



RIIGI TUGITEENUSTE KESKUS

# Centralization of State Shared Services in Estonia

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## Background 2009

- ✓ Population of Estonia - 1,4 million;
- ✓ State revenues 2009 – 5,48 bln EUR (budget 6,25 bln EUR);
- ✓ State costs 2009 – 5,58 bln EUR (budget 6,29 bln EUR);
- ✓ Cut of state employees salaries in amount of 10%;
- ✓ Long term policy of balanced structural budgetary position;
- ✓ Political will to fulfil criteria's to join EURO monetary system;

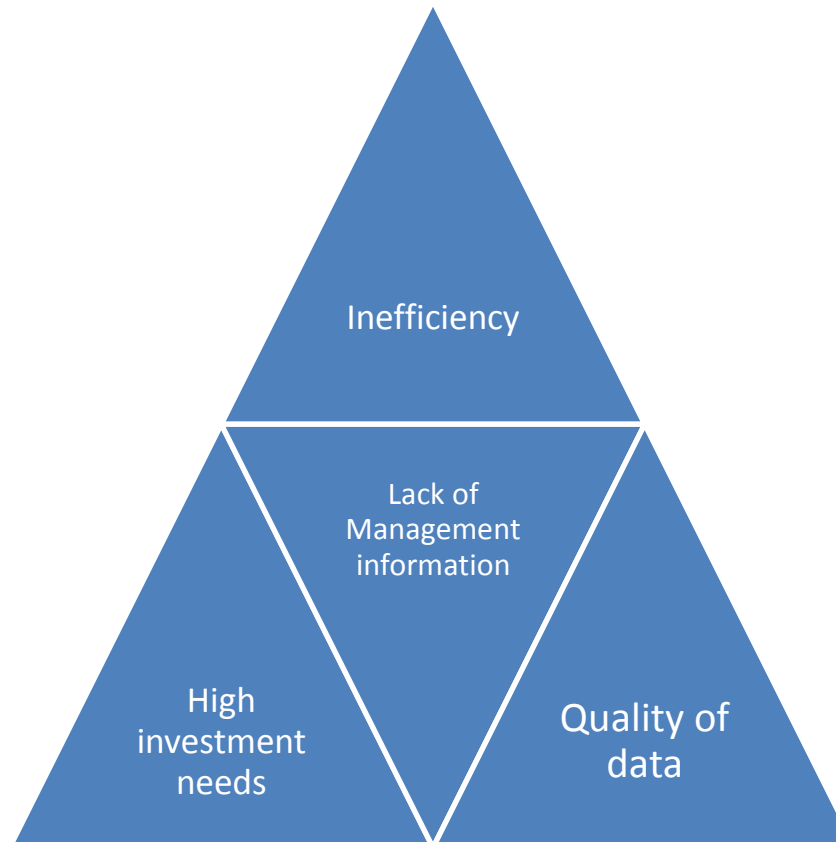


## Financial services in 2009

- ✓ 253 state agencies with independent financial accounting, HR accounting and payroll calculation;
- ✓ 14 different accounting software solutions;
- ✓ 11 different HR accounting software solutions;
- ✓ No common reporting system;
- ✓ Main function IT systems not linked to financial or personnel accounting software



## Problems





## Option 1: Standardization



- Easiest to implement;
- Low initial investment costs;
- Bigger independence for state agencies;
- Easier to link with main information systems;

- High administrative costs for IT;
- Risk for data quality problems;
- Need for data collection and processing;
- No real-time management data;
- Inefficient provision of services.
- Low level of automation;



## Option 2: Common IT solutions/ decentralized



- Relatively easy to implement;
- Reduces costs for IT maintenance;
- Bigger independence for state agencies;
- Available real-time management data;
- Higher level of automation;
- Risk for data quality problems;
- Inefficient provision of services.
- Less data for comparison of service quality;
- More difficult to implement future developments

