# Shared services cost is the bottom line

Can lessons from the UK government shared services experience be applied to New Zealand's public sector – and would the private sector also benefit from them? A UK expert in implementing shared desktop services in government recently visited these shores to meet with key customers and industry leaders. iStart met with him while he was here...

BY CHRIS BELL
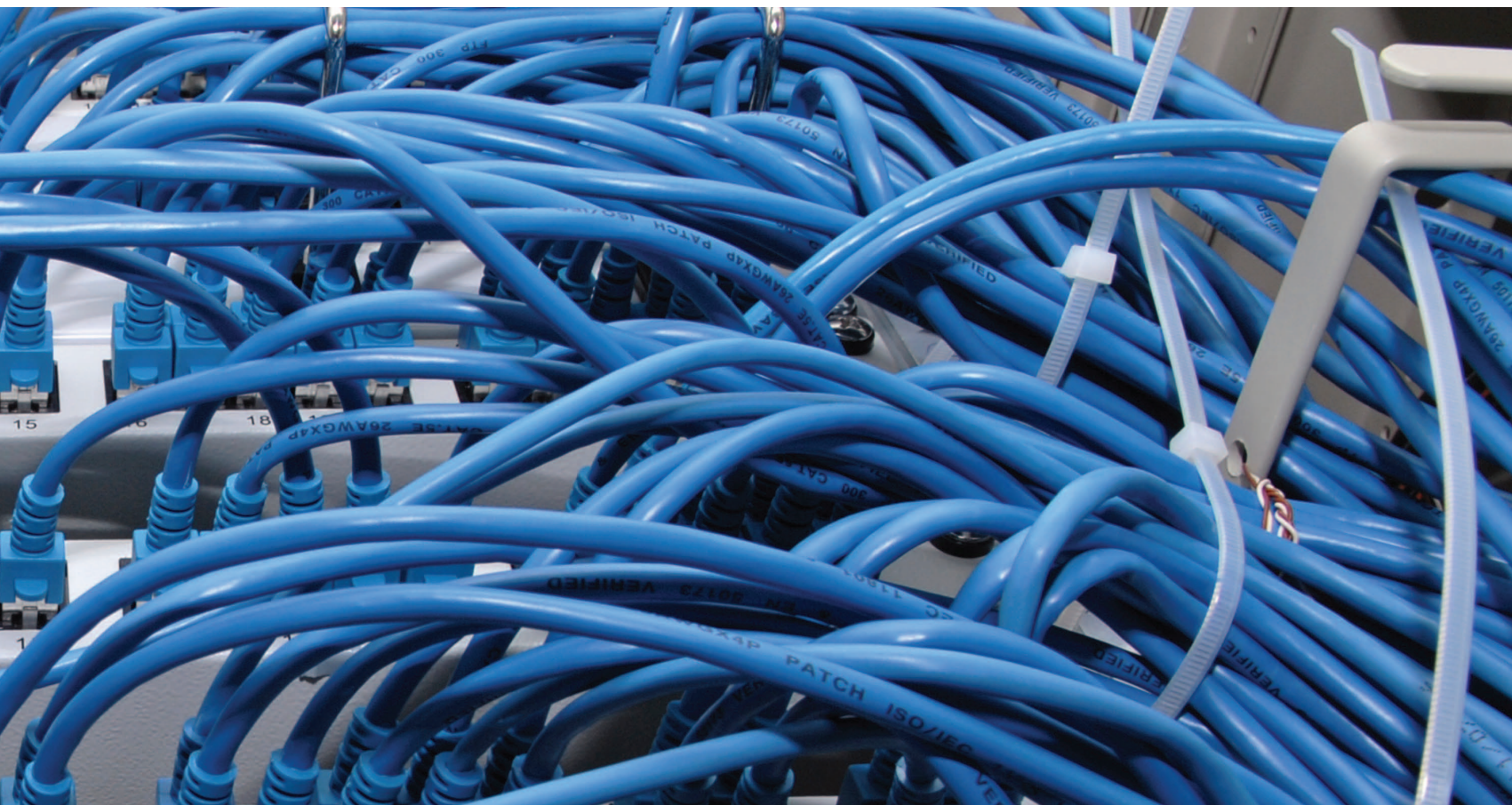
In 2008 the newly appointed New Zealand government CIO and deputy state services commissioner for ICT, Laurence Millar, hinted that government would avoid a "grand design" approach to mandating shared services. He subsequently resigned in the wake of an adverse report into the abandoned Government Shared Network.

