

Transformation through shared services

Improving quality, increasing efficiency



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local futures 

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The CBI's Public Services Strategy Board—promoting quality and value in public services through competition and choice

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Foreword

Inefficiency in our public services not only undermines public confidence, it prevents more children benefiting from better schools, more patients receiving new and better treatments and deprives us of the chance to invest to keep crime down. As part of the community and as a funder, user and provider of public services, business is affected like everyone else. The business case for greater efficiency in public services is simply unanswerable.

The government recognised this when it commissioned the Gershon review—but that should only be the start. The CBI hopes that the forthcoming Comprehensive Spending Review will mark a new departure for public sector managers and policymakers, with a clearer understanding that the search for greater efficiency is not about a once in a decade review—but a continuous process.

If managers and policymakers are to be accountable for efficiency—and that is now essential—they also need the skills and outlook required to deliver. An organisation can have the most advanced technology and streamlined processes, but if it does not believe in its staff or is not ready for the change, it is unlikely to succeed. Delivering effective services also means listening to your customers to understand exactly what they want.

This new report from the CBI gives examples of how service is improved and efficiency enhanced through shared services. The examples show that significant benefits can be achieved quickly once change is implemented. Strong change management and the use of new technology has enabled organisations to streamline support services such as HR and finance administration while at the same time improving customers' experiences of using the service.

BT transformed its delivery of front-line services to customers by introducing initiatives for sharing services in its customer contact centres. Customers are receiving higher standards of service as a result of the company significantly investing in new technology and extensively re-training staff. The number of people calling the centres more than once has dropped substantially and the number of complaints declined markedly in all areas.

The Capita shared service centre for administering teachers' pensions and other pensions schemes has transformed processes and improved customer service. Staff now have electronic access to all members' files which has enhanced efficiency and enabled quicker and more accurate responses to queries. The operating model for the centre is now highly automated, efficient and has a strong customer focus.

HM Prison Service is introducing a shared finance, procurement and HR service that represents leading practice in central government shared services. Competitive pressures have meant public sector prisons have a challenge to improve their organisational efficiency and quality of services. This example demonstrates that as well as reducing costs, the service is expected to improve service levels, process efficiency, management information and customer focus.

We see this report as a challenge to everyone—from the Cabinet down—who has responsibility for public spending and services. If shared services can deliver real savings and better services, there can be no possible excuse for not driving hard—and now—for their widespread and rapid adoption.



Sir Digby Jones, Director-General, CBI

Executive summary

Shared services are a proven approach for improving service quality and efficiency in the private sector—and their potential to transform service delivery in the public sector is significant. Innovative collaboration between public service providers can deliver better services for end-users, through real service transformation, that could deliver savings to the UK taxpayer of an estimated £560m over the next two years. To take just one example, this report identifies that one public-private joint venture is on track to deliver efficiency savings of £224m for the health sector.

The Cabinet Office shared services team has done much to promote and support shared services initiatives, but more needs to be done. Political as well as administrative leadership is vital and now is the time to act to modernise the UK's public services.

To realise this programme of shared services, government needs to consider reform of processes within departments and also of how departments and agencies can work together to realise greater effectiveness and efficiency. Focusing services on the citizen will inevitably involve joint working between public sector bodies: outcomes can rarely be delivered by one department.

In local government, collaboration between authorities has traditionally been difficult. Problems have arisen in the process of specifying the shared service before it is anywhere near delivery. Successful joint working requires a number of complex issues to be resolved beforehand—including who the procuring authority will be, the budget and remit.

Along with helping to make public services more flexible and responsive to people's needs, shared services can support the development of a more flexible public sector. Standardising processes around a good model of service delivery can deliver significant benefits to all key stakeholders. It can help strengthen and empower public service employees by reducing bureaucracy for those working on the front-line. Management can focus more resources on key priorities and, importantly, improved services and efficiency deliver better value for users and taxpayers.

Private sector suppliers are aware of the complexity of public services and the diverse range of stakeholders that public bodies need to consider and are willing to meet the public sector's needs. But to do so, we need the government to articulate a clear plan and consistent messages on driving through transformation. This will give companies the confidence to plan and invest in the shared services market to innovate and respond with their own ideas and services.

The following report focuses primarily on the benefits of sharing support services particularly those which have common characteristics enabling them to be standardised. The examples clearly demonstrate that improvements to HR and finance administration can be realised in a relatively short space of time.

This report suggests ways the public sector can realise the full potential of shared services by engaging with industry, which has the capacity and expertise to implement change. The examples in this report demonstrate how the private sector has implemented a range of approaches to sharing internal services and the gains that have been made in complex organisational environments.

The CBI recognises that there are costs involved in setting up new shared services. There may be impacts on employment and workforce location but there will also be new opportunities for employees to specialise and focus on customer-facing work. It can be difficult for public authorities and political leaders to champion tough decisions. But decisions taken now to invest and save will deliver transformed services and value for money in the long run.

This report sets out the following recommendations

- 1 The government should provide leadership by example through the early implementation of shared services across central government departments. The Cabinet Office and Treasury in particular should encourage a similar commitment within government departments, their agencies and local government.
- 2 Progress reports should be made public and the National Audit Office and Audit Commission should conduct inquiries into existing shared services operations to establish potential efficiency gains in both central and local government.
- 3 The government should create incentives for the public sector to share services, including:
 - Requirements for departments to identify which services are 'shareable' for potential efficiency gains by second quarter 2007, and make available transition funding based on a three to five-year 'payback' period
 - Benchmarking best-in-class performance internationally across the public and private sectors and measuring public sector agencies' performance against these
 - Focusing on where there is most experience in creating shared platforms, for example in HR and finance administration
 - After a suitable transition period, financial allocations—including local government's revenue support grant—should be based on a presumption that the benefits of shared services are being secured
 - Utilising existing mechanisms including comprehensive performance assessments and public service agreements to drive and monitor shared services expenditure and performance against benchmarked targets starting in the fiscal year 2007/8
- Permanent secretaries and chief executives in each department, agency and local authority should have personal targets for the shared services programme within their own performance management objectives starting in the fiscal year 2007/8.
- 4 The Treasury should use zero-based budgeting in the Comprehensive Spending Review to create a 'burning platform for change' to make departments focus on the benefits and savings that can be delivered through shared services.
- 5 Guidelines for managing the employment impact of shared services should be jointly developed by government and key stakeholders. These should include advising on the balance of roles and responsibilities between procurer and suppliers, and should address issues such as training and re-training, re-deployment, counselling, outplacement, advice and guidance services and redundancy. Shared services should also be seen as a positive contribution to the implementation of the Lyons relocation programme.
- 6 The government should work with the wider public sector and the private sector to develop a strategy to ensure a sustainable, competitive supply market for shared services. This would involve ensuring there is market capacity and a range of procurement and commercial arrangements to ensure best value for money and efficient engagement of suppliers. It would also involve identifying means for assessing the viability of public sector, not-for-profit and private sector-led models of delivery.
- 7 The supply industry should continue to demonstrate its appetite and capacity for engagement in the shared services market, plus its flexibility of approach and models of engagement through a newly created forum for dialogue.

