

EASTERN HEALTH SHARED SERVICES

QUALITY AND VALUE FOR MONEY

- the case for investment

SUBMISSION TO THE EASTERN REGIONAL HEALTH AUTHORITY NOVEMBER 2001

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Executive Summary

- It is essential to the provision of quality health and social care in the Eastern Region that all resources are deployed to add maximum value to the services delivered.
- All activities on the value-chain, especially those often regarded as administrative overhead, must be demonstrably cost-effective and any unnecessary duplication of effort must be avoided.
- The Shared Services Model is typically adopted by organisations who seek to reduce administrative overhead costs and ensure that “back office” or “overhead” functions are efficient, effective, deliver value and are accountable for their own cost and value.
- This document reviews the implementation of the shared services model in the ERHA region. Eastern Health Shared Services was established in March 2000 to provide HR, Finance, ICT and Property professional and administrative services to health agencies in the ERHA region, initially to the ERHA and the three new Area Boards.
- In the context of the ultimate ERHA strategic objective of one regional shared services centre, implementation progress to date is reviewed and compared with best practice
- Two key recommendations are made:
 - An investment needs to be made to put in place the key EHSS organisation capabilities which will deliver operational savings.
 - A feasibility study of the extension of the EHSS client base to include the other ERHA agencies and a recommendation on an implementation approach.

Background to the development of Shared Services in the Eastern Region

Eastern Health Board Central Services

In the former Eastern Health Board, health and social services were delivered by way of a Programme structure, and the main support services in the areas of HR, Finance, Property and ICT were provided centrally to these Programmes.

The creation of the ERHA and the three new Area Health Boards meant that new legal bodies were established, geographically dispersed, each with a particular responsibility for direct health and social care planning, delivery and evaluation.

Eastern Health Shared Services - a Quality and Value for Money initiative

It was decided that, rather than creating duplicate support functions in each of the new organisations, this support should continue to be delivered centrally, as in the former EHB, but on the basis of shared services principles. Eastern Health Shared Services was established, under the statutory control of the East Coast Area Health Board, to provide services initially to the ERHA and three Area Boards and ultimately to all agencies in the Region.

This is primarily a Quality and Value for Money initiative.

It is the ERHA regional strategy that when operationally effective, the services of the new Shared Services Centre will be used by all agencies in the Region.

Reasons for establishing a Shared Services model

The reasons underpinning the establishment of any shared services operation is are:

- Economy of scale, where the provision of a single central supply of services is more cost effective than several local suppliers because overhead costs are shared. Often the savings are opportunity savings (avoidance of duplication and improvement in quality) rather than visible cash savings.
- Concentration of scarce and specialised knowledge and expertise enabling the creation of centres of excellence from which organisations can draw as required

- Development of expertise and leadership in best practice process design, as organisations become process rather than functionally organised.
- Consistency in the approach and application of processes, in line with effective corporate governance
- Enabling client organisations to concentrate on their core business.

Key Principles of the Shared Services Operating Model

The successful application of a Shared Services Model relies on a number of key principles:

- The services provided by the Shared Services Organisation are an integral part of the value chain of the core business delivery.
- The Shared Service Centre is a Business Unit of equal status, providing services on a contractual, business to business basis. It is a service, but not subordinate.
- The contractual relationship, normally referred to as a Service Level Agreement, is developed jointly and places joint and individual responsibility on the provider and client of the service
- The achievement of quality and efficiency gains are maximised when all parts of the group organisation are clients of the service and where services and processes are consistent – “one size fits all” as far as possible. This can lead to perceived sub-optimisation on the part of individual client organisations, in the corporate interest.
- In the initial years of operation client organisations do not have the choice to self-source or outsource, and must source jointly with the SSC any needs which cannot be met easily.
- In this period the Shared Services Centre is funded from the corporate centre and requires corporate support and strong championing
- In this period the Shared Services Centre has an obligation to measure and demonstrate the relative cost and value of all its services and continually review the range of services provided
- Over time some degree of cost allocation or chargeout is established in order that the support functions are valued, value, and are not regarded either as a “free good” or an administrative “overhead”.
- Investment is generally required at the outset to provide the necessary systems, accommodation and cultural infrastructure to ensure effective service delivery and development.
- In a de-merger situation, provision of services to more than one organisation will rarely be less costly than provision to one; the real savings in a SSC implementation are those achieved by NOT duplicating services across multiple organisations.

