House of Commons

Committee of Public Accounts

# Efficiency and reform in government corporate functions through shared service centres

## Third Report of 2012–13

HC 463

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# Efficiency and reform in government corporate functions through shared service centres

## Third Report of 2012–13

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

*Ordered by the House of Commons to be printed 27 June 2012*

**HC 463 (incorporating HC 1944 of Session 2010-12)**
Published on 9 July 2012
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

## Committee of Public Accounts

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### Committee staff

The current staff of the Committee is Adrian Jenner (Clerk), Sonia Draper (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

### Contacts

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# Summary


Sharing services offers the public sector the chance to secure significant efficiency savings and improvements in the quality of administrative functions. Since 2004, central government has sought to reduce the cost of administering finance, human resources and procurement services through sharing back-office functions. In previous examinations we found that the Government had not yet realised the potential to save taxpayers' money.

We welcome the renewed focus on improving shared services provided by the Cabinet Office's ambitious new strategy. The strategy contains risks, and has a particularly challenging timetable for implementation, but we look forward to seeing real progress this time round. The recommendations we make in this report are designed to help the Cabinet Office succeed with its new strategy and learn from the mistakes of the past. We expect the Cabinet Office to engage constructively with our recommendations and not, as happened following our 2008 report, to ignore recommendations which, if implemented, would have left them much better placed today.

In this examination we considered five of the eight shared service centres established for central government. Whilst performing adequately, they had cost £1.4 billion to build and operate compared to an expected cost at the start of the project in 2004 of £0.9 billion. These five centres were also expected to have saved £159 million by the end of 2010-11. In the event, the Ministry of Justice centre broke-even, the Department of Work and Pensions and the Department for Environment, Food and Rural Affairs centres did not track their total savings, and the two centres that are tracking savings, the Department for Transport and Research Councils UK, have reported a net cost to date of £255 million.

The current strategy will only be effective if the Cabinet Office demonstrates strong leadership to deliver greater value for money and gets buy-in from departments. So far it has been left up to individual departments and their arm's length bodies to decide whether they use shared service centres. This has led to low take-up and so the centres are unable to achieve the economies of scale necessary to deliver savings and value for money. Those bodies which have become customers of shared service centres have retained their own processes rather than adopt those of the centre, resulting in over-complicated systems which also undermine the scope for efficiency.

The Cabinet Office must drive cultural change to secure the intended savings. The Cabinet Office should also develop comparable data on the cost and quality of services provided by the shared services centres, which should allow it to establish a baseline for current performance and set benchmarks for improvement. It should consider whether it can extend its shared services strategy to include other common functions needed by central

government departments.

On the basis of a Report by the Comptroller and Auditor General,[1] we took evidence from the Cabinet Office, Department for Education and the Department for Work and Pensions on the provision of shared service centres in central government.

1 C&AG's Report, *Efficiency and reform in government corporate functions using shared service centres*, Session 2010-12, HC 1790

# Conclusions and recommendations

1. **Shared service centres have provided poor value for money in the past.** The Cabinet Office has failed to implement fully the recommendations from our 2008 report on *Improving corporate functions using shared services*, which are still relevant today. In this Inquiry, the centres we considered have cost more to set up and operate than initially planned, and not delivered the expected savings, so the Government has failed to meet its stated objective. It is frustrating that government has not learnt lessons from the past and there is a risk that the Cabinet Office's new strategy will repeat similar mistakes with, for instance, over-optimistic timescales and a lack of performance data. The timescale for the new strategy seems particularly ambitious. The Cabinet Office should prepare an implementation plan for the new shared services strategy which identifies key milestones and target savings, and explicitly addresses the recommendations in both this and our previous report. An update on progress against the milestones should be provided to the Committee by the end of December 2012.

2. **The Cabinet Office did not provide the strong leadership required to get buy-in from individual departments.** When shared service centres were first introduced, it was not mandatory for departments to sign up and they could opt to retain their own functions or to set up their own centres. Shared service centres ended up with fewer users than anticipated and therefore have not delivered the expected economies of scale. Under the new strategy, the Cabinet Office will still not be mandating the use of shared service centres by departments. The Cabinet Office should appoint a suitably empowered Senior Responsible Owner and seek the authority to ensure that all departments and their arm's length bodies use shared services and stop providing their own back-office functions. If this does not happen, the strategy will again fail to deliver the expected savings.

3. **Overly complicated systems at the shared service centres have arisen because departmental users are unwilling to change their ways of working.** Streamlining processes is key to gaining the type of efficiencies that the private sector has achieved through sharing services. But most departmental customers have not streamlined or standardised their back-office processes, leading to overly tailored services and complex systems. The lessons from those customers who are acting more intelligently, such as the Department for Education, have not been widely shared. The Cabinet Office should ensure that lessons from 'intelligent customers' are captured and shared, in particular on standardising processes, and that they are always applied when departments join the new independent shared service centres.

4. **The Cabinet Office lacks comparable data on the cost and quality of corporate services provided by shared service centres.** Without good data, the Cabinet Office cannot compare performance between the centres, with no baseline for current performance or relevant benchmarks against which to assess progress. The lack of data undermines the Cabinet Office's ability to have a stronger role in managing and challenging performance of shared service centres. The Cabinet Office should build

on the National Audit Office analysis to establish a baseline and set benchmarks to measure the success of its new strategy.

5. **The Cabinet Office's two-step implementation plan may well prove overly complex in practice.** The new strategy currently includes a two-step implementation plan with Departments joining an existing shared service centre, and subsequently that centre merging into one of two new, larger centres. We see scope to better manage the transition to the new shared service structure by promptly closing smaller, uneconomic centres and simplifying roll-out to the rest of Government. The Cabinet Office should expressly consider whether a simpler one-step implementation plan would provide better value for money.