1: Why shared services?

The CBI wants to achieve efficient public services in the UK and in order to do this we need to consider how resources, expertise and knowledge are distributed across public services. There is an emerging consensus that a range of support services does not need to be directly delivered by central and local government. In particular, those that are transactional and process driven, while vital to the effective functioning of services, should not draw unnecessary resources from the front line. Shared support services can have a key role in releasing resources to transform front-line service delivery. Some front-line public services can also be shared if they have the characteristics of shared services, such as employing common processes that can be standardised (see definition).

As this report demonstrates, CBI members have achieved real service transformation and enhanced performance through intelligent transfer and sharing of their own internal process-driven activities. In doing so, they have been through some painful challenges but also developed expertise and experience in how to make shared services really work.

SHARED SERVICES DEFINITION

Shared services involves bringing together a set of back-office or front-office services common to multiple business units within a single organisation, or across a number of organisations. These services tend to share relatively standard end-to-end processes and associated enabling technology. The relevant parts of these services are placed into a single delivery structure that is customer-focused and performance-managed¹. Services suitable for sharing can be characterised as:

- Transactional and process driven
- Common processes that can be standardised
- High volume
- Geographically independent
- Requiring specialist personnel
- Highly capital intensive
- Demand from a single organisation being below critical mass.

The government recognises the need for more radical transformation of the UK's public services, building on and going beyond the efficiency agenda laid out in the *Gershon Review*. It is estimated that central government departments, excluding the Ministry of Defence and the devolved administrations, could save as much as £560m over the next two years if departments implemented 'best-in-class' HR and finance shared services. 'Best-in-class' organisations currently spend about 0.75% of their total expenditure on HR and finance. The government's advisory group on shared services estimates that 2.5% of the government's administration budget is spent on HR and finance².

The *Transformational Government* strategy³ makes the case for shared services for central and local government and argues that under the right conditions business process re-engineering and the use of technology can be an enabler for more efficient and more personalised services. But it is recognised that technology can only be an enabler and wider transformation is needed which encourages collaboration and user focus—shared services can be one of three pillars to achieve this transformation along with citizen centricity and professionalism. The e-government unit within the Cabinet Office and the Office of Government Commerce have championed shared public services but the agenda has not yet been mainstreamed across all departments and levels of government. There is great capacity and willingness now from the private sector to support government in developing shared public services, but considerable barriers to reform still remain in central and local government.

Shared services have yet to be recognised in practice as a driving force for real service transformation across the public sector. The CBI believes the business case for shared services is evident—economies of scale, better sharing of information across functional and organisational boundaries, aggregation of buying power for the purchase of leading edge solutions, greater opportunities for staff specialisation and a framework for continuous improvement and process innovation. Yet approaches to the implementation of shared services have tended to be ad hoc, incremental and technology driven, as opposed to being integral aspects of wholesale organisational transformations that lead to more effective, customer-oriented delivery of front-line and back-office services.

The reasons for this are complex. This CBI report accepts that the public sector in many ways represents a more challenging case for reform than a private company. One of the key barriers is a lack of managerial capability to sustain change within large organisations and also capacity to deal with the volume of transformational change initiatives. Procurement and business planning skills also need to be enhanced for the public sector to feel more confident about making a step change in service delivery.

To achieve real change, however, central government must take radical decisions to create genuine momentum in Whitehall and in local government. Some departments and agencies have made a good start in championing shared services—the Prison Service, for example—but there are general barriers to implementation. Shared services provide an opportunity for central government to look again at how it allocates resources to departments by benchmarking budgets against ‘best-in-class’ shared services and assessing this within the system of financial controls including Public Service Agreements (PSAs) and Comprehensive Performance Assessments (CPAs).

At the local government level, additional complications arise around local democratic accountability and concerns around the impact on, and location of, the workforce. The CBI believes the government should acknowledge that some shared services will lead to headcount reductions through efficiency gains and therefore plan to help local government manage any detrimental impact on their area. But if posts are reduced in one area, they can be created in another: in some instances, a shared service centre that commercialises its ‘offer’ to other organisations may have a positive impact on employment in the long term. The transfer of jobs to less dynamic local economies could have a positive impact on the government’s regional competitiveness agenda in terms of its PSA for narrowing the regional growth gap and would also support initiatives such as the ‘Northern way’. In the current environment, there are not enough incentives for local government to engage in more ambitious shared service projects—in particular, collaborative projects with other authorities where the greatest gains are to be made.

This report proposes how such incentives could be created and argues that performance regimes should be baselining and benchmarking services against the ‘best in class’ internationally and across the country to make clearer the potential gains that can be achieved through shared services.

We also argue that the current shared service ‘engagement model’ (currently an ad hoc interaction between the key actors—procurers, consultants, service providers) requires considerable attention. The responsibilities of all the parties engaged in shared services contract negotiations need to be developed and outlined by central government, following a consultation with the parties themselves. This means the creation of a shared services ‘market’ with clear parameters and obligations on all sides. Without such a market framework, supplier confidence will be limited—particularly where multiple public organisations procure a service jointly—and legal and consultancy costs will mount, while the potential for collaboration between public sector partners may never be realised.

A more radical policy shift towards the shared services model could not only achieve significant cost savings and release substantial resources for front-line services and core policy activity—it could bring direct and indirect benefits to citizens by significantly improving standards of service delivery. The government must make the case for shared services as an integral part of a wider service transformation and public sector reform and also act as an engine for the significant culture change required to reform public services. It must develop policies, performance regimes and spending patterns that create a culture and environment conducive to collaboration between public sector agencies, but also with the private sector.

2: Partnering with the private sector brings expertise

Private sector shared service providers have the appetite and capacity to support government in developing high quality shared public services which build on experiences of successful transformations in the private sector. The Northern Ireland Civil Service case study in this report demonstrates that it is possible to bring together a consortium, which in this instance helped to address change management, IT and operations. But entering the market is costly, so competition needs to be well advanced by government to assure service providers that shared services are a permanent shift in reform—not an ad hoc approach that will dissipate. Companies will be willing to invest more when there is further stimulation of the demand side of the shared services market.

Although shared services were pioneered by the private sector in the 1990s, many public sector bodies and not-for-profit organisations are delivering shared services. But the experience built up by the private sector points to the need for shared services to be carefully planned and integrated within wider programmes of organisational change. Implemented effectively, shared services have produced performance improvements and efficiency gains in companies such as Ford, BP, HSBC, Hewlett-Packard and Pfizer in addition to the case studies below.