1999 ERHA Shared Services Business Strategy

A Business Strategy developed in 1999 by the ERHA Task Force recognised these principles and the potential for Shared Services across the region. It was concluded that an investment was worthwhile and a decision was made to avoid the creation of duplicate support structures in the new organisations but instead to build on the central administration of the former Eastern Health Board and create a Shared Services Centre for the Region.

Consequently, as an entity, Eastern Health Shared Services (EHSS) came into being on 1st March 2000.

Accountability and Governance

Unlike Shared Services Organisations in commercial organisations, where the SSC normally is independent of Business Units and is directly accountable to the Group Corporate, in the Eastern Region, the SSC is statutorily accountable to the East Coast Area Health Board. This relationship renders the acceptance and understanding of the key principles above, by ERHA Corporate and the client organisations, a critical success factor.

In accordance with the 1999 SSC Business Strategy, to ensure appropriate governance of the SSC, a SSC Management Board was established, comprised of (ex-officio) the CEOs of the three Area Health Boards, and ERHA, (the CEO, ERHA has delegated this to the ERHA Director of Corporate Services) and the Director of Shared Services. The role of the Board is clearly defined as to approve the plans and budget of the SSC and monitor the effectiveness of service delivery.

The Management Board's role is to:

- Provide strategic direction advice and support to the Director of the SSC.
- Receive and approve the annual Service/Business Plan and budget
- Oversee the SSC's performance on its contracts and development.
- Provide the mechanisms for each member to manage the opportunities and risks associated with the SSC.
- To promote the SSC's interest both internally and externally
- To actively pursue matters of mutual interest and benefit.

EHSS Progress and best practice

SSC Best Practice implementation steps

In a recent survey conducted by Bywater Consultants for the International Quality and Productivity Council (IQPC), of a sample 200 of the Fortune 500

Companies globally, 97% had begun, or were about to put in place, a shared services organisation.

Typically, companies spend up to *two years* planning the implementation. This part of the process normally includes a full BPR review, HR plan, ERP system selection and design, and accommodation plan.

A review of this survey and other research conducted by EHSS management reveals the following 'best practice' steps to developing a shared services operation.

1. Pre-planning
 - Determination of range of services to be provided
 - Staff selection and training
 - ERP implementation
 - Backlog elimination
 - Business process review
 - Determination of roles and responsibilities
 - Adoption of core principles
2. Establish key structural relationships.
3. Establish cost and quality measures of services provided
4. Develop chargeout mechanism
5. Build Service Level Agreement to reflect roles, responsibilities, quality measures, costs and chargeout mechanisms
6. Regularly review service quality, cost and SLA compliance

Like other organisations travelling the shared services journey, Eastern Health Shared Services and the Eastern Region Group of client organisations have a number of milestones to reach and implementation steps to take to ensure the success of this Quality and Value for Money initiative.

Pre-Planning

- **Determination of range of services to be provided.**

Prior to the establishment of EHSS, a working group reviewed services formerly provided on a central basis and decided on the range of services to be included in the EHSS portfolio.

The 2001 EHSS Business and Operational plan sets out these services, identifying services and customers. The plans reflected the research by EHSS Managers and predictions of demand from client organisations. It was

predicted at the outset that the provision of services required would not be achieved within the inherited base budget. Client organisations agreed in principle that additional costs would be funded from Service Development funding, subject to review of services delivered during the year.

In May 2001 EHSS Heads of Service in the client organisations reviewed and validated these plans with the client organisations in the context of determining demand for the balance of the year. The revised plans were accepted by the EHSS Board in June 2001.

Best practice is that the Pre-planning phase of SSC implementation is complete before the actual launch of the SSC. In the case of EHSS this approach was not feasible and so, while launched and operational, in many respects we are still in the pre-planning phase in reality.

- Staff selection and training

Best Practice suggests that while most companies initially have preference to set up in a Greenfield environment with new staff, in practice the existence of experienced staff and “corporate memory” proves to outweigh this preference. Generally existing staff are given additional training in customer services and IT skills.

While transfer of knowledge and corporate memory is normally considered to be one of the advantages of converting a former central service to an SSC, EHSS’s advantage was diminished significantly by a high level migration of experienced staff to the newly created organisations. These were replaced by talented but inexperienced people. In many cases there was no replacement because of the buoyancy of the labour market and the consequent difficulty in recruitment, as well as the capability of the organisation to absorb high numbers of new people.