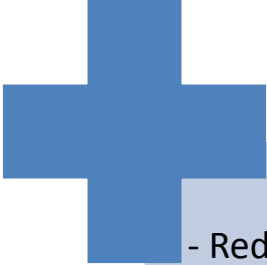



## Option 3: Common IT solutions/ centralisation of services within administrative areas of ministries

- Reduced costs for IT maintenance;
- Available real-time management data;
- Stronger superintendence for ministries;
- Higher (but not the highest) efficiency in provision of services;
- Smaller independence for state agencies;
- More difficult to implement;
- Risk for data quality problems;
- Smaller focus on client relationships;
- Less data for comparison of service quality;
- Risk for insufficient financial knowledge in (smaller) state agencies.
- More difficult to implement future developments



## Option 4: Common IT solutions/ one service centre (SSC) for all state agencies

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- Reduced costs for IT maintenance;
  - Available real-time management data;
  - Bigger focus on client relationships;
  - High efficiency in provision of services;
  - Lower risk for data quality problems;
  - Easy to implement future developments;
  - Most difficult to implement;
  - Smaller independence for state agencies;
  - Risk for insufficient knowledge of core activities in SSC;
  - Risk for insufficient financial knowledge in (smaller) state agencies.





## Differences: Centralisation vs Shared Services

Topic	Tradition centralized view	Shared Services view
<b>Client is referred as ...</b>	Final beneficiary	Client
<b>Supervision</b>	Central unit of supervision/ part of head office	Separate entity / supervisory board (assigned by clients)
<b>Location</b>	Prime location/ head office	Inexpensive location
<b>Main focus</b>	Reduction of costs	Quality of services/ high efficiency/ continuous development
<b>Division of responsibility</b>	Central unit of supervision/ head office	Divided between service provider and client according to service level agreement
<b>Management of service</b>	As a part of core activity	Service standards/ key performance indicators/ reporting
<b>Management of client contacts</b>	Ad hoc	Various channels/ CRM/ incident management
<b>Typical management process</b>	Recruitment, division of workload, cost management	Client relationship management/ continuous improvement/ performance management/ service management



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# **Phase I: Common IT solutions and Centralisation**



## State Government decision from 29.12.2009



### IT solutions

- Common financial, personnel and payroll information system to all state agencies
- E-invoicing and web-based reporting system to the relevant accounting areas
- Integration of state core activity information systems to financial management-, personnel and payroll information system



### Centralization

- Centralisation of accounting-, personnel- and payroll services within administrative areas of ministries
- Implementation operational models, which regulate the division of functions between government institutions and service provider



## Scope of the Support Services Centralisation Project

- ✓ **Budget of the Project:** 5,5 mln EUR:
  - ✓ Investments 3,8 mln EUR;
  - ✓ Personnel costs 1,7 mln EUR
- ✓ **Timeframe:** 2010 – 2014;
- ✓ **Responsible authority:** Ministry of Finance;
- ✓ **Project participants:** all 253 state authorities (41 000 employees);



## Project Goals

- ✓ Reduction of employees of support services by 40% (from 440 to 265);
- ✓ Improvement of the quality of accounting: Assessment of National Audit Office
- ✓ Paper-free process of accounting.
- ✓ Availability of comparable management data both on central and institution level;



## Project Activities

- ✓ Introduction of common financial accounting, HR accounting and Payroll information system (ERP);
- ✓ Development of web-based reporting system for financial and HR data;
- ✓ Development of self-service information system for automatic data transmission;
- ✓ Introduction of e-invoices for fast processing and automatic data transmission of financial data;
- ✓ Centralization of accounting, HR accounting and payroll within administrative areas of ministries;



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# **Phase II: State Shared Services Centre**



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## State Shared Service Centre

- ✓ Grew out of Support Services Centralisation project;
- ✓ Decision of 4 ministries to create common service centre;
- ✓ Build up on the basis of Accounting Centre of Courts;
- ✓ Operates as state institution administered by Ministry of Finance
- ✓ **Started in 01.01.2013**





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## Shared Service Centre today