6. **The Cabinet Office lacks a wider strategy to extend shared services beyond central government back-office functions.** The Cabinet Office's new strategy maintains the past focus on sharing the central government back-office functions of human resources, finance, payroll and procurement. In local government, mid and front office services are also often shared, occasionally including key executive posts, and in central government there are other common functions which could be shared such as contact centres and ICT support. The Cabinet Office should develop a long-term strategy identifying how it plans to extend the principle of shared services beyond the present back-office functions.

7. **There is a risk that funding constraints act as a barrier to long-term investment and value for money.** At present shared service centres can neither retain any savings they generate nor offset the cost of investment against future savings. We understand the limited scope for 'invest to save' proposals under current cash constraints, but nevertheless consider there is scope to reconsider whether centres should be able to retain savings generated for future investment, and to think more holistically about investment across government and over longer timeframes. With this in mind, the Cabinet Office and Treasury should review funding arrangements to consider how they could be more conducive to effective long-term investment and long-term savings.

# 1 Background

1. All government departments provide a range of corporate functions, including human resources, finance, procurement and payroll. Reducing the cost of these functions through sharing services has been an important objective of central government since the Gershon review in 2004. In the period 2004-2011, the Cabinet Office, through the Civil Service Steering Board, encouraged the sharing of services and eight major shared service centres have been established.2

2. This is our third examination of the performance of shared service centres. In 2008, we reported on progress across government in *Improving corporate functions using shared services*[3] and specifically on the *Shared services in the Department for Transport*[4]. Both of these reports were critical. The first found a lack of accurate information on what corporate services cost, how they perform and an absence of centrally agreed benchmarks. The second report criticised the Department of Transport because of budget over-runs and under-delivery of benefits.

3. Four years on, this report finds little has changed and the same issues persist.[5] This report focuses on five of the eight shared service centres established. These five centres were expected to cost £0.9 billion to build and operate but have cost £1.4 billion. They were expected to have saved £159 million by the end of 2010-11. In the event, the Ministry of Justice centre broke-even, the Department of Work and Pensions and the Department for Environment, Food and Rural Affairs centres did not track their total savings, and the Department for Transport and Research Councils UK, the two centres that are tracking savings, have reported a net cost to date of £255 million. [6]

4. In July 2011, the Cabinet Office published a new strategic vision for central government shared services.[7] The outline business plan for this was approved in February 2012 with further detail on the strategy and business plan expected to be published as part of the Civil Service Reform plan by June 2012.[8] The current plan is for two independent shared service centres serving most of central government. These would be supplemented by a limited number of stand-alone centres for larger departments including the Ministry of Defence and HM Revenue & Customs. Parts 2 and 3 of this report discuss recent performance in delivering shared services and issues relevant to implementation of the new strategy, with a view to learning from the mistakes of the past.

2 C&AG's report, paras 1-2

3 Committee of Public Accounts, Eighteenth report of Session 2007-08, *Improving corporate functions using shared services,* HC 190

4 Committee of Public Accounts, Fifty-seventh report of Session 2007-08, *Shared services in the Department for Transport and its agencies,*

5 Qq 84-86

6 C&AG's Report, paras 5-6

7 Cabinet Office, *Government Shared Services: A Strategic Vision – July 2011.*

8 Qq 104-105

# 2 Recent performance

5. There have been inconsistent levels of progress in establishing shared services across government—some of the larger departments have consolidated multiple systems into single systems, and other departments have gone further and established their own shared service centres.[9] However, problems remain with performance information, inefficiency and low departmental take-up and an insufficient focus on customers.

6. In 2008, we concluded that: there was a lack of reliable information on the costs and performance of corporate services; and inconsistent recording of data was making benchmarking difficult.[10] In this session, we were extremely disappointed and frustrated to hear that the Cabinet Office still did not have good information and was therefore unable to compare the operational performance of centres. There was no measure of the quality of the services until the National Audit Office produced one as part of its report in March 2012.[11]

7. In terms of financial information, the Cabinet Office accepted that although cost data did exist in departments, it had not pulled it together in one place until 2011. Between July and November 2011, it told us that it worked with departments to gather and analyse costs.[12] The National Audit Office report identified large variations in the cost of shared service centres. For example, the Research Councils UK centre spends £1,600 per customer user compared to £500 per user in the Department for Work and Pensions' centre.[13] The Cabinet Office agreed that it was not sustainable to allow this to continue and said that it intends to more actively benchmark costs and use this to ensure that performance improves across government. The Cabinet Office accepted that an element of "persuasion" may be needed to encourage centres to achieve these benchmarks.[14]

8. Shared service centres were built without a confirmed number of users and the use of these centres by departments has been voluntary. Some centres have failed to attract users and continue to have spare capacity so have therefore not achieved economies of scale.[15] The Cabinet Office acknowledged that the "one thing that drives benefit and efficiency in shared services is scale."[16] Witnesses told us that the low uptake is because departments were sceptical about the shared services programme and wanted to see how the pilots worked before deciding whether they should join in.[17] We were also told that departments may have had concerns over the quality of services they would receive.[18]

9 Qq 2-3, 27

10 Committee of Public Accounts, Eighteenth report of Session 2007-08, *Improving corporate functions using shared services,* HC 190, conclusions 1-2.

11 Qq 22, 59-62

12 Qq 26-30

13 Q 66, C&AG's report, Figure 5.

14 Qq 30, 51, 58

15 C&AG's report, para 11

16 Qq 58, 109

17 Q 24

18 Qq 17, 34

9. Many of the customers of shared service centres have insisted on services that have been tailored to their systems rather than the shared service centre providing one process suitable for all customers.[19] This has resulted in overly complex systems and processes which are less economic. The Cabinet Office's new strategy proposes that shared service centres will provide the same "basic, simple and reusable" process for all customers.[20] Whilst this is welcome, the Cabinet Office must be able to ensure much greater usage of the centres on this basis.