- ERP implementation

A solid ERP system, e-mail and intranet are usually viewed as the core backbone infrastructures for the implementation of an SSC approach, giving the opportunity to review processes in line with system capabilities to maximise efficiency. In EHSS, SAP had been selected as the core ERP financial and HR shared services infrastructure for the region. The rollout plan is to be reviewed to enable speedier improvement in business processes.

Given that the financial system was configured in the context of the EHB Programme structure, it will be necessary to review at an early stage the core enterprise language (chart of accounts) to ensure fit for purpose in the new environment, taking into consideration the regional potential. This will be a significant project which will be the subject of a separate submission.

An intranet has is being rolled out as primarily a knowledge management and communications tool and ultimately a vehicle for on-line transaction processing.

- **Backlog elimination**

Best practice suggests that an SSC should operate in a JIT environment – i.e. no backlogs and finely honed delivery capability, with the ability to employ resources at the periphery to deal with peaks and troughs in service delivery cycles.

For many reasons, many key areas had significant backlogs of work at transition date. These backlogs have been compounded by staff shortages, knowledge gaps, absence of documented procedures and poor systems investment, outside of the SAP rollout.

When EHSS and the Area Boards were established, many “central” staff transferred to the new organisations or were promoted to new positions in different parts of EHSS. There was a significant knowledge gap to be bridged, in many key areas at a time when the transition itself made greater demands on the service. At the end of 2001, almost 50% of EHSS staff have less than two years service.

Many SSCs plan for a reasonable level of staffing turnover, in order to (1) refresh the organisation and (2) maintain low pay costs; however this is normally predicated by highly defined process documentation, knowledge management systems and extensive skills training. The former EHB organisation relied heavily on organisation knowledge or “corporate memory”. The current EHSS strategy is to move to a situation of clear process documentation and knowledge management, in order to ensure that employees can develop career paths through mobility while ensuring continuity of services.

In areas such as payroll, accounts payable, bank reconciliations, revenue returns, recruitment, superannuation, severe backlogs had accumulated. These backlogs are being addressed by taking a project approach with the assistance of some consultancy.

- **Business process review**

Best practice in the pre-planning stage is that all core business processes are documented, reviewed, improved and communicated to all parties to the process prior to SSC “go-live”. In addition, continuous improvement and investment in ongoing process review are features of any commercial SSC.

While procedures in place in the former EHS Central Services were quite robust, the mass departure of experience, combined with gaps in documentation has meant that significant preliminary work in simply

documenting current practices has been a primary focus of BPR initiatives in functional areas.

The initial areas of attention have been payroll and recruitment.

As stated above, an intranet has been implemented to enable in the first instance an effective communications channel for clarification of roles and responsibilities and to enable transactions on-line in the future.

- Determination of roles and responsibilities

Best practice suggests that process design should reflect well thought-out governance principles of accountability, responsibility and authority. The SLA should clearly set out these rules of governance.

At transition stage there was some lack of clarity on roles and responsibilities between the new organisations. EHSS has established the WDW (Who Does What) project, which seeks to identify roles and responsibilities, based on facilitated discussions among key players across the organisations. EHSS is taking a "Functional Family" approach - e.g. the HR functional family is made up at the top level of the three Directors of HR and the EHSS Head of Employee Services.

This is the first step to determining supplier/client responsibilities, which will be the basis of, and drive the development of, the SLA contract. The first draft WDW/SLA document is being developed by the HR functional family, drawing on best practice data relating to other shared service organisations. This approach will be then applied to the other EHSS Services in the same way.

- Adoption of core principles

The EHSS Board has adopted the core principles of operation set out in the 2001 Business Plan.

It is recommended that a monitoring mechanism will be put in place by EHSS to ensure that the principles are complied with and where compliance is not feasible, that a joint approach to resolution is adopted, which ensures that duplication or confusion does not arise.

Establish key structural relationships and SLAs.

In order to progress the implementation steps above, and be in a position to implement SLAs, it is important that a framework is put in place, which enables appropriate cohesive interaction between EHSS and client organisations.