- ✓ 138 employees;
- ✓ Annual budget 4,03 million Euros;
- ✓ Managed by Board of Councilor;
- ✓ Located in Tallinn, Tartu, Viljandi;

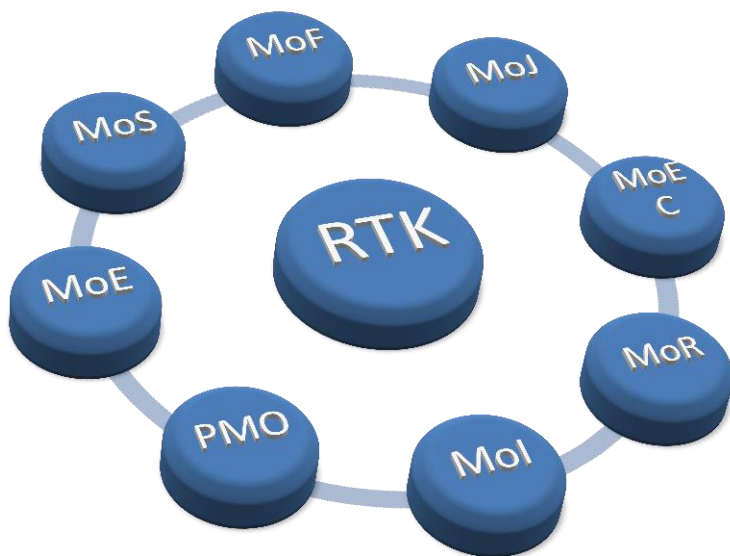


## Services

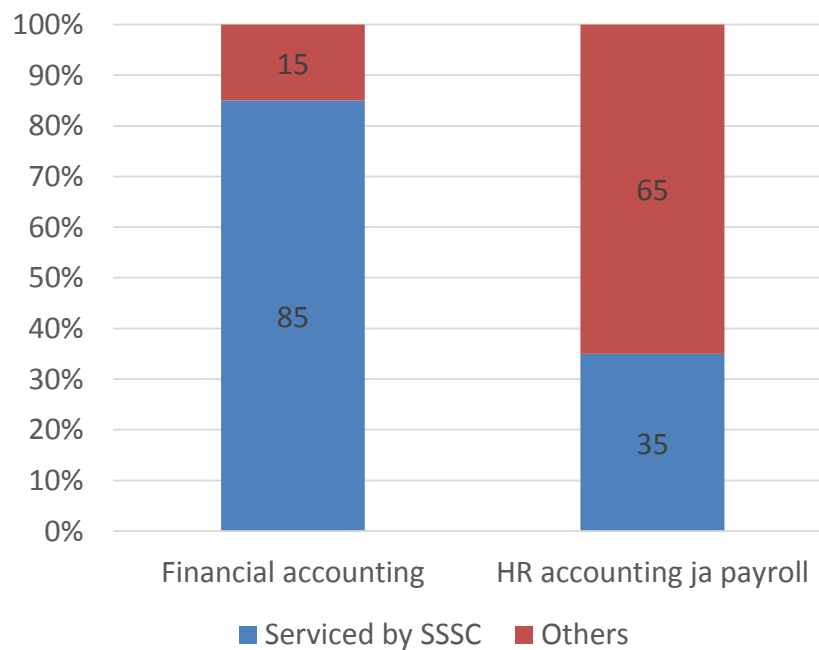
- ✓ Financial accounting
- ✓ HR accounting and payroll;
- ✓ State General accounting
- ✓ Development of state financial standards, implementing and advising
- ✓ Management of state claims
- ✓ Development and administration of common accounting and payroll information system;
- ✓ Procurement