10. Witnesses accepted that departments have invested more in setting-up the infrastructure for shared service centres rather than focusing on the user experience. Specifically, departments did not give sufficient attention to the cultural changes required, with users in customer departments struggling to understand what benefits shared services meant for them. For example, departments did not spend enough time getting the business users trained on how to use new systems. More positively, we heard about the Department for Education's experience of joining the Department for Work and Pensions centre and the importance of classroom training for their staff on the new systems. [21] In its report, the National Audit Office described the Department for Education as having one of the most advanced intelligent customer functions, with regular communication, partnership working and a focus on cost management.[22] We heard that the Cabinet Office intends to share the experiences of the Department for Education to demonstrate to other departments the benefits they would gain from joining a shared service centre.[23]

19 Qq 68, 73

20 Qq 73-74

21 Q 10

22 C&AG's report, para 2.8

23 Qq 52, 108

# 3 Implementing the new strategy

11. The Cabinet Office told us the current timescale to deliver the shared service plan and establish two independent centres is December 2014.[24] It is in the process of informing departments that back office services would be moving to a shared service centre. However, it has not yet defined which functions and processes departments will retain. [25] Our worry is that the Cabinet Office has committed to a timetable without defining the detailed scope of its strategy and understanding the challenges the Department will face.[26] December 2014 is an ambitious deadline and we are concerned that the Cabinet Office is being unrealistic about their capability to meet it. Previous government attempts at implementing shared service centres on a similar timescale have failed. [27]

12. At present the accountability for individual shared services still lies with individual departments, but once the new plan is published, the Cabinet Office said that it would like to take on overall responsibility and accountability. It acknowledged that it needed to strengthen the centre and accept overall responsibility for ensuring shared service centres are up to scratch. The Cabinet Office is expanding its team of three, to thirteen people to implement its new strategy.[28] It will appoint a Senior Responsible Owner who will be accountable for the strategy.[29] Part of the role will include bringing departments on board to shared service centres. The Cabinet Office accepted that in the past, leadership had been difficult as departments were unwilling to be told what to do by the centre and were keen to ‘protect their turf’.[30] However, witnesses reassured us that public sector culture has changed and there is greater willingness to share voluntarily.[31]

13. The Cabinet Office accepted that mandating departments to join shared services would help. However, it also believes that if departments retain ownership of the decision to move to shared services they will have more of an interest in making it a success.[32] The Cabinet Office talked about an approach of “mandating people to make a choice” whereby departments would have to join a shared service centre but could decide which one to select. Departments would not be allowed to create their own. [33]

14. The new Cabinet Office strategy envisages a two-stage implementation to migrate all departments and agencies to shared services. At first, arm’s length bodies will migrate into their department’s existing shared service centre and once they have a common service

24 Q 56

25 Qq 53-54, 57

26 Qq 97-98

27 Qq 11-12

28 Qq 21, 45

29 Qq 103-106, 112

30 Qq 58, 107

31 Qq 15, 107

32 Qq 14-15

33 Q 19

platform, they will merge into one of the two new larger centres. The Cabinet Office told us it thought this approach would minimise the cost of departments joining shared services centres. However, we are concerned that this approach may be overly complex, when a single step approach could provide better value for money.[34]

15. The Cabinet Office business plan covers the traditional back-office services of human resources, finance, procurement and payroll. The vision does not currently include other services which are already often shared in local government, occasionally including key executive positions.[35] We discussed the scope to broaden sharing to other services across central government departments. We were interested to hear that the Department for Culture, Media and Sport wants to trial such arrangements after the Olympics. Key risks to doing this across government include departmental resistance, particularly from smaller departments, who may fear a loss of their independence and a threat to their future.[36]

16. Under existing rules, departments must pay for investment in shared services up-front. Centres cannot offset costs (for example, in on-going system improvements or set-up costs when new customers join) against future savings, nor can they retain savings generated.[37] The Cabinet Office felt that it would be difficult to secure future potential savings without a mechanism to retain current savings for investment, and that it would like to establish a fund that could be used for investment over time. The Cabinet Office said it would be helpful for Treasury to recognise that the need for this investment should be considered more broadly than just within any single department review and so needs to be recognised as a cross-cutting issue at the time of the spending review.[38] The Treasury Officer of Accounts told us that he recognised the problem and that in the course of the next spending review, he thought these issues would be considered by Ministers if Departments could make a case to allocate resources upfront to secure longer-term benefits.[39]

34 Qq 69-71, 111-112

35 Q 79

36 Qq 113-117

37 Qq 41-43, 46

38 Qq 49-50

39 Q 48

# Formal Minutes

## Wednesday 27 June 2012

Members present:

Mrs Margaret Hodge, in the Chair

| | |
|---|---|
| Mr Richard Bacon | Mr Stewart Jackson |
| Stephen Barclay | Fiona Mactaggart |
| Jackie Doyle-Price | Meg Hillier |
| Matthew Hancock | Nick Smith |
| Chris Heaton-Harris | Ian Swales |

Draft Report *Efficiency and reform in government corporate functions through shared service centres*, proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 16 read and agreed to.

Summary agreed to.

Conclusions and recommendations agreed to.

*Resolved*, That the Report be the Third Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report (in addition to that ordered to be reported for publishing on [dates].