In volume terms the three primary client organisations are the three Area Boards. The ERHA as an organisation is a client as well as performing a corporate governance role around the operating model. Some services are also provided to Voluntary Agencies in the Region.

Services are delivered through the strategic deployment of four key resources

- People
- Money and purchase of goods
- IT
- Property.

Improvements in the current organisation structure of EHSS are being considered to ensure linkages and communication both in planning and delivery is strong in all areas. The Finance & HR (and some parts of the IT) areas have developed as the model approach, the form of the Functional Family as described above. Similar models are being developed for the ICT and Property areas.

Establish cost and quality measures of services provided

The current position in EHSS is that there is a centrally provided base budget. In the current year, as predicted and accepted by the EHSS Board, this base budget has been insufficient to provide the full range of services and an adverse variance is expected if services are to continue to be delivered as required by the client organisations.

A clear agenda for EHSS is the determination of costs of service provision across all our services in order that the cost/value equation can be measured and benchmarked and so that clients can prioritise service requirements in an informed way.

The role of EHSS Financial Controller has been created specifically to address this issue. Legacy financial systems will have to be developed to enable the degree of analytical granularity required to develop effective activity based costs. In the meantime the main costs incurred directly by demand-led services can be extracted and are identified in the EHSS IMR.

Develop chargeout mechanism

Best practice suggest that in the initial years of operation the SSC should be centrally funded, but should identify costs of service provided to each client and the value experienced by that client. The Bywater survey revealed that of the 200 companies surveyed, less than 25% charge on what is actually provided; 40% charge on the basis of cost allocation.

The development of EHSS is at a very early stage in this context.

The approach recommended is that

- 1) An Activity Based Costing approach is adopted to all activities
- 2) Costs are then reassigned based on
 - Proportional usage (eg payroll costs appropriated according to staff ratios)
 - Activity drivers (eg particular recruitment drives)
 - Business sustaining costs (eg maintenance of the SSC building).

As set out in the key principles of SSC operation, in the initial phase of Shared Services Implementation, while costs are being identified and services developed, a moratorium should be allowed before alternative supply options are pursued

Ultimately it may be that all EHSS services should be charged out, resulting in a zero EHSS budget and expenditure. Some Shared Service Organisations also build in an additional charge to fund capital renewal and service development.

In the early years of development very few companies have actually implemented full chargeout.

Financing of EHSS

Build Service Level Agreements

While it is the objective of most organisations to have SLAs in place, only 24% of those companies surveyed by Bywater indicated that they actually had.

As described above, the basis of the development of SLAs has begun in the WDW projects, which are most advanced in the HR area, in recruitment and training in particular. This initial work identified generic steps to the implementation of the Service Level Agreements. This will prove to be a useful input into the rollout of SLAs to other services.

Regularly review service quality, cost and SLA compliance

A process of collating key measures for quality and cost has commenced. These measures will be incorporated into a series of integrated 'scorecards' incorporating KPIs that will provide operational and strategic feedback on EHSS progress against plans.

Progress to date

Diagrammatic summary

A summary of this progress to date is depicted below

Development of EHSS - Steps	Progress	Targeted
	2001	2002
1 Determination of range of services to be provided	☺	☺
2 Staff selection and training	☹	☺
3 ERP implementation	☹	☹
4 Backlog elimination	☹	☺
5 Business process review	○	☹
6 Agreement on roles and responsibilities across all processes	○	☺
7 Adoption of core principles	☺	☺
8 Establish key structural relationships	☹	☺
9 Establish cost and quality measures of services provided	○	☹
10 Develop chargeout mechanism	○	☹
11 Build Service Level Agreements	○	☹
12 Regularly review service quality, cost & SLA compliance	○	☹

<i>Planning stages</i>	○
<i>Being implemented</i>	☹
<i>Significant progress</i>	☺
<i>Completed & due for review</i>	☺

Progress since inception – key operational issues and successes.

In reviewing progress so far it is also important to bear in the mind the economy of scale principle upon which the shared services approach is mainly based. There is no doubt that maintaining central support has helped to reduce cost growth in the region. However, while the shared services

approach is a cheaper alternative to duplicating services this does not mean that progressing the transition has been without additional cost.