In one survey of private sector shared services operations:

- Eighty-six per cent achieved or exceeded their performance improvement targets
- One hundred per cent achieved improved collaboration
- Seventy per cent realised productivity targets
- Eighty-four per cent achieved or exceeded customer satisfaction targets
- Seventy-three per cent realised cost savings targets
- One hundred per cent implemented better functional technologies⁴.

The case studies demonstrate a range of approaches to sharing internal services and the gains that have been made in complex organisational environments.

Shared services have not just been applied to finance and HR. Large organisations such as BT have completely transformed the way they interact with customers by revolutionising front-line customer contact centres. BT invested £144m in a four-year change programme that has already yielded cost savings of £242m and radically improved customer service.

CASE STUDY 1 SAP AND THE BANKING SECTOR

Major banks have transformed their operational efficiency by streamlining non-core business processes in finance, payroll, human resources and procurement. SAP has supported these transformations with its shared Enterprise Resource Planning (ERP) systems. For example:

- Bank of Ireland achieved a £1.3m reduction in support costs and reduced its headcount by 20% by

introducing single finance, human resources and procurement shared service centres within an overall ERP system. The mySAP financial system integrates 30 general ledgers and several payroll systems in 20 different units, enabling more accurate and consistent information to be produced more quickly

- Standard Bank has achieved annual cost savings of £2.9m and improved its financial position by introducing

a shared human resources system that has reduced the number of HR IT applications from four to one

- Barclays Bank operated more than 150 source systems and 13 different general ledger systems within a complex accounting framework. It initially introduced SAP financial systems and has since rolled out a single enterprise-wide ERP that has achieved annual cost savings of around £4m.

CASE STUDY 2

GENERAL ELECTRIC

General Electric (GE) has 11 global businesses operating in more than 100 countries, in diverse markets such as commercial finance, energy, healthcare and transportation. GE has more than 305,000 employees worldwide and market capitalisation of \$375bn (January 2005). It has transferred its non-core business functions, including

human resources, finance and IT support, to *Genpact*, the business processing outsourcing organisation within GE. The decision was made on the basis that multiple and varied businesses had many similar business needs. The scale of operations is massive — payroll for 240,000 employees, £40bn paid in accounts

payable, 80,000 accounts reconciled and two million calls per month.

The decision to share services within GE has yielded at least \$480m in additional profits per year, with savings of up to \$17 per employee per hour.

CASE STUDY 3

EDS EUROPE, MIDDLE EAST AND AFRICA (EMEA) FINANCE SHARED SERVICES

By 2002, EDS Finance had successfully implemented global standards in terms of the company's finance processes, methods, controls and tools. In 2003, a global programme was started to optimise resourcing, with transaction processing moving from country-based service delivery to centralised then offshore shared services operations. Starting in EMEA, this involved the consolidation of transactional service delivery into a new shared services

centre in Budapest, Hungary. The centre opened in April 2004 and by late 2004, EDS had completed transition for EMEA, with Canadian transactional processing being added in April 2005.

The centre now supports business operations in 18 countries, working in ten languages. The programme has generated over \$6m in savings and has enabled finance headcount in EMEA to be reduced by over 45%.

The key initiatives that enabled this to be achieved included the introduction of: scanning, workflow, and electronic archiving solutions; increased standardisation of low-level processes; increased use of automated invoiced matching and bank reconciliation; increased use of procurement cards and supplier self-service.

CASE STUDY 4

BT CUSTOMER CONTACT CENTRE

BT faced the challenge of improving its customer experience in order to secure existing and new sales, while also reducing its operational costs. BT has a strong public sector heritage and this was reflected in an organisational structure in which relatively discrete operating units handled different products, telephone numbers and geographical areas. One hundred and fifty separate customer contact centres

handled 850 million calls in 2001/02. This made it very difficult for callers and operators to find the right unit to handle enquiries. BT had more than 7,000 telephone access numbers and 39% of customers had to make repeat calls.

BT's change management programme brought in a shared service management process and culture together with new operating software, improved call

routing and developed new knowledge management systems. It has reduced the number of access numbers to 374 and the rate of repeat calling to 15-20%. At the same time, the organisation has saved £100m by reducing the number of callcentres from 150 to 35 and headcount from 22,000 to 17,800.

Advantages of working with private sector service providers

Private sector service providers have developed specialist capacities, expertise and experience that can help the public sector to make shared services a success. Working in partnership with the providers will enable the public sector to access their specialist skills, management teams, economies of scale and existing capacity to design and implement major change management programmes.

There are a number of other reasons why it makes sense to develop a shared services market which opens up the provision of shared services to external service providers.

Accountability through contract governance

Transferring operations to an external partner provides a contractual framework for high levels of accountability and customer responsiveness around delivery. This can be achieved through targets, which are specifically focused on outcomes, and Service Level Agreements as well as incentives and penalties to promote high performance. Such levels of accountability and transparency are not often found with in-house operations.

Competition and innovation

As long as suitable benchmarking and performance assessment models are in place, the pressure of competition between providers should drive up standards, encourage innovation and create the potential to reduce costs in the private and public sectors. This enables continuous improvement, something that has proved harder to achieve when services are kept in-house.

Utilising existing infrastructure and reducing transition costs and risk

Service providers have already invested in large shared service centres that have been developed over time to improve their in-house processes and those of external organisations. Transferring operations to an external service provider will enable the public sector to take advantage of this existing shared service infrastructure, reducing their opportunity costs in the transition and development of a new scheme. This provides better continuity of service and is often more efficient than trying to build around current processes that need to be sustained.

Transferring operations in this way also allows faster and more comprehensive service transformation, reducing the reliance on incremental change of existing provision. Such an approach should also reduce consultancy costs for the public sector. Transferring operations to a large supplier also provides the potential to use annualised transition costs over the lifetime of the contract to recoup the initial expenditure. Transferring operations will also enable the public sector to

take advantage of the often more advanced risk management expertise that exists in service providers and thus share risk more effectively.

Greater flexibility

Service providers can offer greater flexibility to manage service volume fluctuations, providing variable rather than fixed costs and handling the consequential changes in staffing that result through having flexible systems already in place.

Consolidation

The shared services market is already fragmented and fragmenting further as an ad hoc approach develops. More comprehensive collaboration and sharing between larger public sector bodies and local authorities, for example, will bring greater economies of scale and efficiencies in disaster recovery. It will also enable more shared platforms and systems to be deployed which should deliver more joined-up services and more effective flows of management information.

Alternative capital investment

With increasing pressures on the public purse, the private sector could be a vital source of investment capital in systems, transition and change programmes without distorting the government's public spending priorities.