However, last June the Department of Internal Affairs, in collaboration with the Ministry of Economic Development and other agencies, issued a "preliminary notice of intention" to explore shared data centre hosting, virtual storage services and virtualised server services using New Zealand-based infrastructure. A long way from mandating shared services, but at least they are under consideration.

Overseas research now suggests shared services might be the only way to save taxpayer money on IT in a world reshaped by the global financial crisis. The UK's local council IT managers' association says shared services result in better service for the customer and better value for the taxpayer.

As long ago as April 2007 Michael Ross, chief executive of Waitaki District Council, gave a presentation to the NZ Society of Local Government Managers in which he argued, aided by international case studies, that shared services was "an idea whose time has come, perhaps" – he was keeping his bases covered.

Shared services in the 'Big Society'

James Mayo is head of public sector desktop at Fujitsu UK and Ireland, a major provider of desktop services to the UK government. Mayo says there is no doubt that taxpayer money is being wasted in the UK through services duplication. "Since the new coalition government's austerity measures we've had a lot more focus on value for money and, as a lot of government officials will tell you, value for money means cheap."

The new UK government is already setting expectations for IT service providers. "They got in the top 19 ICT providers to government and said, 'You've made a lot of money out of us over the past 20 to 30 years, we're all in this boat together and we'd like to understand what you're going to do to help us,'" says Mayo.

The 'Big Society' initiative in the UK was the flagship policy of the 2010 Conservative Party election manifesto. Its aim was "to create a climate that empowers local people and communities", building a society that will "take power away from politicians and give it to people". It's widely viewed as a catalyst for accelerating shared services adoption. "We're starting to see some real changes »

at the top end of shared services, around the way citizens interact with government across the board," says Mayo.

Procurement politics

In the UK, IT procurement is supported by the government Procurement Agency known as Buying Solutions. Fujitsu is involved in number of the UK government's frameworks and two are of note in shared services: Flex and Desktop 21, both designed to channel departmental requirements to provide scale, and a common platform. The three providers on the Desktop 21 framework are the largest: Fujitsu, HP and Atos Origin. Fujitsu worked collaboratively to educate government on appropriate use of the framework. Mayo says the governing body has been supportive about this marketing process.

Here, the government is introducing shared ICT procurement via a panel of approved suppliers. iStart asked Mayo if, in his experience, shared ICT procurement saves money or excludes smaller suppliers, leading to favouritism – as suggested in our failed Government Shared Network project where some contracts were awarded via closed tender and personal relationships were mooted to have greased the selection wheels. "We have a very mature environment," Mayo counters. "The Flex framework is actually single tender – the only provider on it is Fujitsu – and it provides for a shared service."

Opponents to single tender argue free competition is the only way to ensure value for money. Mayo disagrees. "That framework was tendered competitively, with 38 providers initially expressing interest and has all of the normal benchmarking clauses within it and we've benchmarked ourselves a number of times."

Departmental appreciation of the opportunities are also not yet universal. Despite cost advantages, the UK Department for Work and Pensions (DWP), one of the departments under the Fujitsu shared services framework, recently confirmed that it wishes to bring the desktop contract, awarded in February 2010, to an end. At the time of writing, Fujitsu HQ, in confirming the termination, did not have any further comment.

Show me how much we saved

If done well, browser-based delivery of applications via the cloud has the benefit of invisibility to the users. This is one of the advantages Fujitsu touts about Flex, its single-tender framework for 'restricted' and 'confidential' UK government user classifications. "They're buying into a government community cloud where we're providing services to five different government departments, but they're sharing not just the infrastructure in a fairly traditional way, they can also share some common applications, such as Exchange," says Mayo. "From a user perspective, that increases collaboration and reduces the cost."