Additional expenditure has been incurred in EHSS as a consequence of:

- new care services introduced by the Area Boards
- Increased workloads in some key areas due to economic growth, eg increasing employee turnover has put considerable pressure on recruitment, payroll and training services;
- Strengthening operations and addressing work outstanding
- Replacing the vacuum created by the migration of a high degree of knowledge & experience out of Shared Services
- the need for EHSS to develop itself as an organisation with a customer service and value-add oriented culture

There have been some notable successes, including for example

OPERATIONAL IMPROVEMENTS,

For example

- A reorganisation and review of the payroll function. This function is now emerging from a period of severe operational difficulties and has made significant progress in adopting best practice approaches in process design and performance measurement.
- Faster recruitment. The average time taken for nursing appointments has been more than halved, by using critical path analysis to identify areas of difficulty and a functional family approach to process improvement.

ORGANISATIONAL CAPABILITY IMPROVEMENTS

For example

- Development & launch of an Intranet website. This channel will become a significant factor in the future success and operations of EHSS and its client organisations, initially as a communications and knowledge management tool and in time as an on-line transaction enabling mechanism.

- Enhanced communications at all levels. This has been brought about by structured workshops and briefings for staff, and the development of a joint management/union steering committee. In addition the first client and employee attitude surveys are underway.
- The appointment of a management team including members of the former EHB staff and externally recruited senior managers who bring a wide range of experience and skills to EHSS.

Future Development and Dependencies

Development Issues

Building on these successes a number of key development issues are currently being addressed in order to continue the EHSS transition, maximise the quality and minimise the cost of the services provided.

- Investing in the people in EHSS so that there is constructive feedback on individual progress and a clear development plan for individuals in order to increase the value added by each individual to the organisation.
- Developing with our client organisations formal service agreements that include transparency in the cost of service delivery and also set out clearly the roles & responsibilities in our service partnership.
- In certain areas clarifying the authority, content and ownership of process responsibility between the Area Boards and EHSS.
- Identifying how, and when, EHSS overhead costs are included by the Area Boards in the planning process and how, and when, funds are allocated to EHSS.
- Developing a robust planning process that ensures client organisation and Shared Services plans are co-ordinated.
- Critically examining EHSS processes for efficiency and effectiveness.
- Introducing greater accountability and transparency to the financial planning and control of EHSS expenditure.
- Improving the working environment. The standard of accommodation for EHSS people is considered poor, in certain respects is unsafe and is not conducive to effective operations.

However it is important to note that there has been limited expenditure on these initiatives.

Operational and funding constraints

The general investment in the health care sector and the effect of providing service to the new agencies means there are increasing levels of day-to-day activity within EHSS.

Consequently resources are almost exclusively focussed on striving to meet operational service levels. Indeed, the EHSS organisation does not currently have the capacity to realise its potential and to progress substantively on the key issues discussed above.

In addition to the capacity constraints the absence of any development investment in EHSS will threaten its success because without funding the key development issues cannot be addressed.

There are also early indications that the measured pace of development in EHSS is prompting Area Boards (faced with their own operational demands) to consider local delivery of certain services.

If this trend continues it will undermine the very reasoning behind the set-up of shared services will dilute and and unnecessarily increase expenditure in the region.

In short, significant change management initiatives & a funded investment are proposed in order to:

- Fully realise the potential of the resources in EHSS,
- Introduce greater transparency and accountability to its finances and
- Realise potential cost reductions.

A proposed EHSS operational budget model and investment fund

2002 Budget process

It is **proposed** that the approach to budgeting for next year 2002 should be

A) the identification of:

1. Costs of "Business as Usual" core operations based on 2001 activity levels
2. Costs of supporting volume growth arising from service development or other requirements in client organisations
3. Costs of developing new services for client organisations

The budgeting of 1, 2 and 3 to be conducted in tandem with Client organisations, with the resulting required budget provided directly to EHSS from ERHA. The expenditure to be monitored and controlled based as far as possible on client organisation utilisation of service. Unforeseen additional requirements to be charged for on agreed basis as required.

B. Costs of developing EHSS as an organisation with potential to service a wider market (to include costs of addressing current infrastructural weaknesses)

The budgeting of 4 to be the subject of an investment fund to be sought from ERHA.

Investment fund for Eastern Health Shared Services

With the benefit of hindsight, it was ambitious to assume that the transition process from the central administration of the EHB to a Shared Services organisation could take place and yield real results with minimal investment.

It is estimated that up-front investment in EHSS will enable measurable service improvements and cost reductions will begin to be realised within a very short time frame.

