



House of Commons

Committee of Public Accounts

Improving corporate functions using shared services

**Eighteenth Report of Session
2007–08**



House of Commons
Committee of Public Accounts

Improving corporate functions using shared services

**Eighteenth Report of Session
2007–08**

*Report, together with formal minutes, oral and
written evidence*

*Ordered by The House of Commons
to be printed 31 March 2008*

HC 190
Published on 8 May 2008
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

Current membership

Mr Edward Leigh MP (*Conservative, Gainsborough*) (Chairman)
Mr Richard Bacon MP (*Conservative, South Norfolk*)
Angela Browning MP (*Conservative, Tiverton and Honiton*)
Mr Paul Burstow MP (*Liberal Democrat, Sutton and Cheam*)
Rt Hon David Curry MP (*Conservative, Skipton and Ripon*)
Mr Ian Davidson MP (*Labour, Glasgow South West*)
Mr Philip Dunne MP (*Conservative, Ludlow*)
Angela Eagle MP (*Labour, Wallasey*)
Nigel Griffiths MP (*Labour, Edinburgh South*)
Rt Hon Keith Hill MP (*Labour, Streatham*)
Mr Austin Mitchell MP (*Labour, Great Grimsby*)
Dr John Pugh MP (*Liberal Democrat, Southport*)
Geraldine Smith MP (*Labour, Morecombe and Lunesdale*)
Rt Hon Don Touhig MP (*Labour, Islwyn*)
Rt Hon Alan Williams MP (*Labour, Swansea West*)
Phil Wilson MP (*Labour, Sedgefield*)

The following were also Members of the Committee during the period of the enquiry:

Annette Brooke MP (*Liberal Democrat, Mid Dorset and Poole North*) and
Mr John Healey MP (*Labour, Wentworth*).

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Mark Etherton (Clerk), Emma Sawyer (Committee Assistant), Pam Morris (Committee Assistant) and Alex Paterson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee’s email address is pubaccom@parliament.uk.

Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 The lack of accurate information on the cost and performance of departments' corporate services	7
2 The effectiveness of the Cabinet Office's work in promoting the use of shared services across government	9
3 The impact of NHS Shared Business Services	11
4 The impact of shared services in HM Prison Service	13
Formal Minutes	15
Witnesses	16
List of written evidence	16
List of Reports from the Committee of Public Accounts 2007–08	17

Summary

Corporate services provide vital support to the delivery of effective and efficient public services. They include activities such as finance and accounting, human resources, procurement, information technology, facilities management and estates management. Shared services are designed to improve efficiency and service quality by combining such activities across different parts of an organisation, or across separate organisations. When adopting a shared services approach, public bodies need to secure support from their customers and maintain tight data security arrangements. They also need to manage the risk of damage to staff morale, for example, where changes in the work lead to reduced customer contact.

The Cabinet Office has estimated the cost of finance and human resources functions across government as £7 billion a year. It believes there is scope to save in the order of £1.4 billion annually through the use of shared services. The Cabinet Office does not have a timeline for realising these savings, and many public bodies do not have baselines of current costs and performance, which will make it very difficult to make accurate assessments of progress. The Cabinet Office wants smaller departments to buy corporate services from larger departments, but only the Cabinet Office and the Department for Children, Schools and Families have so far committed to buying services this way.

The Cabinet Office has a Shared Services Team to help develop shared services across government but was unable, at the time of our hearing, to explain how the Team had spent its budget for 2005–06 and 2006–07. At the Committee's request the National Audit Office reviewed the spending and provided a detailed breakdown by delivery area. This analysis showed that the largest area of spending was in working with government users of corporate services to develop strategies for sharing.

NHS Shared Business Services is a joint venture between the Department of Health and Xansa PLC selling procurement, finance and accounting services to 89 NHS organisations out of a total of 416 potentially eligible NHS bodies. It is not yet making a profit and has paid no dividend to either the Department of Health or Xansa. It needs to attract a further 22 customers simply to break even, and approximately 180 more customers to deliver its forecast savings to the taxpayer of £250 million by 2014–15.

HM Prison Service's Shared Services Centre provides finance, procurement and human resources services to all 128 Prison establishments. A major technology failure in the last quarter of 2006 led to a return to manual invoice processing. HM Prison Service believes the system is now working well and is in the process of agreeing a Memorandum of Understanding to provide corporate services to the Home Office.

On the basis of a report by the Comptroller and Auditor General,¹ we examined the Cabinet Office's efforts to improve corporate functions using shared services, as well as the impact of two of the more established public sector shared services in the NHS and the Prison Service.

1 C&AG's Report, *Improving corporate services using shared services*, HC (Session 2007–08) 9

Conclusions and recommendations

- 1. Government lacks reliable information on the cost of corporate services.** Activities such as finance, procurement, human resources and facilities management are important for delivering high quality public services, but the resources they consume must be fully justified. Departmental Management Boards should receive clear information on the cost and performance of their corporate services on a regular basis so that they can consider the contribution these services make to key business objectives and whether they are providing value for money.
- 2. Inconsistency in the way corporate services are recorded prevents regular benchmarking to help secure improvements in value for money.** The Cabinet Office should develop standard definitions for what constitutes corporate services and how their costs and activities should be reported. Departments should require their internal audit functions to provide assurance that such a standard is consistently followed. The Cabinet Office should undertake regular benchmarking exercises to identify scope for further efficiencies.
- 3. It is not clear how the £1.4 billion potential annual savings from shared services will be achieved.** The Cabinet Office will find it difficult to drive improvements until it obtains clear information on the relative performance of departments' corporate services. Departments should publish an overview of their corporate services performance in their annual report, including an analysis of costs by corporate function, how shared services are being used to improve value for money, and performance against centrally agreed benchmarks.
- 4. The Cabinet Office does not have sufficient grip on the cost of its activities to promote shared services.** The team set up to encourage the use of shared services did not know how much money it had spent or how it was allocated across different activities. To improve performance and operational efficiency, the team should routinely record and analyse all its expenditure and assess the cost effectiveness of different interventions.
- 5. The number of NHS organisations using NHS Shared Business Services will need to increase significantly if the forecast annual savings of £250 million are to be secured by 2014–15.** The proportion of NHS organisations using Shared Business Services will have to increase from the current level of 21% to 65% if the planned savings are to be achieved. To encourage greater participation, the Department of Health should lead by example by setting a firm date to become a customer now that the system has been redesigned to meet the Department's needs. Where corporate services are retained in-house, the Management Boards of NHS organisations should be clear that the decision represents better value for money than alternative options such as NHS Shared Business Services or outsourcing.
- 6. Within the NHS, less than 30% of invoices received reconcile with purchase orders, increasing the risk of incorrect or unjustified payments.** NHS Shared Business Services is developing an electronic invoicing system that would improve financial control by making it impossible for a supplier to submit an invoice unless it