[Adjourned till Monday 2 July at 3.00 pm

# Witnesses

## Monday 23 April 2012



# List of printed written evidence



# List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2012–13

| | | |
|---|---|---|
| First Report | The Government Procurement Card | HC 1915 |
| Second Report | Mobile Technology in Policing | HC 1863 |

# Oral evidence

## Taken before the Committee of Public Accounts

## on Monday 23 April 2012

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon
Stephen Barclay
Jackie Doyle-Price
Matthew Hancock
Fiona Mactaggart
Austin Mitchell
Nick Smith
Ian Swales
James Wharton

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**Amyas Morse**, Comptroller and Auditor General, **Gabrielle Cohen**, Assistant Auditor General, and **Sally Howes**, Director, National Audit Office, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

**REPORT BY THE COMPTROLLER AND AUDITOR GENERAL**

**Efficiency and reform in government corporate functions through shared service centres (HC 1790)**

**Examination of Witnesses**

*Witnesses:* **John Collington**, Chief Procurement Officer, Efficiency and Reform Group, Cabinet Office, **Robert Devereux**, Permanent Secretary, Department for Work and Pensions, **Simon Parkes**, Finance Director, Department for Education, and **Ian Watmore**, Permanent Secretary, Cabinet Office, gave evidence.

**Q1 Chair:** Welcome. I normally start, Ian, by saying, "There are some good things in the Report." I find it rather difficult to pull out positive stories from this one. You were around for—and, if I am right, wrote—the original shared services document in 2006–07. Have I got that wrong?
***Ian Watmore:*** No, I didn't, but never mind; that's fine.

**Q2 Chair:** Okay, but you were around at the time when that thinking was going on, and you are clearly now looking at the issue again. What went wrong, to give us some idea of what you have to put right this time around?
***Ian Watmore:*** First of all, I welcome the Report; it is a very good piece of work, and it was very clear and readable, so thank you. The storyline starts with the Gershon review of 2004, which is when the figures were first put out. I think there was a simple, broad-brush approach of, "People get 20% savings out of these things, therefore we will apply 20%", and they took that right across the whole public sector, which made for a big number; that is how it came out in Gershon. Since then, what has happened is much more nuanced. For example, at the time of the Gershon review, there were, within most of the big Departments, multiple versions of finance, accounting and payroll systems. The first job, therefore, was to join up within the Departments before starting to broaden across departmental boundaries. DWP happened to get on with it very quickly; similarly, so did HMRC. Those were the Departments that were beginning to bring all the members of their family on to the same shared service platform.
The second thing that happened was that Gus O'Donnell, as chair of the civil service board, said he wanted to get to a point where more Departments shared across boundaries. He agreed to pilot that at the Cabinet Office, which is where he was at the time, and the Department for Education, which is where Simon is now. We happened to choose the DWP shared service as the one to do the pilot on. The pilot threw out quite a lot of issues, the first being that if you are a Department that has configured the system your way, then the other Department has to change the way it does business in order to fit. Simon has some good stories about how they have done that in the Department for Education, which is where I think they have done it most successfully. In the Cabinet Office, we hit problems that were nothing to do with the shared service centre, but to do with the fact that we have highly secure IT in the Cabinet Office, because of the special nature of some of the information that floats around.

**Q3 Chair:** So does DWP, presumably.
***Ian Watmore:*** No, ours is much higher, because we have a lot of the national security stuff in the Cabinet Office. It became very cumbersome for people to use the system hooking into DWP, so it has taken us longer to get to the same level as Simon.
In the meantime, the market has been changing quite rapidly. When Gershon did his report, there were really only two products that you could choose to have at the heart of your shared service centre: Oracle or SAP. Nowadays, there are many more products out there that are a real option, and there are potentially cloud-based solutions, smaller companies providing solutions, and so on. The position that we are now in is that we have regarded the past as sunk cost—it has happened. A lot of Departments have got benefits out of it. The Report suggests that they had not as much benefit as cost. We could talk about that in a minute,

but where we are now is that the vast majority of Whitehall has done the job of joining up within its own family arrangements. Some have a bit further to go. We have learned the lessons, from the pilot, of sharing across boundaries—between the Cabinet Office and the Department for Education. Therefore, as the Report rightly points out, the strategy now is to get the three or four big Departments to finish the job off for themselves, and then get the rest of Whitehall to join up with one of the two most successful services.

**Q4 Chair:** I have allowed you to make a long answer, but you make it sound as if all that really went wrong is that it took a bit longer than you might have anticipated. As I read the story, we spent more. We started seven years ago—a long time ago. The private sector comparator is that you expect 20%, or in excess of that, within five years, so it is a long time. You spent £500 million more than was thought—a lot of extra money—and you are still running at a deficit, with a net cost of about £250 million. It is not just that it took a bit of time to sort things out; that is why I was trying to get you to answer this in a more open way. There are more basic issues at stake, as the Report suggests. I agree that it is a very good Report, and I would appreciate an open discussion on it.
***Ian Watmore:*** Let me get back to that. I am doing this slightly from having been near it, rather than having been hands on and day-to-day on it. My understanding is that a lot of these systems were introduced within Departments at a time when Departments themselves were changing their underlying financial products and other products. Robert's Department, the DWP, was doing a lot of welfare change at the same time. We had a lot of change, organisationally.

**Q5 Chair:** Let me ask you the question in a different way. You have now published a new document, which is fine. I think that everyone can give it a tick, subject to certain things. What are you going to do that is different? Do not tell me that the intent, post-Gershon, was any different from the intent today. We are today where we were in 2004, 2005 or 2006.
***Ian Watmore:*** I actually think that we have moved on a lot from that period.

**Q6 Chair:** What has changed? Tell me what has changed.
***Robert Devereux:*** Shall I have a go? There are two things that you could point to. If I take the DWP's centre, we are now operating at a cost, in that shared service centre, that is a third lower than it was about four or five years ago, so one of the things that has changed is that we are better at what we are doing. Secondly, as Ian has explained, when it came to migrating the Department for Education to our system, we learned a lot about what made it difficult to do in DWP—and, indeed, in other Departments—and got it right. Actually, we ended up doing the transition more straightforwardly. It cost what we thought it would, and the customers actually use the service.