The following table sets out the relevant summary financial figures and quality targets for the next 5 years:

	2001	2002	2003	2004	2005	2006	Five Year Totals 2002 - 2006
WITHOUT DEVELOPMENT FUNDING	Ir£m's	Ir£m's	Ir£m's	Ir£m's	Ir£m's	Ir£m's	Ir£m's
Underlying cost of operations	20.0	21.2	22.4	23.6	24.8	26.0	
Service & volume growth (demand led)	1.2	1.2	1.2	1.2	1.2	1.2	
Inflation		0.8	0.9	1.0	1.0	1.1	
Total cost of EHSS	21.2	23.2	24.5	25.8	27.0	28.3	128.9
Customer Satisfaction Index	50%	48%	46%	44%	42%	41%	
Employee Satisfaction Index	50%	48%	46%	44%	42%	41%	
WITH DEVELOPMENT FUNDING							
EHSS Development Fund - once off		3.43					
EHSS Development Fund - recurring		0.6	0.78	0.78	0.78	0.78	
Reduction in underlying operations cost		-1.0	-1.0	-1.1	-1.1	-1.2	
Total cost of EHSS	21.2	26.3	24.3	25.5	26.7	27.9	130.7
Customer Satisfaction Index	50%	51%	52%	53%	54%	55%	
Employee Satisfaction Index	50%	51%	52%	53%	54%	55%	

(A Euro version of the above is shown on Appendix II)

As can be seen from the above, a EHSS 'development investment' of £7.15m over 5 years is proposed, averaging £1.4 m per year, with a front-loaded start-up investment of £3.4m, followed by .78m per annum. It is anticipated that payback on this investment would begin in 2003, with full payback within seven years.

An analysis of this proposed expenditure is shown on Appendix I.

A scenario is shown above *without* funding to highlight that it is likely that the absence of a capital injection will mean that:

- Any inefficiencies that currently exist will remain unchecked and
- Both employees and Area Boards will become increasingly dissatisfied.

Any consequential expenditure by Area Boards to compensate for service dissatisfaction and increase the level of 'self service' is not reflected in the above figures. This could be substantial.

Delivery of Regional Shared Services Strategic Objectives

The clear regional strategy is to have in place a single Shared Services Organisation serving all agencies in the Region.

It is recommended that in parallel with bringing EHSS to optimum operational effectiveness, the path to the achievement of this strategic goal be explored by the ERHA, by way of a feasibility study , with particular reference to:

- Cost and quality advantages of a regional shared services organisation
- Capacity and capability of EHSS to develop to a wider client base within and potentially beyond the region
- Transfer to EHSS of existing support functions in the region
- Implementation steps towards a regional SSC
- Governance and accountability
- Risk management

Conclusion & recommendations

The delivery of administrative, technical and support services to the Area Boards is a critical part in the delivery of healthcare to patients and clients in the Eastern region. The Shared Services organisation needs to be seen to provide a quality cost effective service in order to allow our partners in the ERHA family of agencies to focus on their core objectives.

The regional policy of a single Shared Services organisation for the Eastern Region has already been determined.

As set out above, the development of Eastern Health Shared Services is still at an early stage. In many areas operational weaknesses arising from legacy factors and transition are still being addressed.

It is recommended that this investment should now be made to ensure the success of Eastern Health Shared Services as a regional Quality, Value for Money initiative.

It is important that in parallel with developing the quality of services currently provided to the existing client base, that the future extension of the service to encompass the ERHA region is carefully planned.

Therefore it is recommended that immediate steps be taken to define the Regional Shared Services Strategy and implementation plan, to include the extension of the EHSS market throughout the ERHA region.

Opportunities exist to expand the EHSS concept not only throughout the region but potentially beyond. There have been valuable lessons learned by EHSS in the period since March 2000 and these will prove to be a useful input to any further expansion of shared services.