## Clients

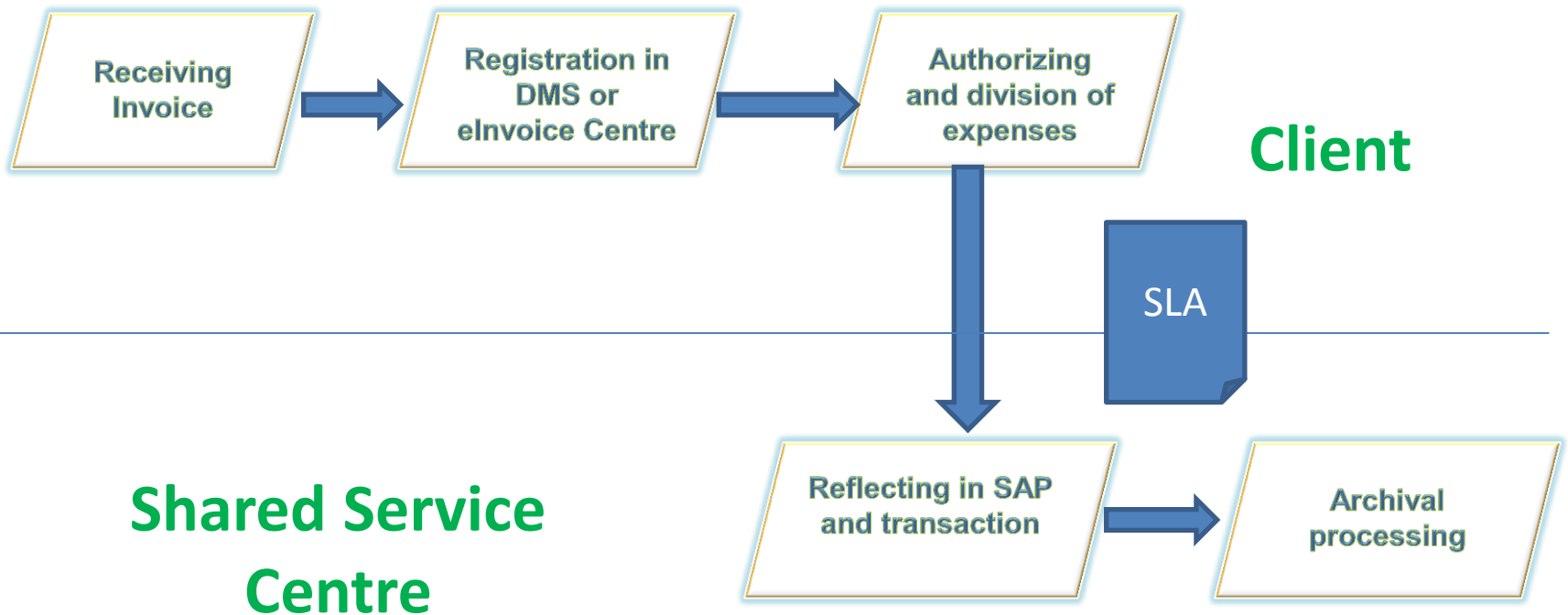


### Volumes of clients served





# Division of responsibilities





## Service Level Agreement

- ✓ Regulates the rights and obligations of the parties;
- ✓ Principles concerning provision of services;
- ✓ Modes and responsible persons in communication;
- ✓ Detailed model of operations;
  - ✓ Who does what;
  - ✓ Deadlines for each activity;
  - ✓ Forms or minimal requirements of information provided;
  
- ✓ Does not include KPI-s;



## Process of taking over provision of services

### Planning

- Project plan for each service centre
- Updating regulative documents (statutes, processes, SLA etc)
- Assigning Member of Supervisory Board

### Personnel

- List of positions transferred
- Notification letter to employees about transferal of the position;
- Changes to the contract or job description;
- Relocation of the employees to the SSSC