Workforce development, motivation and business opportunities

While implementation of shared services is likely to impact on headcount and workforce location, service providers will also provide new opportunities for employees to specialise more. This could also create opportunities to attract other clients and use the infrastructure and staff to redeploy surplus staff created by productivity improvement. As process-driven and standardised services are increasingly opened up to global competition, the UK public sector provides an ideal opportunity for process innovation and developing competitive global businesses around shared services.

New opportunities for policy and strategy

The shared services model gives the public sector opportunities to direct the provider to meet wider government economic and social policy goals—eg the location of centres in regeneration areas, increasing diversity in employment and the inclusion of SMEs and community interest companies in supply chains.

Annualised costs

A well-structured contractual relationship with the private sector could deliver savings for the public sector annually throughout the contract, including the initial years when there would be additional transitional costs which could also be annualised. Open-book accounting and shared profit schemes would offer further incentives for the public sector.

3: Drivers for success

The government has made real progress in advancing shared public services as a solution to the twin challenges of enhanced efficiency and better quality services. The Cabinet Office's e-government unit has championed shared services since the *Transformational Government* paper and this should continue with further announcements in the forthcoming Local Government White Paper and the 2007 Comprehensive Spending Review.

Implementing change will not be easy. The CBI believes a sustained programme of political and managerial leadership from the centre of government will be critical in overcoming barriers to change. There is ministerial and Cabinet Office commitment to a programme of shared services but we are concerned about the potential for this drive to dissipate. Many departments, ministers, chief executives and permanent secretaries will have to be convinced along the way. Senior civil servants will also face major challenges in creating buy-in at all levels of the public sector.

We have identified four key drivers for success:

- Understanding the full potential of shared services to deliver organisational change

- Leading from the centre: re-thinking spending patterns
- Benchmarking against the best in local government, incentivising and managing the workforce impact
- Creating a market for shared services.

Understanding the full potential of shared services to deliver organisational change

Private sector support in developing shared services extends far beyond the delivery of ICT systems into complex programmes of change management. A key driver is to improve public sector understanding of the full impact that best-in-class shared services can have in terms of efficiency gains and service transformation.

There are differences in knowledge, experience and risk management between the public sector and service providers that need to be managed carefully and we acknowledge that service providers have an important role to play in building confidence and up-skilling their public sector partners.

CASE STUDY 5 XANSA AND THE DEPARTMENT OF HEALTH

In April 2005, the first ever 50:50 joint venture was established between the private sector and the Department of Health. NHS Shared Business Services was launched to provide business services to NHS organisations—combining NHS finance experience with Xansa's world-class finance and accounting service and commercial expertise.

NHS Shared Business Services operates as multi-client shared services centres. It offers NHS organisations convergence coupled with skilled specialist resources.

By sharing support services the initiative will deliver efficiencies and cost savings of £224m through:

- Streamlined standard processes
- Standard technology platforms
- Reliable service delivery
- Shared infrastructure and assets across multiple organisations in the NHS
- Significant economies of scale.

The initiative frees up time and resources for reinvestment into frontline patient care. The shared

service approach also helps trusts meet the continuing challenges of structural change in the NHS. After just one year of operation, NHS Shared Business Services already provides services to over 100 trusts and expects this significant growth to continue.

The success of the partnership between Xansa and the Department of Health demonstrates the enormous potential for sharing services across the public sector as a whole.

CASE STUDY 6

EDS AND THE MOD

The Armed Forces Personnel and Administration Agency (AFPAA) was formed in April 1997 to bring together personnel records, Management Information Systems (MIS), pay, pensions and systems support for the Army, Royal Navy and Royal Air Force. EDS was awarded the support contract in January 1998 in the form of an outsourced PFI contract. The project was huge in scope and cost with multiple HR organisations, geographies and processes involved in creating AFPAA, including:

- 260 IT applications across the three services
- 310,000 pay and 345,000 pension payments per month.
- Over 1.6 million pay/personnel and pension records
- Support for 9,000 desktops worldwide.

To mitigate risk, the contract was initially 'co-sourced' with responsibility for IT harmonisation transferring to EDS but responsibility for people and

process change remaining with the MoD. Governance for the project was highly 'democratic', with a steering group consisting of individual heads of HR of equal status. This separation of responsibilities and the uncertain commitment and capacity to address the wider change management issues meant the contract for the original service was close to failing by mid-2000.

In response a new, wider change management approach was adopted, and a new contract was drawn up (the Joint Personnel Administration (JPA) programme) to reflect this. The JPA requires AFPAA to deal directly with service personnel as first point of contact, rather than via unit HR functions. The new Head of MoD HQ HR was given a clear mandate and authority to chair the steering group and given responsibility to lead change and harmonisation. A dedicated HR account team was set up to support the AFPAA transformation, train and redeploy staff, liaise with MoD HR and unions

and manage a robust communications programme. EDS and its sister company, AT Kearney, worked with the client to help them plan a transformative change programme.

This new approach, involving the simplification and harmonisation of processes and policy and the linking of technology to wider strategic business change, proved to be highly successful. With a global audience of 300,000 with 6,500 concurrent users, JPA is one of the largest implementations of Oracle HRMS and payroll, delivering £750 million cost savings over a ten-year period. This includes a head-count reduction of over 40% within AFPAA. As EDS suggests: *'Technology alone does not transform an organisation: it is only when technology is used in conjunction with robust, repeatable business processes coupled with partnerships based on trust and enthusiasm that they succeed.'*

The Ministry of Defence case study illustrates how a service provider can work closely with the public sector to overcome leadership and management challenges in complex organisations. It is also a good example of the appropriate use of change management consultancy, in this case EDS working in partnership with its sister company AT Kearney to implement both effective cultural change and new technologies.

The CBI appreciates the government is investing in the skills and leadership capability of senior civil servants and is also recruiting personnel from the private sector for key roles in the hope of creating greater momentum. But more needs to be done here, with greater investment in skills and training—particularly around procurement and strategic business planning.

A better understanding of the business case for shared services, as opposed to consolidation or centralisation, is required. Shared services can create real service transformation by combining the best of a localised, customised model (local

flexibility, accountability through SLAs, client ownership of strategy) with the advantages of a centralised model (economies of scale, common systems and processes and sophisticated management information systems).

A true shared services model should ideally involve the creation of a new centre with specialist expertise at management level, or the reform of an existing centre and its processes and systems which do not always demonstrate best practice. Such reform will involve real cultural change, with services driven entirely by customer demand and fully benchmarked.

Mass customisation has been the norm in the private sector for over a decade and enormous benefits have been reaped by providing local customised services based on standardised building blocks and shared services. While central government has investigated mass customisation and one-to-one marketing techniques, too often at the present time public sector reforms veer towards the localised model (highly tailored

CASE STUDY 7

SERCO HERTFORDSHIRE

Serco delivers IT support services and managed financial services for Hertfordshire County Council. Over time it has brought together disparate operating units, such as different payroll functions within the council, into one integrated service that uses a common SAP technological platform.

