officer appointment

The following is a high-level assessment of the pros and cons for the QGCIO to be elevated to a dedicated statutory officer role:

Table A12  Pros and cons of the QGCIO statutory officer role

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Pro</th>
<th>Con</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative appointment</td>
<td>Clarity of role and mandate</td>
<td>Harder to remove person</td>
</tr>
<tr>
<td>Set term of appointment</td>
<td>Provides some certainty for a dedicated role</td>
<td>May not encourage planning beyond appointment term</td>
</tr>
<tr>
<td>Independent from Government – decision making</td>
<td>Responsible for decisions</td>
<td>Without powers decisions are not enforceable</td>
</tr>
<tr>
<td></td>
<td>Minimises potential claims of conflicts of interest</td>
<td>Decisions are not reviewable</td>
</tr>
<tr>
<td>Independent from Government – reviews/investigations</td>
<td>Provides an independent view to project owners and Government</td>
<td>Independence may be critical to Government and attract adverse commentary</td>
</tr>
<tr>
<td>Sit on Project Board</td>
<td>May provide strategic view and governance advice</td>
<td>May inhibit openness about challenges and performance issues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Potential to micro-manage projects</td>
</tr>
<tr>
<td>Project management</td>
<td>Establish project management expertise</td>
<td>Could disempower project owners in agencies</td>
</tr>
<tr>
<td>Policy maker</td>
<td>Standardised policies across the public sector</td>
<td>May be difficult to implement without willingness of agencies or mandate from Government</td>
</tr>
<tr>
<td>Establish program of works</td>
<td>Provides greater power to ensure that essential/critical works are planned and delivered</td>
<td>May have negative impact on agencies who are not ready for or need the works</td>
</tr>
</tbody>
</table>
### Appendix N  Benefits and challenges of funding model options

The following table highlights some of the potential benefits and challenges of each funding model option, in the context of the driving principles for shared services in the Queensland Government.

**Table A13  Benefits and challenges of funding model options**

<table>
<thead>
<tr>
<th></th>
<th>Direct appropriation</th>
<th>Agency funding (volume-driven at a macro level)</th>
<th>Fee-for-service – cost recovery</th>
<th>Fee-for-service – benchmark</th>
<th>Fee-for-service – full cost pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value</strong></td>
<td>Minimal administrative effort required, but otherwise brings limited value</td>
<td>Requirement for collaborative planning drives efficiency in agencies and service provider</td>
<td>Encourages a focus on cost rather than value</td>
<td>Benchmark pricing can drive efficiency in the service provider and demonstrate value to customers</td>
<td>Encourages a focus on cost rather than value</td>
</tr>
<tr>
<td><strong>Clarity</strong></td>
<td>Clarity at a high level, but can provide limited transparency at lower levels</td>
<td>Reaching wide agreement on pricing and volume improves clarity</td>
<td>Granular level of detail in user charges can enable comparison</td>
<td>Simple benchmark pricing brings with it a high level of clarity</td>
<td>Basis of pricing can often be unclear to customers</td>
</tr>
<tr>
<td><strong>Standardisation</strong></td>
<td>Central funding can be used as a lever to encourage standardisation</td>
<td>Investment required for standardisation can be difficult to obtain</td>
<td>Investment required for standardisation</td>
<td>Investment required for standardisation can be difficult to obtain</td>
<td>Investment required for standardisation can be difficult to obtain</td>
</tr>
<tr>
<td><strong>Commitment</strong></td>
<td>Does not encourage service providers and customers to work together</td>
<td>Can encourage collaboration between customers and service providers</td>
<td>Can constrain sharing and collaboration between customers and service providers</td>
<td>Can encourage collaboration between customers and service providers</td>
<td>Can constrain sharing and collaboration between customers and service providers</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>Limited incentives for performance improvement</td>
<td>Encourages ongoing improvement</td>
<td>Limited incentives for performance improvement</td>
<td>Encourages ongoing improvement</td>
<td>Limited incentives for performance improvement</td>
</tr>
<tr>
<td><strong>Service</strong></td>
<td>Removes price disputes from operational relationship</td>
<td>Can encourage closer relationships</td>
<td>Focus on price can inhibit relationships</td>
<td>Can encourage closer relationships</td>
<td>Focus on price can inhibit relationships</td>
</tr>
</tbody>
</table>
Appendix O  Stakeholder consultation

We would like to formally acknowledge the cooperation, support and input provided by all stakeholders throughout the review.