### Financing

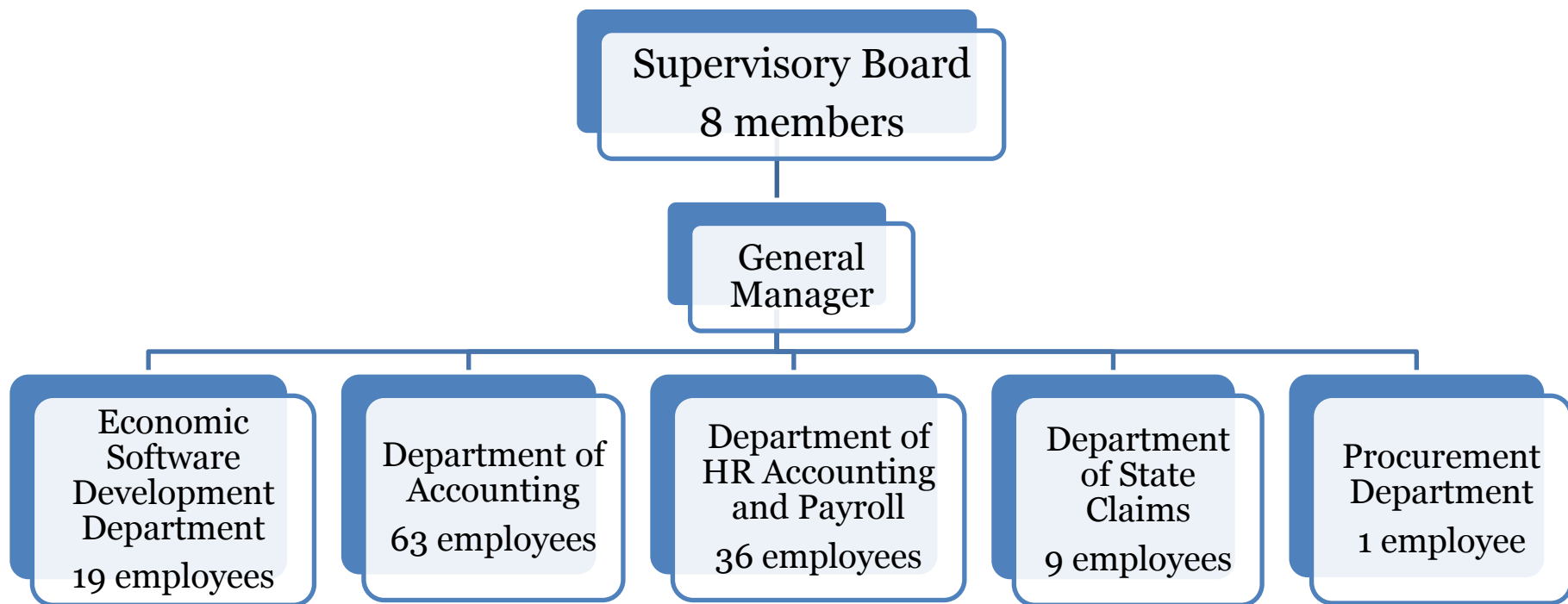
- Evaluation of the cost concerning provision of services (salaries, administrative expenses);
- Transfer of the finances through state budget;
- Resources saved are cut from the budget of SSSC;

### Infrastructure

- Preparation of premises;
- Move of the equipment (furniture);
- Necessary changes to the IT systems