The payroll service has been commercialised and is now also provided to 35 public and private sector clients including the London Borough of Brent, Hertfordshire Police Service and Wales & West Utilities. Serco encourages these clients to use its technology platform and hence release economies of scale stemming from

standardisation. But barriers include local authorities demanding a highly personalised service that limits the potential efficiency gains of relatively standardised finance administration services. For example requiring different layouts to their payslips or different payment dates—simple issues that could be standardised but are often not.

CASE STUDY 8

PINNACLE HOMECARE

Pinnacle Homecare is a customer contact service for residents of social housing to report housing problems and order repairs. The service is provided for 70 different local housing authorities throughout the UK. Residents can call at any time and arrange for a problem to be fixed, such as a gas leak or burst water pipe.

Operators at the centre approach an appropriate company to undertake the repairs and importantly, provide a clear audit trail of the process.

The operating system records all actions electronically and this can be exported directly to housing authorities' own databases. Most of the process is

standardised, but the system allows the service to be tailored to the resident according to the standards of their housing authority—for example a gas leak should be fixed within one hour in some local areas but two hours in others.

but difficult to standardise) or the centralised, consolidation model (very standardised but less customer-focused). This may be politically easier in some cases, particularly at local government level, but it does undermine the potential of shared services to achieve genuine service transformation and efficiency savings.

It should also be borne in mind that public sector procurers tend to be risk-averse, seeking to avoid negative criticism at all times. This can often translate into a reluctance to purchase innovative, leading-edge solutions, as highlighted by the Office for Government Commerce and the Treasury's Cox Review of business creativity⁵.

Purchasing services from established shared service centres can be a way for the public sector to manage the risk involved in a new model of operating. Specialist centres can support multiple public sector organisations by selling a standardised service on the open market. A solution developed for

one organisation can easily be offered to others with similar needs, even if the needs of the procurer are slightly different. Some technology solutions enable a slightly different service to be provided that meets individual clients' requirements, within a standard operating framework. For example in the social housing sector, Pinnacle Homecare's customer contact centre provides different levels of service to social housing tenants in 70 different local areas based on individual local authorities' service requirements.

But procurers also have to accept that they are obtaining a standardised service that involves established working processes and operating systems. It is unlikely to be possible to make changes to the delivery model and still obtain the same economies of scale. So although the service cannot be completely tailored to individual organisations' needs, standardised services will generally offer lower transactional costs and a more established solution with fewer risks.

Leading from the centre: re-thinking spending patterns

Within central government there is evidence that some departments and agencies are starting to think about radical service transformation, supported by the Cabinet Office e-government unit. While it appears to be on the right track, progress has been slow in convincing many departments and a more general, government-wide commitment to shared services is a prerequisite for an effective market to develop. The CBI believes a public affirmation of shared services will send a strong signal to providers that real opportunities are likely to arise in the future and to departments, local government and devolved agencies that shared services are a reality.

Case studies such as the new Prison Service shared service centre and the Northern Ireland civil service HR contract are expected to generate significant efficiency and cost benefits, but these are the exceptions rather than the norm at the moment. Greater pressure needs to be applied at senior levels in the civil service to push for change.

RECOMMENDATION 1:

The government should provide leadership by example through the early implementation of shared services across central government departments. The Cabinet Office and Treasury in particular should encourage a similar commitment within government departments, their agencies and local government.

CASE STUDY 9 EDS AND HM PRISON SERVICE

HM Prison Service is investing £180m to fundamentally reorganise its support services within the Phoenix modernisation programme. The drivers for this programme were remaining competitive with private sector prison operators in terms of levels of service, management information and efficiency. New shared finance, procurement and HR services

are being implemented incrementally after initial pilots in each area, with 8-10 prisons adopting the services each week. Once up and running, the centre will run services such as recruitment administration and accounts payable.

The service uses an Oracle Enterprise Resource Planning system which was

implemented by HMPS' service supplier, EDS. EDS and HMPS have a long-term collaborative relationship and effective partnerships at senior levels have been built up over time. The shared service centre is on-track to reduce costs by £32m, significantly enhance service levels and improve process efficiency.

CASE STUDY 10 NORTHERN IRELAND CIVIL SERVICE E-HR

The Northern Ireland civil service (NICS) is transforming its delivery of human resources services for 28,000 civil servants as part of a broad programme of reforming public services. Personnel processes are being modernised, administration of personnel and payroll is to be delivered by a new shared service centre and outdated computer

systems are being replaced. The 15-year e-HR programme will involve services being phased in from 2007, with all new services becoming operational during 2008. Currently, 500 staff are employed within the civil service across eleven departments and in the new shared service centre 250 extra staff will be employed to do the same work.

Fujitsu Services, Capita, PWC and Oracle will work with NICS to transform the delivery of human resources services. The Capita HR shared service centre will employ around 200 people in central Belfast and deliver services across the entire civil service.

CASE STUDY 11

EDS AND BRITISH COLUMBIA MINISTRY OF SMALL BUSINESS AND REVENUE

The state of British Columbia is creating a Centre of Excellence for revenue management by streamlining the way government collects revenue, maximising revenue recovery and improving customer service. Historically, revenue management was dispersed across government, with monies owed collected by several ministries through 40 different recovery systems. As a result, 90-day debtors had grown to \$800m, write-offs were increasing and customers were experiencing multiple contacts with different organisations.

While the project was initially pursued in-house, following political change, benchmarking of current performance and a realisation that the necessary investment was not available, the state decided to work in partnership with a service provider. EDS Advanced Solutions Inc was chosen as the partner to create, invest in and implement a shared Revenue Management System that is on track to generate net revenue benefits of \$382m to government over ten years.

Significant progress has also been made in improving customer service.

The volume of customer contacts has increased significantly as EDS has implemented a more efficient feedback system and the quality of service has also improved. In the first year of operation (before full IT outsourcing):

- Customer complaints were reduced from over 100 a month to ten
- Customer contacts increased from 97,600 to 180,000 per month (vital to improving collection rates)
- Average call waiting time for billing enquiries was reduced from 15.9 minutes to one minute
- Call abandon rates were reduced from 30% to 10%, despite higher call rates.

What more could government do to encourage departments to take a more comprehensive approach towards sharing services? In central government the 2007 Comprehensive Spending Review offers a major opportunity to embed the kind of efficiencies that shared services can provide. The current allocation of corporate services budgets, which is departmentally driven, is one area ripe for examination. HM Treasury could pilot the convergence of these budgets, perhaps beginning with smaller agencies, and then ask that they collaborate together to create a shared services platform and centre for HR administration and finance. The government should also build on its citizen segment director model and build in greater accountability, in performance management regimes, for resource management at permanent secretary level.

