

## Shared Services

### Guidance for feasibility study and business plan

#### Description of HEFCE requirements

1. The feasibility study and business plan stage of the HEFCE shared services programme is designed to deliver three outcomes:
  - a. An in depth analysis of the proposed shared service opportunity compared with current provision; to determine whether there is a case for change.  
  
And if a case is made:-
  - b. A fully worked through business case, including opportunity costs, with options appraisal and recommendations for the preferred approach.
  - c. Outline proposals should be presented relating to the governance and management of the shared service, the agreement between the partners and the vehicle to be used to operate the service.
2. The work put in to the feasibility study and business plan is a determinant for the success or failure of the pilot shared service. Therefore, it is important that this phase is completed to a high standard. High quality feasibility studies and business cases will allow the Shared Services Advisory Group to make clear decisions on taking projects into the pilot-study stage without reference back to the lead institution.
3. The final report should be a single document which includes the feasibility study, business plan, and sections on proposed governance and management arrangements. Although this guide cannot be prescriptive about the length of the outcome report, because each case is different and will require different levels of analysis, it is not expected that every statement, costing and other such items contained within the report will be evidenced within the report in detail; rather that the evidence will be available should it be requested.
4. HEFCE recognises that the requirements contained within this document are not necessarily contained within the skills of staff of lead institutions. The agreed funding is to buy resource with the appropriate capacity and skills.
5. The following is a guide to the areas to be covered in the report. This list is not exhaustive nor should it be used as a definitive list of requirements. Project scope will be agreed with the HEFCE project contact at the instigation of this stage for each project.

## Feasibility study

6. The lead institution must undertake studies sufficient to confirm (or refute) that the shared-service project will deliver benefits to the partner institutions and if appropriate indicate how the benefits of the service can be scaled up to a wider user base.
7. The report should start with a high-level analysis of the potential shared service:
  - a. Project objectives, setting out the potential for the proposed shared service.
  - b. Sector analysis whereby needs are identified and priorities among them established.
  - c. Assessment of the market, identification of existing similar provision, whether commercially sourced or within the sector, and overlap with any existing shared service provision.
  - d. Learning from existing provision to inform this project.

Although this section is described as a 'high-level analysis' there should be sufficient detailed work underpinning this to demonstrate confidence in the analysis. This detailed work should not be included in the report but should be made available if required.

8. Once the high-level case has been made, a more in-depth analysis of feasibility for the pilot should be undertaken, including
  - e. A list of project partners which have agreed in principle to participate in the pilot stage.
  - f. Discussion of the level and cost of current provision in partner institutions.
  - g. Description of how a shared service provision could be structured.
  - h. Assessment of costs, benefits and payback of a shared-service provision.
  - i. Analysis of potential to scale the shared service up beyond pilot levels to service a larger proportion of the sector, whether by a central service or replication locally.
  - j. Any non-financial benefits of the shared service.
  - k. Any constraints which may hamper the development of the shared service (for example, technical compatibility and convergence requirements).
  - l. Proposed corporate structure of the service (for example, service delivered out of host institution, joint venture of partner institutions, outsourced service).
  - m. Proposed shared service funding model (for example, pump-primed from central funds and then self-sustaining, institutional contributions according to usage, revenue generating from the outset, PFI/PPP).

- n. The VAT implications of the proposals and proposals to reduce VAT impacts where possible.
- o. The learning coming out of the exercise and plans for dissemination in the sector.
- p. Analysis of potential to extend beyond the higher education (HE) sector.
- q. Success criteria including constraints and dependencies.
- r. Analysis of key risks and mitigating actions.
- s. In order to demonstrate the sector's engagement with the Corporate Social Responsibility agenda, it is important that the impacts in terms of equality, diversity and sustainable development are assessed.

## **Business plan**

9. The lead institution must provide us with a business plan appropriate to the scale of the project. The business plan should address the criteria and priorities established in the feasibility study. It must also enable us to see how the collaborating partners or the institution has integrated the use of any proposed pilot funding with other sources of funding, both those of HEFCE, other agencies and other institutions. The mix of investment should be appropriate given the balance of priorities/benefits of the various parties involved and the level of risk.

10. All proposals should be costed on a full economic cost (fEC) basis. The affordability and sustainability of proposals are important to us hence as well as ongoing funding, initial investment to meet exceptional start-up and transitional costs should be clearly identified.

11. The impact of VAT should be clearly identified within the options appraisals, making clear any differences in treatment used between each option.

12. We would expect the business plan to follow the principles set out in 'Investment decision making' (HEFCE 2003/17). It should also include:

- a. Project objectives.
- b. Options appraisal, including assessment of financial and non-financial costs and benefits.
- c. Total project costs, funding and income sources, including:
  - any other HEFCE funding contributing to the project
  - the amount of HEFCE funding needed to secure the necessary level of funding from other partners
  - any revenues received for the service

- any contribution from outside the sector (for example, commercial participation).
- d. Proposed profiles for payment and, where applicable, repayment of the HEFCE grant.
- e. Assessment of the sustainability of both the capital costs and ongoing running costs indicating how these costs will be met on a whole-life basis.
- f. Risk assessment and management of key risks.
- g. Expected project outputs and outcomes, specifically mentioning any benefits to the HE sector.
- h. Key milestones plan including a commentary.
- i. For larger-scale projects, confirmation that approval by the governing body/bodies has been obtained.
- j. Summary of the monitoring process to be used by the institution, where applicable.
- k. Indication of the potential to upscale throughout sector including both incremental costs and further efficiency savings.

### **Shared service vehicle structure, governance and management**

13. There are a number of implications for partner institutions regarding the governance and management arrangements for shared-services vehicles. It is important that these issues are recognised and addressed at an early stage and that the main partners in the establishment of a shared service are in agreement. The outcome report from this phase of the project should in outline include:

- a. Proposed corporate structure of the service, for example:
  - i. Service delivered out of host institution.
  - ii. Joint venture of partner institutions.
  - iii. Partnership with commercial provider.
  - iv. Hybrid – in-sector management or external supplier.
  - v. Fully outsourced service.
- b. Project management and monitoring arrangements, including the identification of a specific project manager.
- c. Governance arrangements of the shared-service vehicle, including provision for any liabilities
- d. Agreement on financing of shared-service vehicle

- e. Implications for staff from partner institutions and how these have been resolved.
- f. Facilities-management arrangements.
- g. Process for upscaling the shared service and the status of new users.
- h. Process for exit of partner institutions and/or users from the shared service.
- i. Any issues outstanding at the time of issuing the outcome report.

### **Submission of outcome report**

14. While the primary rights to the intellectual property of the outcome report will reside with the lead institution and its partners, HEFCE will wish to use the report to inform others in the sector of the work undertaken in shared services and will therefore publish the document either in full or in part.

15. The final outcome report should be submitted as a Word attachment by e-mail to the HEFCE Shared Services team at [sharedservices@hefce.ac.uk](mailto:sharedservices@hefce.ac.uk).