**Q7 Chair:** Let me ask the question again. That is good—tick. However, this is seven years on from the first attempt to save money for the public purse out of shared services. Seven years on, we are still spending more, and we invested £500 million more than we thought we would. What are you going to do differently? What will change in your approach? Okay, it has taken seven years to do what should have been done in two or three years—in a shorter time. What has changed about your approach that will give us certainty that this time round you will get it right?
***Robert Devereux:*** You are looking back over those seven years. If I give you the example of the Department for Education, from thinking about doing it to executing it well and having happy customers was not a seven-year period. It was not with cost overrun. It was done properly. What has changed is that we have now learned how to do these migrations.

**Q8 Chair:** What are you going to do differently?
***Robert Devereux:*** I do not need to do anything differently to migrate other people safely.

**Q9 Chair:** No, this is to Ian, at the centre. I understand that from the DWP. What are you going to do, Ian? Interestingly enough, Robert, you did the DFT one.
***Robert Devereux:*** I thought that you would raise that.
**Chair:** Which did not go so brilliantly.
***Robert Devereux:*** No, it didn't.
**Chair:** So what went wrong with that?
***Robert Devereux:*** I think that we spent two and a half hours on that in 2008.
**Chair:** We were not there at the time.
***Robert Devereux:*** You were not there, okay.
**Mr Bacon:** I was.

**Q10 Chair:** We have the recommendations, none of which have been implemented, according to this Report.
***Robert Devereux:*** I have brought the transcript. What we learned in that transport one—this has been common in other places—is that it takes more effort to get a shared service landed in the business at large. People focus too much on the shared service centre. In my case, I have 1,000 people in the shared service centre and 100,000 people using it, and the effort that makes it go well is the quality with which you make the 99,000 people use the system. What went right in education was that we had realised that simply giving people some sort of e-learning, or some nominal guidance on how to do it, was simply not good enough. When we came to do education, we made sure that people had some sort of classroom teaching and were actually shown how to do it, and—surprise, surprise—they got it quite quickly. The thing that we have learned is that getting the main business to understand what shared service is all about requires a lot more effort than was typically put in.
Secondly, for the reasons that we mentioned previously, we ended up, in the transport one, in too much of a rush. We set ourselves a timetable that the Report at the time said was very sharp. We thought that if it did not go right, we would have to do it a bit more slowly. In the process, we ended up spending far

too much on consultants, but as Ian said, that cost is now sunk. I would not do that again; we have learned that.

**Q11 Chair:** The interesting thing is the timetable. Let's take that; we will come to the other things later. The timetable that you have set yourself for this implementation—driven by Oracle, it seems to me, or the need to have the modifications to the Oracle programme—is, the NAO thinks, far too tight and has enormous optimism. Have you learned from that? We will come back to the 2008 recommendations because, again, the Report says that you have not implemented any of them, as far as I can see, but in terms of the one thing that Robert talked about—timing—it appears to me that you are going hell for leather, and you are being unrealistic about your capability to meet that time frame.

***Ian Watmore:*** Since the Report has come out, we have taken that recommendation and challenged ourselves internally. We have gone back to Oracle and are having different discussions with it as a result, so I think that is a good outcome.

**Q12 Chair:** So you are changing the time frame.

***Ian Watmore:*** We will be changing the way we do it, in order to make the time frame more easy to fit in with, instead of having to upgrade Oracle in a hurry. You have several times—rightly, I think—said, "What's different this time?" What's different this time is that we are building on an installed base, rather than having to go from what is essentially a greenfield site. Back in 2004, these systems were not implemented at all around Government. We have taken huge organisations, such as the DWP, the MOD, HMRC and all the others, on the journey that now says they all have an installed base of systems and services. We have also piloted the experience through the arrangements I have talked about. This time, we have the ability to implement on to something that is already out there.

The other thing that is in our favour—it was not then—is the shift in the market. We will be able to put smaller organisations, in particular, on to what in the jargon are known as tier 2 solutions. I am talking about the things that are smaller-scale versions of SAP and Oracle—Agresso and those sorts of product—that operate in the cloud. That, of course, is a much easier and simpler implementation. It would not work for everybody, but will for some. Those are the two things that I think are materially different: an installed base and the shift in the market, with the inherited lessons—

**Q13 Chair:** Okay, I hear that, but the interesting thing is that the Report seems to suggest that even the Cabinet Office could not change its basic systems to automate—I do not know what you were not able to automate on to the DWP facility. Was it people taking their holidays, or something as simple as that? That is what we thought. The Cabinet Office should be leading by example, yet it was unable to change its processes to enable it to take full advantage of what, again, from my reading of the Report, is rather a complex system. That fills me with horror, when it comes to the question of whether anything has changed.

The second thing is this. It seems to me that throughout the last period, everything was being done to encourage people and get them to come along on this, but there is a strong suggestion in the Report—I think this Committee may take a similar view—that we cannot see everybody coming on board, because of the intrinsically competitive nature of Government Departments. I cannot see you, from the Cabinet Office, being at all effective in securing these savings unless there is real, strong mandation. It is those two things.

***Ian Watmore:*** On the first one, I have already said that I do not think it is fair to say that the Cabinet Office has not changed its processes. The Cabinet Office has tried to change its processes, but it got bogged down in this complex technology. As you will know from the usage of similar arrangements in Parliament, these things are pretty unpopular when you introduce them. People are not gagging to have these systems rolled out to them.