The Canadian example of British Columbia's Ministry of Small Business and Revenue demonstrates the potential for shared services across large public sector bureaucracies.

RECOMMENDATION 2:

Progress reports should be made public and the National Audit Office and Audit Commission should conduct inquiries into existing shared services operations to establish potential efficiency gains in both central and local government.

Benchmarking against the best in local government, incentivising and managing the workforce impact

Some of the greatest potential gains from shared services lie in the local government sector. Only 17% of local authorities were actively sharing services in 2005, according to a survey for the Office of the Deputy Prime Minister (now the Department for Communities and Local Government). There are some signs that demand will increase over time, with 48% of local authorities 'considering shared services in the future'⁶. There are a few cases of local authorities collaborating to jointly purchase a shared service, such as in Staffordshire Moorlands and Lichfield.

Each of the 469 local authorities in the UK provides very similar Revenues & Benefits, Payroll, HR and customer services. At present, almost all provide these services individually to their citizens. The evidence from the private sector suggests massive economies of scale could be achieved if services were scaled up and provided for multiple organisations, assuming services can be sufficiently standardised between organisations.

Capita's Local Government Services Centre, based in Bromley, is one of the largest and most successful examples of local government shared services in the UK. It includes fully managed Non-National Domestic Rates Services, fully managed

council tax services, short-term revenues processing, systems and technical support and revenues and benefits training and consultancy. Its clients include 16 local authorities of which five are London boroughs. Capita has achieved significant reductions in the cost of administration through reduced management overheads, and economies of scale through combined processing, staff saving and access to a wide pool of management expertise and experienced staff.

The CBI recognises that local government is in some ways a tougher market for shared services, given the need for local democratic accountability and the impact of shared services on local employment patterns. Local government requires real incentives to embark on transforming shared services. It needs to understand the potential improvements that a shared services model can bring in comparison with existing provision. It also needs to feel confident in handling the impact on the local workforce.

Promoting incentives for partnership

The Audit Commission can play a stronger role in encouraging shared services adoption in local government. It could issue guidance which develops new forms of benchmarking against existing best practice nationally in local authorities which have adopted shared services (eg Liverpool Direct). This could be implemented through Best Value or the Comprehensive Performance Assessment.

The government should also examine ways of incentivising local authorities to work with service providers in shared services projects through the development of new models of public-private partnership. These could include the application of new forms of joint venture companies, open book accounting, profit sharing between provider and procurer, and models of partnership based on education and NHS experiences of the Local Education Partnership (LEP) and Local Improvement Finance Trust (LIFT) projects. The latter would enable public sector bodies party to the procurement to hold an equity share in the programme. Such an approach would reduce risk considerations for the private sector providers and encourage the development of a more entrepreneurial culture within local government.

BT and Liverpool City Council took the partnership route and formed a joint venture, Liverpool Direct, to deliver shared HR, finance, ICT and customer contact services across the council. Liverpool Direct is owned 80% by BT and 20% by the council, although the council retains strategic control through special governance mechanisms. Through this structure, Liverpool Council has minimised its commercial risk and is not liable for any losses. Profits are shared so that some commercial returns can be retained by the private sector, but the overall contract fee for Liverpool is reduced. The contract includes a number of service improvement targets for monitoring performance.

CASE STUDY 12

SERCO AND STAFFORDSHIRE MOORLANDS AND LICHFIELD DISTRICT COUNCIL

The district councils of Lichfield and Staffordshire Moorlands wanted to implement new technologies to meet their e-government objectives and enhance value for money following Best Value Reviews. They worked in partnership to jointly purchase shared ICT support services from Serco Solutions, including desktop

management, infrastructure, database management and helpdesk support.

By working together, the councils:

- Forecast efficiency savings of more than £700,000 over the five-year contract
- Have split the costs of procurement and their legal and consultancy fees

- Have improved customer satisfaction, for example to 80% in Lichfield
- Have achieved a nationally recognised, common standard of service delivery
- Have received national awards from the ODPM (including £150,000 of funding), the Society of IT Managers and the National Outsourcing Association.

CASE STUDY 13

CAPITA – NATIONAL NON-DOMESTIC RATES (NNDR) FOR LOCAL AUTHORITIES

Capita has for many years been involved in the collection and administration of National Non-Domestic Rates (NNDR) for local authorities, with centres usually located at the site of the client. Capita took the decision five years ago to take all its existing NNDR contracts in to its local government shared service centre in Bromley. It currently provides fully managed NNDR for nine local authorities: Westminster, Lambeth, South Buckinghamshire, Kensington & Chelsea, Bexley, Brent, Havant, Mendip, East Cambridgeshire and – from August 2006 – South Oxford and Vale of White Horse.

This team provides a full back-office NNDR service, managing 70,000 assessments and collecting £1,356m per year. The NNDR Team consists of 68 permanent staff operating within the following five sections:

- Valuation
- Billing and collection
- Recovery (bailiff liaison and instruction)
- Post-bailiff enforcement
- System administration.

Each contract has a specific client manager and dedicated collection staff to ensure the client has a consistent point of contact. The remaining tasks are managed according to function, with the five specialist sections responsible for the specific disciplines across all contracts. This ensures every element of the service has a specific focus and the correct level of expertise.

The specialist sections result in a very high skill base in each functional area with staff who are experts in their respective fields—essential in areas such as valuation, system

administration, or where a consistent approach is required such as in recovery when dealing with bailiff cases. This specialisation greatly increases the efficiency of NNDR processing and lowers the risk of error and failure, resulting in major performance enhancements.

Because of the large scale of the overall operation and level of expertise within each team, Capita is in a strong position to take on new contracts from clients of different sizes and with different needs. With the management overheads and infrastructure in place, Capita is able to offer clients highly competitive rates: in many cases their price is 20% less than the cost of collection allowance provided by central government. Capita is also able to offer contracts with an annual price reduction for services as the scale of its operation increases.

CASE STUDY 14

BT AND LIVERPOOL CITY COUNCIL

Liverpool Direct is a ten-year, £300m project established in 2001 to deliver integrated public services for 500,000 residents. It has achieved real improvements in the quality of service and has reduced the council's cost base by more than £100m over five years. In this time, performance against KPIs has improved by 70%, 500 databases have been merged into one master system and headcount has decreased from 206 to 120 people.

Liverpool Direct carries out revenues and benefits, human resources and payroll, customer contact centre and

ICT infrastructure services. The contact centre takes around 200,000 calls a month, handling 80% of the council's front-line services and resolving 90% of queries first time. Information has been integrated, for example regarding education grants, school meals and transport costs. This has helped to increase call success rates from 4% to 90%. The centre has also collected £1.8m of council debt in 18 months.