Appendices

Appendix 1 - Investment table (Euros)

Proposed EHSS Development Fund	
Analysis of Proposed Expenditure	
Euro m's	
Once off expenditure in 2002	
Training, development & career planning	0.43
Business Process review	0.60
Accommodation refurbishment	1.25
Activity based costing & "zero based" budgeting	0.75
HR, communications & culture change	0.30
Accreditation & benchmarking	0.10
	<hr/>
	3.43
	<hr/>
Organisational development	Recurring
	<hr/>
18 additional posts over 5 years	3.72
	<hr/>
Total expenditure	<hr/>
	7.15
	<hr/>

Appendix II EUROs

	2001	2002	2003	2004	2005	2006	Five Year Totals
	Euro m's	Euro m's	Euro m's	Euro m's	Euro m's	Euro m's	2002 - 2006 Euro m's
WITHOUT DEVELOPMENT FUNDING							
Underlying cost of operations	25.4	26.9	28.4	30.0	31.5	33.0	
Service & volume growth (demand led)	1.5	1.5	1.5	1.5	1.5	1.5	
Inflation		1.1	1.2	1.2	1.3	1.4	
Total cost of EHSS	26.9	29.5	31.1	32.7	34.3	35.9	163.6
Customer Satisfaction Index	50%	48%	46%	44%	42%	41%	
Employee Satisfaction Index	50%	48%	46%	44%	42%	41%	
WITH DEVELOPMENT FUNDING							
EHSS Development Fund - once off		4.4					
EHSS Development Fund - recurring		0.8	1.0	1.0	1.0	1.0	
Reduction in underlying operations cost		-1.2	-1.3	-1.3	-1.4	-1.5	
Total cost of EHSS	26.9	33.4	30.9	32.4	33.9	35.4	165.9
Customer Satisfaction Index	50%	51%	52%	53%	54%	55%	
Employee Satisfaction Index	50%	51%	52%	53%	54%	55%	

Appendix III – Detail

(A) Training, development and Career Planning

The main objectives will include

- Clarifying roles, responsibilities and KPIs for individuals and processes
- Capturing skill and experience to ensure these match with requirements
- Empowering people to make decisions to improve organisation responsiveness
- Increasing the retention rate
- Improving the extent and method of induction for new staff
- Measuring the effectiveness of our training services.

This will be delivered by following the following broad steps:

- Profile each role in EHSS
- Conducting a skills and experience audit
- Develop a competency model for roles in EHSS
- Carry out a skills gap analysis
- Develop and deliver a training and personal development programme
- Review approach and performance change for effectiveness.

Costs will arise in the delivery of the training programme in the main. An average of £1,000 per annum per person is assumed (£400,000). The remaining budget of £30,000 is in respect of external support and advice during the other stages.

(B) Business Process Review

Key processes will be reviewed in order to make a comparison with best practice and effectiveness. These will include, for example;

- The speed and effectiveness of recruitment
- The response times and resolution rates of the IT helpdesk
- Lead times between goods ordered and receipt
- The use of technologies that make it easier to conduct day to day business (e.g. electronic calendar management)
- Measuring, prioritising and communicating recruitment activity
- The extent of automation in the payroll process.

SSC Cost reviews will also be conducted for areas such as

- Bank charges

- Mobile phone management
- Utility usage (light, heat, energy, water etc)
- Postage and courier charges
- Low value expenditure items
- Effective use of bulk discounts
- Recruitment advertising
- Stationary usage
- Variable pay costs

Costs are expected to arise in the two major areas of payroll (£150,000) and recruitment (£100,000) as follows;

IR£ 000's

	Payroll*	Recruitment	Others	Total
External Help	75	45		120
Workshops (Room hire etc)	10	15	20	45
Benchmarking and Research	5	-	5	10
New technologies (scanning etc)	60	40	25	125
	150	100	50	300

* The main focus of the payroll process review will be to improve current operations in readiness for PPARS payroll implementation.

(C) Accommodation Refurbishment

The object is to ensure people in Shared Services are working in a safe, comfortable, modern working environment. The cost have been estimated as follows;

Compliance with Health and Safety (fire alarm system, fix unstable walls etc)	0.80
Redesign to make greater use of available space	0.20
Redecoration	<u>0.25</u>
	<u>1.25m</u>

(D) Activity Based Costing and "zero based" budgeting

Key objectives under this heading will include

- Develop an interactive financial model that allows different scenario financial modelling
- Developing 'drill down' budgeting in order to 'slice and dice' financial information
- Costing activities across traditional cost centres
- Developing a culture and approach to financial governance that takes a zero based (rather than a 'cost plus') based approach.
- Allocating responsibility and accountability to expenditure an quality
- Developing a balanced scorecard network of key measure and key activities.

