



Shared services governance and performance management

Terms of reference

The *Business Support Shared Services Strategic Review (BSSSR)* recommended a new approach to business support shared services, based on a federated governance and decentralised delivery model that builds on the strong accountability of department secretaries.

The Victorian Secretaries Board (VSB) have endorsed the new approach and an accompanying governance model, which has been designed to ensure a shared service operates efficiently and effectively, maintains fit-for-purpose and is financially sustainable.

The governance model requires the establishment of a shared services board to oversee the performance of each and every shared service in government.

Defining a shared service

For the purposes of this paper, a shared service is defined as a business entity, providing services to departments or agencies beyond those for which the department is directly accountable. This includes state-owned entities (SOE), business units and/or divisions within departments and outsourced service providers.

A central function within a department, servicing only the delivery agencies and business units for which it is directly accountable, are not considered shared services. However, the performance management framework described in this paper may be useful in establishing a structured approach for assessing and reporting their performance.

Shared Services Board – terms of reference

Introduction

The shared business support services governance model includes the establishment of a board to oversee the performance of every shared service in government.

Each shared service ultimately reports through to the secretary of the hosting department, who is accountable for the appointment of the board and ultimately, the financial management and health and hygiene of any VPS members employed by the shared service.

It is important to note that if the shared service is established as a SOE, the appointment of board members for SOE-based shared services needs to be made in accordance with the SOE's governing legislation or Orders in Council, and the DPC appointment and remuneration guidelines for government boards. This process will entail approval of the appointment of the chair and board members and any remuneration for external members by the hosting department's minister, Cabinet and the Governor in Council.

In all cases, the hosting department's secretary/minister will rely on the shared service board to manage the business, in accordance with the performance management framework developed by DPC and approved by the VSB.



The shared service board is accountable for the on-going viability of a shared service. The board members will:

- Appoint the executive leadership of the shared service, set performance goals and metrics of the CEO and actively monitor his/her performance.
- Recommend the approval of the shared service business plan and budget by the hosting department secretary.
- Recommend the approval of any proposal to procure the services of an external provider for any services that will impact VPS members, by the hosting department secretary.
- Recommend the approval of any proposal to internally provide services that are currently delivered by an external provider, by the hosting department secretary.
- Approve the service catalogue and pricing for services provided by the shared service.
- Commission an independent customer satisfaction survey and an employee satisfaction survey every 12 months.
- Use industry standard benchmarks to benchmark the shared service services at an agreed periodic interval.
- Inform the host department secretary in a timely manner of any issues that may impact the ongoing viability of the shared service or any significant deviation from the business plan or financial budget of the shared service.
- Inform the host department secretary in a timely manner of any significant employee or customer issue that may impact the reputation of the shared service, the department or government.
- Inform the host department secretary of any decision to change the external provider currently providing services.

Board structure and capability

The shared service governance model acknowledges that the shared service board must be fit-for-purpose and that there are varying degrees of complexity, size and business criticality that must be considered in establishing the board structure and ensuring the right mix of business knowledge and technical expertise is in place.

The board structure requires the following:

- A chair, independent of the customer's serviced by the shared service.
- An executive with day-to-day accountability for the operation of the shared service.
- Customer representation of more than 50% of service catalogue and fees.
- Service delivery expertise with respect to the services offered within a similar business environment (e.g. financial accounting within government).
- Business management expertise with respect to the services offered, including finance, procurement and ICT disciplines.

A board of as few as 3–4 members may be appropriate, if the Chair, for example, has the service delivery and business management expertise. However, for the larger, more complex shared services, it may be necessary to go to the market for an independent chair and the desired level of service delivery and business management expertise. In this case, the board may be as large as a membership of 8–10.



Board meetings – frequency and agenda

To effectively oversee the operational and business performance of any shared service, the board will need to meet:

- Monthly to consider financial performance and, any operational risks, issues or opportunities that have emerged
- Quarterly to consider any relative financial challenges, operational risks, issues or opportunities that may be signaling an emerging business issue and to consult with the executive on any items worthy of discussion or feedback board members may wish to provide
- Half yearly, to review, formally assess and (if necessary) initiate actions with respect to the portfolio of projects underway and any new project initiatives
- Annually, to review, formally assess and if necessary initiate actions, with respect to the customer and employee satisfaction surveys and/ or external benchmarks of services
- Annually, to review the performance against the business plan, refresh, as required the business strategy and endorse the next year's business plan and budget for approval by the hosting department secretary.

The performance management framework provides details of the specific metrics that should be gathered and presented to the shared services board. It is envisaged that monthly meetings should require a minimum of two hours, quarterly meetings should require a minimum of half a day, half-yearly, a full day and annually, two to three days.