Liverpool Direct has improved revenues and benefits processes, introducing a document management system and rationalising databases. A backlog of

50,000 queries has been brought under control. Compliance with national benefits standards has increased from 54% to 94% and council tax collection now stands at 97%. Rent arrears of £1m have been collected.

Human resources processes have been improved so that most information is provided on an intranet, allowing some telephone answering staff to be re-deployed. Better management intelligence has also helped to reduce absenteeism from 16.5 to ten days per year.

One of the key success factors of this approach is the nature of the partnership between the public and private sectors, which has created a real sense of joint purpose and joint leadership. The governance arrangements include incentives for both parties to exceed service level agreement targets. As a result, radical changes have been achieved in levels of service to citizens, cost savings and commercial gains on both sides.

RECOMMENDATION 3:

The government should create incentives for the public sector to share services, including:

- Requirements for departments to identify which services are 'shareable' for potential efficiency gains by second quarter 2007 and make available transition funding based on a three to five-year 'payback' period
- Benchmarking best-in-class performance internationally across the public and private sectors and measuring public sector agencies' performance against these
- Focusing on where there is most experience in creating shared platforms, for example in HR and finance administration
- After a suitable transition period financial allocations—including local government's revenue support grant—should be based on a presumption that the benefits of shared services are being secured
- Utilising existing mechanisms including comprehensive performance assessments and public service agreements to drive and monitor shared services expenditure and performance against benchmarked targets starting in the fiscal year 2007/8
- Permanent secretaries and chief executives in each department, agency and local authority should have personal targets for the shared service programme within their own performance management objectives starting in the fiscal year 2007/8.

RECOMMENDATION 4:

The Treasury should use zero-based budgeting in the Comprehensive Spending Review to create a 'burning platform for change' to make departments focus on the benefits and savings that can be delivered through shared services.

Managing the workforce impact

Government must recognise that shared services implemented properly will have an impact on overall levels of employment and the geographical location of jobs. Shared services must be understood as striking a balance between service improvements, efficiency and employment. The government must take the lead in shaping this balance.

In the long term, shared service centres can have a positive impact on employment by winning multiple public sector contracts, such as Capita Hartshead in Darlington.

Often jobs will be relocated to areas with weaker labour markets and lower labour costs. Such areas, often in disadvantaged areas of the country, can gain significantly from this kind of investment. For example, the relocation of Westminster's revenues collection to Blackburn—following a shared services agreement with Capita—significantly reduced recruitment costs for the council as London revenue officers are in high demand, while also boosting the Blackburn economy. The Lyons Review on public sector relocation in 2004 recognised that functions such as support services do not need to be in London and the South East and that the authority and effectiveness of many bodies and functions would be enhanced by relocating to an area outside the capital.⁷

Early stage consultation and communication with employees and other stakeholders, including trade unions and other local representative bodies, will be vital in achieving a partnership approach to shared services implementation and, again, government should take the lead here in creating a framework for dialogue.

RECOMMENDATION 5:

Guidelines for managing the employment impact of shared services should be jointly developed by government and key stakeholders. These should include advising on the balance of roles and responsibilities between procurer and suppliers, and should address issues such as training and re-training, re-deployment, counselling, outplacement, advice and guidance services and redundancy. Shared services should also be seen as a positive contribution to the implementation of the Lyons relocation programme.

CASE STUDY 15

CAPITA AND TEACHERS' PENSION SCHEME

Capita Hartshead has successfully administered the teachers' pensions scheme for the DfES since 1996 and has built on that contract by offering commercial, standardised pensions services to other organisations. Capita has been able to re-deploy 90 employees from the original contract to other private and public sector contracts.

The teachers' pensions contract has been highly successful in terms of efficiency and performance. The cost base has been reduced from £17m to less than £9m while average performance levels of 98% far exceed service agreements. The centre has been awarded ISO9001 accreditation for its approach to continuous performance improvement, making major changes including a new electronic data

management systems and a specialist customer contact centre operation.

Capita has since commercialised these pensions services and has won contracts for the principal civil service pension scheme, paying 560,000 civil service pensioners approximately £3bn per year, and ten major private sector companies — including Gillette, Black and Decker and AT&T.

Creating a market for shared services

The current environment around shared services is not encouraging for service providers seeking long-term, collaborative partnerships with the public sector to deliver real service transformation. We have already examined some of the drivers for change, but in terms of the actual 'process of engagement' of service providers there is still much room for improvement.

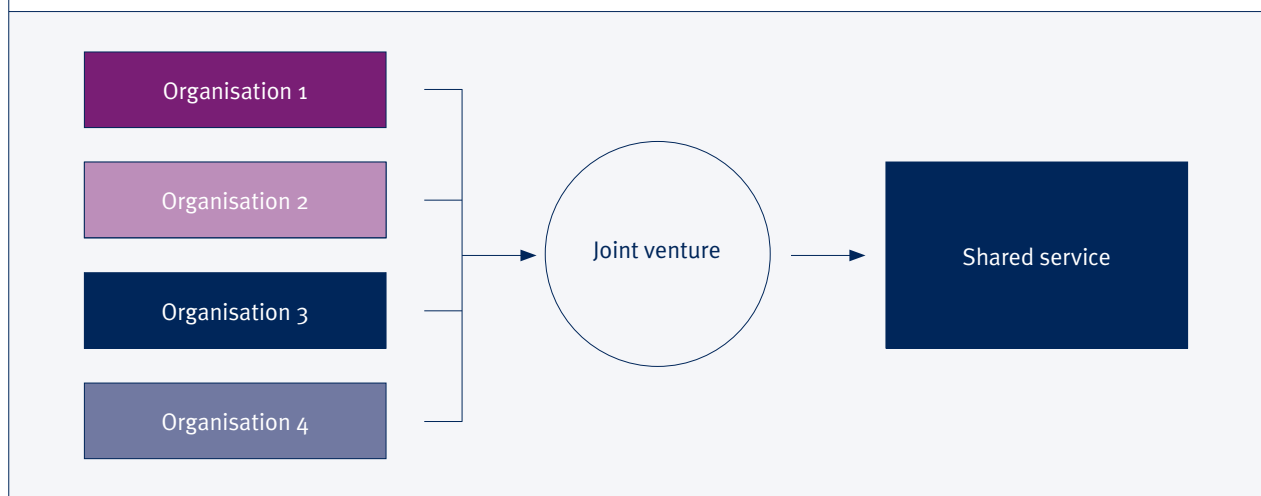
Shared service projects tend to arise on an ad hoc basis, with the involvement of several partners, including consultants and IT suppliers, often well before a service provider is engaged. While others have an important role, the CBI believes the service provider industry should be engaged

earlier and be recognised as the key partner with the deepest experience in driving through transformation.