Costs are expected to arise as follows

Software including further rollout of SAP and 'scorecard' software	400,000
Training and Research (40 users for 3 days)	200,000
External help and change management assistance and implementation	150,000
Development of financial model	<u>300,000</u>
	<u>1,050,000</u>

(E) HR, Communications and Culture Change

Key objectives will include

- Reviewing and communicating standards and policies for areas such as travel and subsistence, leave etc.
- Developing procedures and systems to measure retention, absenteeism, harassment, manpower levels etc.
- Role clarifications and communicating internally and externally

Costs are expected to be incurred as follows

Bi-annual workshops (£125 per person)	100,000
Intranet development	150,000
Mentoring and support in best practice HR	<u>50,000</u>
	<u>300,000</u>

(F) Accreditation and Benchmarking

The main objective will be to attain a suitable quality accreditation for EHSS. This is likely to be achieved in stages with a discrete function acting as an initial pilot.

Costs are likely to be incurred as follows:

Training and fees to awarding body	90,000
Site visits and benchmarking	<u>10,000</u>

Appendix IV

Overview and Examples of Shared Services -

Eastern Health Shared Services was established by the ERHA with the objectives to provide business and professional services to the three new Area Boards and ERHA in a manner reflecting best modern commercial practice. The purpose of establishing shared services organisations is primarily four-fold:

- Cost Reduction through removal of duplication
- Transparency and accountability for admin staff through effective costing and pricing of services, and objective measurement of quality.
- Enable the client organisation to concentrate exclusively on their core business.
- Build professional knowledge centre.

These objectives are normally achieved through the development of a “business-to-business” approach to service delivery, with the development of Service Level Agreements based on dimensional ABC costing, and cost and quality KPIs benchmarked against best practice.

The following are examples of the EHSS progress:

1. Service Planning – Eastern Health Shared Services has introduced a client relationship and governance model, which provides for cross-Border planning and monitoring of EHSS services which support the direct delivery of care.
2. Setting Strategy – EHSS benchmarks the EHSS Shared Services business strategy and development plans with best practice commercially, through membership of Shared Services networks, which represent multinational companies based in Europe and Ireland. EHSS has also established a valuable learning linkage with the UK NHS Shared Services Task Force.
3. Managing Performance – EHSS has developed and will continually enhance KPIs, which reflect client needs and commercial best practice. These are being implemented through Service Level Agreements with client organisations. Within EHSS KPIs are being used to monitor individual and team performance, for example in payroll query resolution.
4. Service Delivery and Customer quality – EHSS SLAs with clients will be monitored through objective KPI metrics measurement and formal customer feedback.

5. Human Resource Management - EHSS has made significant progress in developing the skillset and culture of the organisation to be customer-focused and embrace quality principles, such as continuous improvement through KPI measurement and benchmarking. A number of staff development initiatives have been taken in the areas of customer interfacing; leadership and teamwork; business process improvement and project management. EHSS has held its first annual employee attitude survey, which will be benchmarked over time.
6. Organisation Flexibility - EHSS has restructured in response to client needs and is developing strong contact/call centre capability, exemplified in the employee services helpdesk, where the systems, processes and style of operation match best practice and enable analysis to causes of problems and continually improving solutions.
7. Training and Development - EHSS provides training and development services to EHSS, Area Boards and ERHA. Areas of particular success have included the ECDL programme, the implementation of which won a national award for innovation. Within EHSS the uptake of Refund of Fees scheme and the provision of focussed team training is increasing.
8. Organisational capability - From a systems perspective, in EHSS a number of infrastructural developments have been undertaken to improve quality and efficiency. SAP, the ERP backbone for implementation of Shared Services, is delivering significant benefit to EHSS and client organisations. The EHSS intranet now provides on-line information and enables transactional efficiency improvements across the client base. EHSS is currently planning a significant leap forward in e-provision of transactional services. The key people capabilities in EHSS in the future will be strong process and knowledge management, customer understanding and change management; and training programmes are in place to maximise the considerable talent of the EHSS team in these areas.

The implementation of Shared Services approach is at an early stage in the public sector generally, with EHSS, UK NHS and City of Ottawa being recognised internationally as early leaders. With over 30 multinational companies having international Shared Service centres based in Ireland, EHSS is well positioned to ensure continuing comparison and matching with modern best practice.