In GFC-chastened times, the only thing that really matters in the public sector is the cost. Mayo sees that as a necessary short-term measure. "There's definitely a focus on how to get things that cost a truckload of money cheaper."

Shared privacy?

Private sector organisations will want to know if any of the lessons of shared services from the public sector apply to them. For Mayo, most have to do with governance, degrees of regulation and adherence. "There are lots of federated organisations looking at the way government manages procurement and what is centralised and decentralised, and some of the changes in UK government at the moment could provide lessons for the federated environments in the private sector."

Cynics might wonder why public sector agencies don't use public cloud services instead of developing their own. As Google's accidental deletion of at least 160,000 users' email accounts at the end of February illustrates, uptime is everything to users. "Yes, the availability of those public services is extremely high because if it wasn't they would die pretty quickly in a competitive market, but you don't have a guaranteed level of service for what are business-critical applications," says Mayo.

Our government's focus on the Christchurch earthquakes and as-yet-unknown cost of postponing the census may make such change seem far off. But the February announcement that the three Auckland district health boards and the Northland district health board are to merge non-clinical services is encouraging for those who believe collaboration is the best way to save money. Data in the cloud on shared infrastructure would have provided Canterbury organisations with insurance cover the Earthquake Commission could never provide.

Shared services may come to address one of Millar's biggest concerns, expressed in a presentation following his resignation as government CIO, "I'm at a loss to know why it takes such a long time to get things done in government," he said. A lack of collaboration and transparency in the RFP and tender process may account for his loss, if not for the taxpayers' money.

Tipping point

"Shared services are further behind in Australia and New Zealand than in the UK, but conversations are starting to happen, which is great," says Mayo.

Shared services initiatives in the public sector flounder when organisations attempt to standardise business processes across multiple departments, says Mayo. The less ambitious approach he sees here results in more immediate success.

"It doesn't deliver the transformational savings, but it introduces shared services to departments and providers, so there's a learning process culturally that provides building blocks for moving forward."

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> **James Mayo,** head of public sector desktop, Fujitsu UK & Ireland

Shared services become difficult to implement when expectations are overly ambitious, says Mayo. The UK government is seeking savings of more than 25 percent in ICT, and this demands transformational change.

"There'll be a shared services tipping point where there'll be a choice to make: whether you want to make those step-changes – and whether you need to from a cost point of view. New Zealand has an advantage because you don't have the scale we have in the UK. You also don't have the same level of variance between departments."

Rural reach

The expense of service delivery to rural areas will be a constraining factor in this part of the world, as it is in the UK. "High-speed broadband is critical for virtualised desktop or thin client environments where there are savings but only if the network is up to it," he says.

At just over five million, Scotland's population is larger than New Zealand's but Mayo likens the challenges for rural New Zealand to those faced by the Highlands Council. "We've had to create some innovative technical solutions and online access for a wide range of services to the citizens in remote locations," he says. "There are some models that can be imported to New Zealand."

Buying right

Changes are underway to government ICT procurement in New Zealand, with a move to a panel of approved suppliers and delivery frameworks. Not surprisingly, Fujitsu supports the introduction of such frameworks: In the UK, Fujitsu is the exclusive, pre-approved provider on one of them. "We'll look to those frameworks to help us offer our full portfolio into the New Zealand market," says Mayo. "We'll be looking to give the New Zealand government access to the full range of Fujitsu services."

Budgetary pressures often accelerate government shared services adoption, but Mayo says he's heard less cost savings rhetoric here and seen fewer signs technology innovation has been sidelined as it has in the UK.

"I get a sense there's slightly more pragmatism," he says.

"There's a more value-oriented mindset here still."

In the UK a change in administration and the global financial crisis drove government ICT spending cuts. Here, that 'value-oriented mindset' may not survive the economic aftershocks from the Christchurch earthquake – 'cheap' may become the bigger driver. ◾

ABOUT JAMES MAYO//

James Mayo is head of public desktop for Fujitsu UK & Ireland. He co-authored a UK Government-sponsored white paper on 'Partnering with the private sector' and in his current role 'owns' the scoping process for the Desktop21 common platform for Central Government in the UK. He was previoulsy with Accenture.