One way for the public sector to share services is for multiple organisations with similar needs to jointly procure services from the private sector. If public sector organisations decide to collaborate in this way, the private sector needs to be confident of the levels of commitment from all organisations involved. Government should look to develop a joint venture model that can be confidently used by providers and procurers which cements the roles and responsibilities of different parties throughout the procurement and implementation processes (Exhibit 1).

EXHIBIT: 1

Collaborative model



There are examples of local authorities working successfully together in this way, for example that of Lichfield and Staffordshire Moorlands with Serco (case study 12, page 18) and South Oxfordshire and the Vale of White Horse with Capita.

The great advantage of this collaborative model is that it enables much greater aggregation of demand, which in turn provides opportunities to achieve economies of scale, greater investment and innovation in leading edge solutions by the provider. A single procurement exercise is vital here in engaging the service provider. This reduces the up-front costs of the service for service providers and procurers, in particular legal and consultancy fees.

But, all too often, such collaborative models fail because a joint venture company or other third-party organisation has not been formed and the lead organisation has been unable to convince others to commit to taking part. Without a contracted agreement between all the procuring organisations there is a high risk that some organisations will pull out during the procurement process—undermining confidence among service providers and hugely increasing the risk of bidding. Bids can be very costly in a new market so procurers have to make a definite commitment before expecting service providers to invest major resources in the project.

Service providers need assurances that shared services are a permanent strategic shift in public sector reform and that they will be pushed forward. At present the scope of shared services is not clearly defined across government in terms of functions, departments and agencies. In addition, governance arrangements have tended to be fluid—particularly where a joint procurement exercise is involved. For example, some councils have pulled out of a joint shared service operation at an advanced stage. This changes the scope of the contract, decreases its long-term value, damages the confidence of service providers and undermines the viability of the market.

Effective partnerships will be the key to the long-term development of shared services. Public sector procurers will be more confident making a purchasing decision if they have reliable, accurate information about the present capacity of service providers, their product offers and future plans. Similarly, service providers will be in a better position to make investments in technology, their people and their delivery models if they are confident of enhanced future demand. The costs of bidding can easily be prohibitive in a new market where long-term patterns of demand are uncertain. The e-government unit has made a start by bringing service providers together in a Shared Services Forum, but the demand side of the market from the public sector is still immature and requires further stimulation.

RECOMMENDATION 6:

The government should work with the wider public sector and the private sector to develop a strategy to ensure that there is a sustainable, competitive supply market for shared services. This would involve ensuring there is market capacity and a range of procurement and commercial arrangements to ensure value for money and efficient engagement of suppliers. It would also involve identifying means for assessing the viability of public sector, not-for-profit and private sector-led models of delivery.

RECOMMENDATION 7:

The supply industry should continue to demonstrate its appetite and capacity for engagement in the shared services market and its flexibility of approach and various models of engagement through a newly created forum for dialogue.

4: Unleashing the potential of shared service

This report has demonstrated the huge potential of shared services to drive forward service transformation in the public sector.

The private sector service provider industry is equipped with the capacity and appetite for implementing shared service programmes in the UK and across the globe and is ready and waiting to help government deliver its aim of world-class public services. Working in partnership with service providers will bring multiple advantages including greater accountability, innovation and competition, improved governance, quality and customer satisfaction, reduced costs, a more flexible and responsive workforce, access to alternative source of capital investment and new opportunities for workforce and third-party business development.

Yet significant barriers to change remain in central and local government and around the framework for the engagement of service providers.

Central government must drive the business case for shared services. Industry supports the proposals for individual central government departments to produce 'sector plans' for shared services but a more demonstrable commitment is needed to pursue the shared services model as an integral aspect of wider public service transformation. The market should not be allowed to develop in an ad hoc and piecemeal fashion. The Treasury should also explore mechanisms to converge corporate services budgets across departments and develop more effective baselining and benchmarking frameworks around non-core services so that existing provision can be measured against the best in class wherever it is found—in the public, private or third sectors.

The 2007 Comprehensive Spending Review and forthcoming Local Government White Paper are important opportunities to build momentum and bring together government and industry to make the case for shared services. The Treasury and Cabinet Office should use the Comprehensive Spending Review funding settlements to drive the shared services agenda.

But to achieve a step-change in delivery, the government needs to create policy and funding incentives to create a coherent and stable market. It must work together with industry to create the essentials for market growth. Stronger leadership, procurement and business planning skills must also be developed by the public sector. This must be backed up by an appropriate policy framework, effective information flows between service providers and procurers, and a pipeline of opportunities that give service providers the confidence to invest in 'best-in-class' technologies, people and organisational processes.

If successful, this could represent the start of a new era of more efficient, better performing public services integrated across delivery streams and funding structures.

Methodology

Calculating shared services efficiency savings

Estimates of the savings central government departments, excluding the Ministry of Defence and the devolved administrations, could make if they implemented best in class HR and finance shared services are quoted early in the report. These include:

- 'Best-in-class' organisations currently spend about 0.75% of their total expenditure on HR and finance administration
- Central government departments are planning to spend 2.5% of total managed expenditure, some £400m in both 2006/07 and 2007/08
- Central government departments could make cumulative savings of over £560m over the next two years if departments implemented 'best-in-class' HR and finance shared services.

The methodology used for reaching these figures is explained below.

Based on HM Treasury figures the CBI compiled an estimate of the total savings that could be made if departments reduced their total administrative expenditure to 0.75%, in line with best-in-class of the private sector.

HM Treasury projects that in 2006/07 and 2007/08 administrative budgets for central government departments will be £16.16bn and £16.07bn respectively.

According to the government's shared services advisory group 2.5% of this administrative budget is spent on HR and finance. This is projected to be £403.9m and £401.63m in 2006/07 and 2007/08 respectively.

Based on this information, by reducing expenditure on HR and finance to 0.75%, central government departments would spend £121.17m and £120.49m over the next two years, a saving of more than £560m.

Footnotes

- 1 Source: Adapted from IBM Business Consulting Services, 2005, *Shared services: Raising the game in the public sector*
- 2 See <http://www.buyitnet.org/Best Practice Guidelines/SharedServicesPubSect/docs/GI%20Vision.pdf>.
- 3 *Transformational Government: Enabled by Technology*, Cabinet Office, November 2005
- 4 *Shared Services in the public sector: A compendium of best practice* BuyIT Best Practice Network, 2006
- 5 Office for Government Commerce, 2004, *Capturing innovation*; HM Treasury, 2005, *Cox review of creativity in business: Building on the UK's strengths*
- 6 M. Hughes, 2005, *Evaluation of the Local Government procurement agenda*, Institute of Local Government Studies report for ODPM
- 7 Lyons Review, Independent Review of Public Sector Relocation, 2004