**Q14 Chair:** Which is why you need mandation.

***Ian Watmore:*** No, I am talking about the end users. They are busy people. If you are sitting in No. 10, worrying about the Prime Minister's policy on x, you do not welcome somebody coming along and saying, "Oh, by the way, you now have to log in 15 times in order to put your holiday in, because we have such complex technology around here," and you cannot fit it in. We have had problems trying to get—no, I am serious. If you have the highly secure technology base that we have in the Cabinet Office—it is at least one or two notches above that in most of the other Departments—hooking that into an outside system like the one in the DWP has proven to be really cumbersome from the user's point of view. We tried to change the process so that it was aligned with where the DFE is. It did not work for us. We have adjusted it again, so the high-volume activities can be done by a small number of people who do them on a regular basis. That is the way that we have adapted in the light of experience.

What has that taught us? It has taught us that we have a level of security that is too high on our entry point system, so we are changing it. That is a lesson that we have learned, and we are changing that system. When we have changed it, we will follow Simon's path in rolling it out back to the end user. We have honestly learned from that, and that was part of our doing it.

On the issue of mandating, I think I agree with you, with one caveat. It is not that we cannot do this without mandation, but mandation would help a lot of people, with one caveat: if it is mandation in a way that means there is no ownership of that decision in the business, they will make it fail. Do you know what I mean? There is no doubt that if we had mandated that DFE had to take the offering from Robert, and they had sat there truculently going, "We don't want that; we want to do this", they would have found reason for it not to work. Instead of that, they actually bought into the decision as part of a broader strategy.

We need to get as much buy-in as we can, but in the end, the deficit position—the savings required—means that we cannot afford luxuries, or people doing their own thing. The data are so much better now. We now know what the broad benchmarkable cost is that can be delivered, and we know what is not being delivered in other Departments, so we can put people under real pressure either to join in and get those benefits or find the benefits in other ways.

**Q15 Chair:** James and Ian want to come in, but before we lose that point, I want to ask both Simon Parkes and Robert Devereux about mandation. Are you both happy with that? What does it do to your position, Robert, as an accounting officer with responsibilities there? Simon, what does it do to your position? I know that you are not the accounting officer, but what does it do to your responsibilities? Just deal with those issues, and then I will go to James.

***Simon Parkes:*** Obviously, I am not the accounting officer, but I tend to spend quite a lot of time talking to the accounting officer about these sorts of issues. We need to try to remember all the time that every accounting officer has a duty to deliver value for money, both internally—within the Department—and in a broader sense across Government. Ultimately, my advice to the accounting officer would always be that we must have regard to value for money when making this decision. Mostly, that can be reconciled within a Department. In a Department the size of mine, which is quite small in terms of the number of employees, we can make shared services work as a value-for-money proposition. It is only in the very much smaller Departments where it becomes really quite challenging. If there are 2,500 employees or above, the value-for-money case is probably relatively straightforward to reconcile.

On mandation, Ian made a really important point about the extent to which you need Departments and senior people to buy into these decisions. These are phenomenally difficult systems to implement. Look at the number of private sector system failures. At one stage, I think that 60% or more of enterprise resource planning systems failed in the private sector, so these are very difficult systems to implement, and you really need the senior team to have bought into the system and to drive it, setting an example by using it themselves. I think mandation is not impossible, but it is a last resort.

The other thing I would say is that I think the culture has changed. I now see my Department and other Departments voluntarily looking to share far, far more than even two or three years ago. Certainly, when I started my public sector career, 20 years ago, it was almost unheard of for Departments to share. Now it is much, much more common, and there is a much, much greater willingness to do it. Are we absolutely there? No, but we are much, much better than we were even a couple of years ago.

**Q16 Chair:** Robert, on that one—on the issue of mandation and accountability?

***Robert Devereux:*** I think for an accounting officer it is relatively straightforward. I already have to account to my colleague in the Department for Education for the service that I am providing. I am not accountable for everything that he then does with his money. I am already providing a service, and I account for that. Mandation would mean other customers were coming to me. I would have to make sure that I was still running a very good service, but if they were not implementing it well back at their ranch, that would be that accounting officer's problem and not mine.

**Q17 Chair:** Would you, as a permanent secretary, be happy to be mandated on these issues?

***Robert Devereux:*** The only other thing that is worth picking up is that we tend to swish around as if the whole of shared services is one subject, and there are some quite different things in there. One of the things that we are offering is basically the core accounting system and invoice payment system. Most accounting officers probably put getting that done well ahead of the price, for which they are necessarily going to get a small saving. That is different in nature from the stuff that we sometimes call employee self-service. When you ask about people filling in their leave sheets and doing their payroll, there are clear savings to be had by making me self-serve as opposed to getting somebody else to do it.

I suspect that one of the things that is behind some of the reluctance is that when you are going to put people like me on the spot here about whether my accounts are right and everything is going to work properly, you want to be really, really sure that the service is going to be up to scratch. That may well be slightly behind some of the questions about mandation. It is not just about are you willing to do it, because there are self-evidently savings in it; it is about what is the nature of the service I am getting and can I, as an accounting officer, be really comfortable relying on that. I am in my case, because the service works well.

**Q18 Chair:** You have not quite answered the question. I hear all that—you want the service to be good. You may worry a little bit, but that is the problem: if you carry on worrying about your own systems the whole time, you will never do any of the changes you need to take advantage.

***Robert Devereux:*** Let me put it another way from my perspective. The sorts of savings we will get out of this for the Department will be measured in maybe £10 million—that sort of territory.