Representatives of customer agencies

- Director-General, Department of Communities
- Deputy Director-General (Corporate Services), Department of Communities
- Director-General, Department of Community Safety
- Assistant Director-General (Corporate Support Division), Department of Community Safety
- A/Director-General, Department of Education and Training
- A/Deputy Director-General (Corporate Services), Department of Education and Training
- A/Assistant Director-General (Human Resources), Department of Education and Training
- Assistant Director-General (Finance and Chief Financial Officer), Department of Education and Training
- Assistant Director-General, (Information and Technologies, and Chief Information Officer), Department of Education and Training
- Director-General, Department of Employment, Economic Development and Innovation
- Chief Operating Officer, Department of Employment, Economic Development and Innovation
- Group Executive Finance, ICT and Chief Financial Officer, Department of Employment, Economic Development and Innovation
- Director-General, Department of Environment and Resource Management
- Executive Director (Corporate Services), Department of Environment and Resource Management
- Director-General, Department of Infrastructure and Planning
- Deputy Director-General (Strategy and Governance), Department of Infrastructure and Planning
- Executive Director (Organisational Capability), Department of Infrastructure and Planning
- A/Director-General, Department of Justice and Attorney General
- Assistant Director-General (Corporate Services), Department of Justice and Attorney General
- Director-General, Department of Public Works
- Deputy Director-General, Department of Public Works
- Associate Director-General (ICT), Department of Public Works
- Assistant Director-General (Services), Department of Public Works
- Assistant Director-General (Corporate and Executive Services), Department of Public Works
- Director-General, Department of the Premier and Cabinet
- Associate Director-General, Department of the Premier and Cabinet
- Executive Director (Business Services), Department of the Premier and Cabinet
Appendices

- Executive Director (Economic Policy), Department of the Premier and Cabinet
- Director-General, Department of Transport and Main Roads
- Deputy Director-General (Corporate Services), Department of Transport and Main Roads
- Chief Financial Officer, Department of Transport and Main Roads
- Director-General, Queensland Health
- A/Deputy Director-General (Corporate Services), Queensland Health
- Chief Information Officer, Queensland Health
- Commissioner, Queensland Police
- Deputy Chief Executive (Resource Management), Queensland Police
- Director (Finance Division), Queensland Police
- Director (Human Resources Division), Queensland Police
- The Under Treasurer, Queensland Treasury
- Assistant Under Treasurer, Queensland Treasury
- Executive Director (Corporate Services), Queensland Treasury
- Director (Transport and Industry Branch), Queensland Treasury.

Representatives of shared service providers

- General Manager, CorpTech
- Executive Director (Financial and Business Management), CorpTech
- Executive Director (Project Delivery), CorpTech
- Executive Director (Strategy and Planning), CorpTech
- Executive Director (Service Delivery), CorpTech
- Executive Director (Workforce Performance Group), CorpTech
- A/Director-General, Department of Education and Training
- A/Deputy Director-General (Corporate Services), Department of Education and Training
- A/Assistant Director-General (Human Resources), Department of Education and Training
- Assistant Director-General (Finance and Chief Financial Officer), Department of Education and Training
- Assistant Director-General, (Information and Technologies, and Chief Information Officer), Department of Education and Training
- Chief Information Officer, Queensland Health
- Senior Director, QHSSP
- Senior Director (Business Change), QHSSP
- Senior Director (Financial Transaction Services), QHSSP
- Senior Director (Supply Services), QHSSP
- Director (Payroll & Establishment Services), QHSSP
• Director (Statewide Recruitment Services), QHSSP
• General Manager (Metropolitan Linen Services), QHSSP
• General Manager, Shared Service Agency
• Executive Director (Business Process Reform), Shared Service Agency
• Executive Director (Business Systems Reform), Shared Service Agency
• Executive Director (Client Services - Finance), Shared Service Agency
• Executive Director (Client Services - HR and Mail), Shared Service Agency
• Executive Director (Organisational Capability), Shared Service Agency.

Other key stakeholders
• Premier of Queensland
• Minister for Public Works and Information and Communication Technology
• Auditor-General of Queensland
• General Manager, CITEC
• Queensland Government Chief Technology Officer, CITEC
• Chief Executive, Public Service Commission
• Executive Director (Chief and Senior Executive Service), Public Service Commission
• President, Queensland Public Sector Union
• Acting General Secretary, Queensland Public Sector Union
• Former Audit Committee Chair of Corporate Solutions Queensland (a predecessor of SSA)

Other SSA customers
• Anti-Discrimination Commission of Queensland
• Electoral Commission of Queensland
• Energy Ombudsman Queensland
• Legal Aid Queensland
• Queensland Water Commission
• SunWater Limited
• Translink Transit Authority.
Appendix P   Reference list


The procedures that we have performed did not constitute an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements and, consequently, no assurance has been expressed.

The procedures employed in the Review of the Shared Services Model were intended for the benefit of the Queensland Government. They were not planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party may not be specifically addressed and matters may exist that would be assessed differently by a third party in connection with a specific issue or transaction. Therefore, our comments should be read in the context of the scope of our work.

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