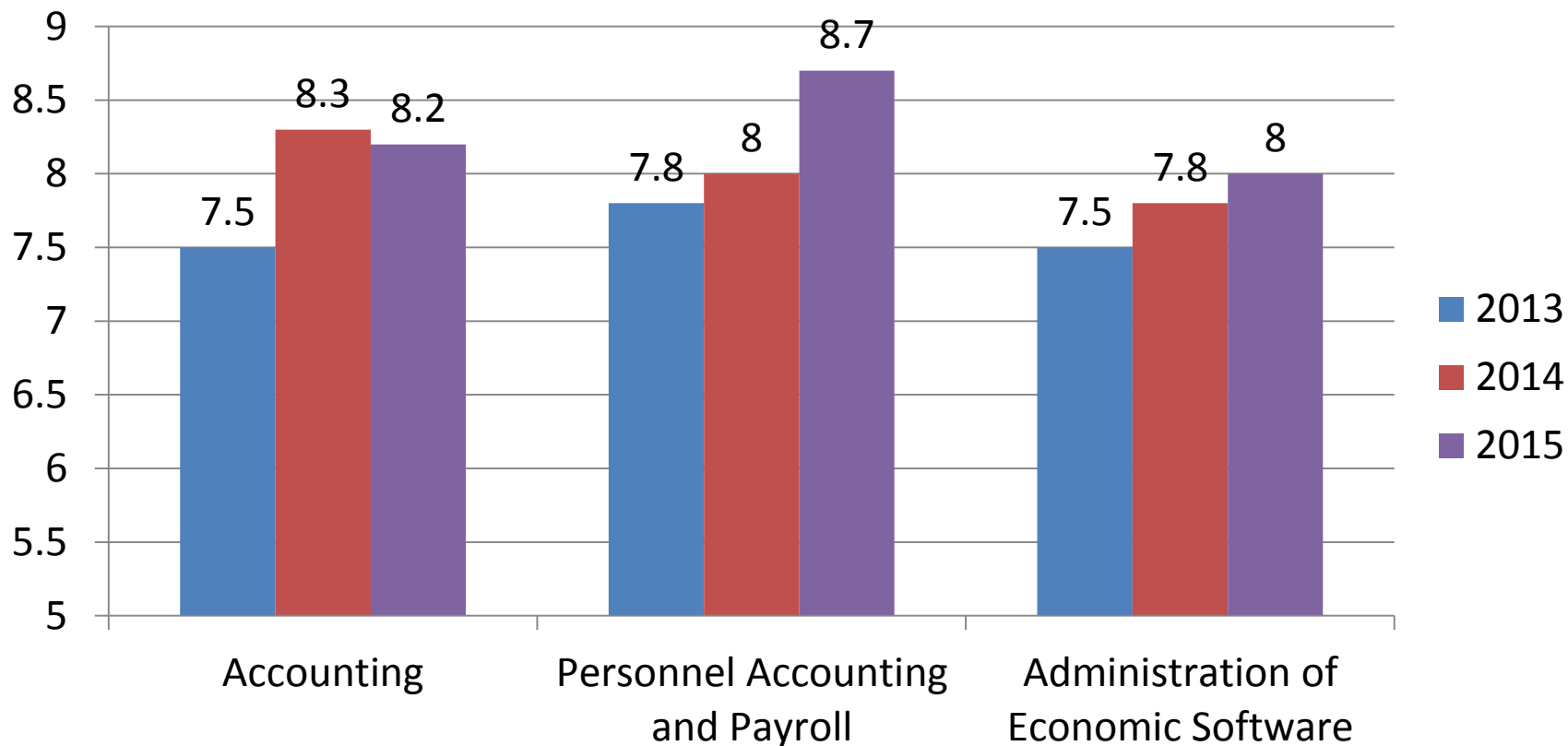


## Organisation





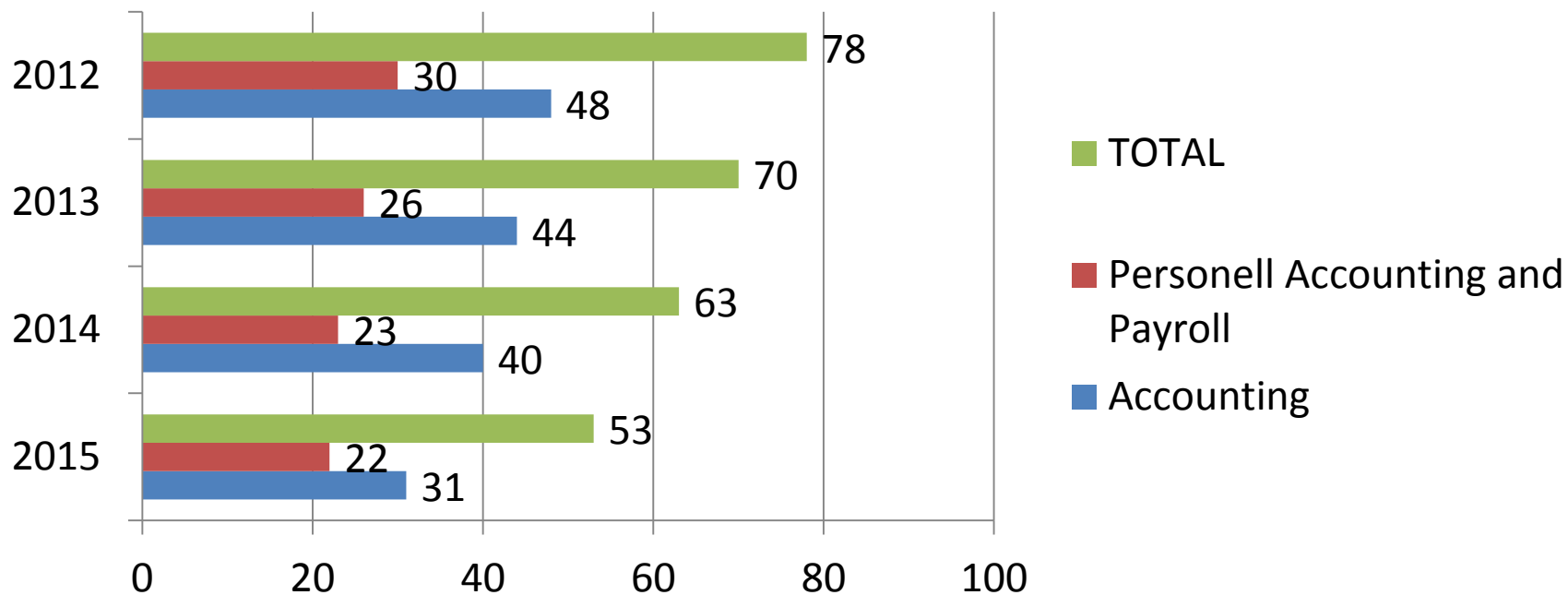
## Results - Client Satisfaction







## Results - Efficiency





## Results - Efficiency

Goal	Indicator	2012	2015	Target 2018
<b>High cost efficiency of financial accounting</b>	Number of invoices proceeded per accountant FTE	535	741	1000
<b>High cost efficiency of personnel accounting</b>	Number of employees per personnel accountant FTE	724	1159	1300
<b>High cost efficiency of payroll</b>	Number of employees per payroll accountant FTE	724	1086	1250



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## Main learning points



Change of minds from officials to service providers;



Agreeing common processes;



Keeping touch with clients;



Fear of losing “control” (no to centralization);



Dealing with decreased competences in smaller institutions;



Possibility of creating jobs outside of capital region;



## Project Results (31.12.2015)

- ✓ All state agencies are using common financial software (SAP);
- ✓ All invoices are processed in e-invoice environment (only 10% are presented as fully digital e-invoices)
- ✓ Financial and HR information is available on web-based reporting system (SAP BusinessObject);
- ✓ Self Service Environment is developed for information concerning vacations, business trips, trainings and assets;
- ✓ Quality of accounting has approved;
- ✓ Number of employees of support services has reduced by 24%:
  - ✓ 22% in centralized units;
  - ✓ 32% in SSC



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# **Phase III: Expansion of Services Provided**



## State Government decision from 29.05.2015:

- ✓ Consolidation of financial, HR and payroll accounting of all state institutions to SSSC by 01.04.2017;
- ✓ At least 50% jobs related to provision of support services in SSSC outside of capital region (Tallinn);
- ✓ Build up central procurement unit in SSSC;
- ✓ Continue with analyses to implement additional support services through SSSC.



## Development plans

- ✓ Implementation of full-digital e-invoicing in B2G relations;
- ✓ Implementation of accrued-based state budgeting in 2017 and result-based state budgeting in 2020;
- ✓ Development of procurement services;
- ✓ Offering shared services to state foundations;
- ✓ Development of recruitment, training and other HR services in SSSC;



**RIIGI TUGITEENUSTE KESKUS**

**Thank you!**

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