**Chair:** But it says 20%. Oh, I see—£10 million in relation to that budget.

***Robert Devereux:*** At the moment, I am being asked to find £1 billion of savings within three years by running the entire operation better. Oddly enough, that keeps me awake more than the efficiency with which this is run. If I was another permanent secretary—first, worried about making sure that my system was going to be absolutely top flight so that I could support myself in front of you; and, secondly, focused on the thing that the Government really want me to do—

**Q19 Chair:** It is a penny/pound thing.

***Robert Devereux:*** It is a penny/pound thing, but that is reasonable when people have a lot of change to manage.

***Ian Watmore:*** There is one other point on this. The old Henry Ford saying is, "You can have any colour you like as long as it is black." What we should be saying to people is that the mandation is, "You don't do your own." We would then be offering probably three choices on day one for people. It is about mandating people to make a choice.

**Q20 Stephen Barclay:** Mandating standardised data you mean—not compliance, but standardised packages.
***Ian Watmore:*** Yes. They would either have to use Robert's one on Oracle, Robert's previous one on SAP, or one of the new Agresso-type ones. People would have the choice of one of those, but not to build their own.
***Amyas Morse:*** I must admit that that is really the direction. In putting this in, that was what we were hoping to hear. We are not trying to make something cast iron. If you look through the Report, which I agree covers a period of time, the reason for making the recommendation to say, "Make a choice because that is good," is to ensure that you do not find people saying, "No, I want to have features." There is evidence of features of unhelpful bespokeness and things of that sort. In putting this forward, we are trying to put you in a position where you are as empowered as possible to say no to things you should be able to say no to, and still get them to make a choice.
***Ian Watmore:*** I happen to agree with that. If you give people that sort of mandation, you get both wins because the person is empowered to choose something that suits them and they get ownership of the decision.

**Q21 Stephen Barclay:** Where the Committee is coming from is to try to strengthen your role in the centre and to be supportive. With that in mind, I was struck by page 34, paragraph 4.11, where the Report says: "The project is currently being managed in the Cabinet Office by a team of just three people." Building on the debate we have just had around mandating in terms of spec rather than compliance, which was my understanding of the point you were making, have you got adequate resource, and has that changed since this Report? Also, I note that the original strategy that you put forward said that you were going to come back in November 2011. You haven't put anything in the public domain, so perhaps you could just update us on where we have got to.
***John Collington:*** When we originally wrote the revision paper, we had three people, and when we originally engaged with the NAO, we had three people. I have to say that those three people were eminently trained, qualified and experienced in delivering shared services. A number of years ago, I led the Home Office shared services programme, which unfortunately the NAO did not cover, but that had a successful outcome.
With regards to the team of three, we developed that in conjunction with Departments. They were working with the DWP specifically, and the DFT, which are the two key Departments within the strategy moving forward. We have taken that team to 13 people, but it is not really a question about the quantity of the team, but about its quality. The people who make up that team of 13 are all proven shared services practitioners who have learned their trade in delivering shared services in both the public and private sectors.

**Q22 Stephen Barclay:** Mr Watmore mentioned, quite correctly, the comparative data and their benefits but, as I understand it, that really comes from the NAO, not the Cabinet Office. One thing that frustrates the Committee is that there was a recommendation in 2008 for the Cabinet Office to gather data, but that has not happened. Having had such a clear recommendation from the Committee, why did the Cabinet Office ignore it?
***John Collington:*** The commitment was made in July last year to produce a new strategic vision for shared services, which was what we did—that was the Cabinet Office.

**Q23 Stephen Barclay:** The recommendation was in 2008.
***John Collington:*** Okay. We took it over last year.

**Q24 Chair:** The way that this system works is that you have to tell us what has happened since 2008, even though you were not there.
***Ian Watmore:*** Being blunt, people were sceptical about the shared services programme in 2008. I hear phrases such as "snake oil salesman" from the past. They wanted to see how the two Cabinet Office and DFE pilots worked out before deciding where to go next.

**Q25 Mr Bacon:** When you say "they", do you mean the Departments?
***Ian Watmore:*** Well, it was done as a civil service management thing. It was not done by the Cabinet Office or an individual Department; the civil service management board of the day took the decisions.

**Q26 Stephen Barclay:** If that was the case, it makes it even more important that you at the centre were gathering comparative data.
***Ian Watmore:*** When I asked John to take this on and get some really good people in to do it, the first thing he said was, "We need some good data."
***John Collington:*** To answer your earlier question, between July and the production of the initial vision, and November, the project team worked with every Department to conduct a bottom-up data analysis on exactly how much shared services were costing. When we look back to the civil service steering board in November, we were able to come back with that extensive data analysis that, to an extent, had never been done before. We worked in partnership with the NAO during that process and unsurprisingly, because the data came from the same sources, our data, which form part of the strategic outline business case that we shared with the NAO and was referenced by it, contain the same information that the NAO was able to obtain from Departments.

**Q27 Stephen Barclay:** With respect, you are not answering why it was not done when the Committee recommended it, which was in 2008. Also, I am struck

by Mr Watmore's comment that Departments were cynical and the reference to snake oil salesmen. In your latest paper you say "Departments have acted strongly and positively over the last five years."
***Ian Watmore:*** What I am saying is about Departments in their own space. Every single Department that had a family of bodies, including those such as the DWP that had big agencies, had a job to do, which was to join themselves up. That is universal common ground across Departments; they have had their own battles. DEFRA had a battle with the Environment Agency over whether it comes in and so on. If you talk to any of the Departments that have arm's length bodies, it was a struggle to get them to come along under the previous regime. However, they have largely done that. We are now talking about getting Departments to share across boundaries. That is the bit that we have piloted.

**Q28 Chair:** This is not a regime issue at all. Did you collect the data? Even the DWP does not tell us. You are saying that it has got cheaper and so on, but we have no data at the moment that show what has happened over time—am I right?
***Sally Howes:*** Our data show that the DWP centre has become cheaper.

**Q29 Chair:** So where have you not had data from?
***Sally Howes:*** I think the data weaknesses have not been so much about the shared service centre side, but more on the customer side. It is about the logging of savings, whether that is through fewer people, less IT or less estate, because they are taking their services from the shared service centre. That is where the major data weakness has been.

**Q30 Chair:** We will repeat the recommendation and the Committee will call you back.
***Ian Watmore:*** I am happy to say that the data, I think, exist in the Departments. The Cabinet Office in that period did not put it all together in one place. That's why, when John came to do it, it was kind of a first act; and he did it, and now we have that and we are not going to let it go again.
***John Collington:*** A core element of the strategy, moving forward, is the capturing, production, and use of that data to manage towards upper quartile performance, which is what our business case for the future is based upon.
***Ian Watmore:*** Which is where Robert is today.
**Chair:** Okay. James.

**Q31 James Wharton:** We have had discussion about possibly mandating some aspects of this, looking at the way that it operates, and the need to ensure that you have got happy customers, which of course is very important if people are going to buy into it and try to make it work. I am not sure if this should be directed to Mr Watmore or Mr Collington, but can you tell me who you think is your least happy customer, and why?
***Ian Watmore:*** Of the current shared service centres?

**Q32 James Wharton:** Yes. In terms of spectrum experience, I am sure they are all having a wonderful experience, but there must still be someone who is at the bottom of that gradient.
***Ian Watmore:*** We don't have them ranked.

**Q33 James Wharton:** If you had to guess.
***Ian Watmore:*** It would be like this year's premiership—there would be a lot of teams to choose from at the bottom.

**Q34 Mr Bacon:** Who still thinks it's snake oil?
***Ian Watmore:*** I think where people think it's snake oil is when there are people from the outside who say, "Come in, slam in a system; you'll automatically save 20%." It is, as people have said, a lot harder than that, and the benefits are felt in quite diverse ways. You get better accounting information around your business. That flows through into our space as policy work, and so on. It is harder to pin that down to better shared services. I think that is where people felt it was snake oil. I don't think anybody has opposed the idea of having good enterprise systems on which to build their businesses. People's scepticism about sharing is usually because they are worried that they will be given a second-class service, not that they don't believe it is important.

**Q35 Chair:** So, the smaller Departments.
***Ian Watmore:*** Yes.

**Q36 Mr Bacon:** Given that Mr Devereux's agency's shared services department was cancelling employees' leave, to which they were entitled, while sending them messages in German, they had reason to be sceptical, didn't they?
***Ian Watmore:*** It was part of the deficit reduction plan, I am sure—send them messages in German so they couldn't go on holiday.
**James Wharton:** To bring you back, Mr Watmore—
***Robert Devereux:*** We can keep looking back, if you want, but let's focus on today, shall we?

**Q37 James Wharton:** Do you have an answer to the question: is there one particular Department that you identify as having had a poor experience? If we wanted to talk to the person who was most negative about it, who would we talk to?
***Ian Watmore:*** That is a good question. Can I think about that? I'll come back to you.

**Q38 James Wharton:** Okay.
Mr Parkes, of course, as part of the process, you want to have happy customers. If things don't go quite according to plan—and things never go entirely according to plan—there has to be a mechanism by which you can seek redress for that. What sort of mechanisms do you see as being available to a customer, if something goes wrong, to seek redress? What's your perception of that?
***Simon Parkes:*** At the moment we are talking about redress across Government, so what we tend to do, and what we do regularly, is meet with the DWP shared service organisation to talk about performance. The reality is that sometimes the performance issue lies with the shared service organisation, and it is not performing as efficiently as we would like, or as well

as we would like; but quite a lot of the time—we are two years into this programme now; we implemented in November 2009—we still come across issues where we are not using the system as well as we should and where we haven't got all the people in the Department using it effectively, and then we cause problems, which increase costs and cause re-work in the shared service organisation. So we are still, actually, working together to drive these sorts of issues out. The reality is we have already saved 20%—the 20% is already there—but that isn't good enough for where we need to be in the current spending review period. I think we have got much further to go.

In terms of redress, we are not generally looking at hard financial redress, so we are not saying to the DWP, "Look, we are not going to pay for this." We have robust discussions about how much we pay for the service each year, depending on the sorts of performance that we are looking for.

**Q39 James Wharton:** Should we be looking at hard financial redress? What tools do you think would be helpful in terms of managing that relationship as a customer to ensure you get the best out of it? I mean, you quite nobly spread blame for when things don't go right, and acknowledge that it can be on both sides, but where the service that you are buying into lets you down—for whatever reason or in whatever way—should there be a mechanism, or a stronger mechanism, for you to get redress on that basis, particularly if we are going to push Departments down this route?

***Simon Parkes:*** Well, I think there are two elements that are quite strong ultimately, because ultimately, as Mr Devereux has already said, he has to write to my boss—the permanent secretary at DFE—every year to give him assurances about the quality of the service that we have received. If there are substantial performance issues that arise, that will be presented back to my boss, so there's quite a hard accountability in there, ultimately.

I am not sure that financial penalties are really the answer for Government, although it could be part of the solution, but I do think that having rigorous performance reviews quarterly, which we do—having proper performance metrics that we can go through to get to the bottom of what's going wrong—is important and we should continue to work on that basis. It is working pretty well. We are much more mature than we were as a consumer of shared services, but we are not yet fully mature. We have still got quite a long way to go before we can start to say, "Look, these are the things that we really want to hold you to account for, and if you fail on these, we want financial redress."

**Q40 James Wharton:** So does the Cabinet Office's new strategy tie in with what you say—that you have still got quite a long way to go and that it is not adequate at this time—or is that me misinterpreting what you are saying?

***Simon Parkes:*** I think there are two things we want to do in terms of developing shared services. One is to continue to drive down the cost of the services we already receive, so that's basically transactional services: paying invoices and collecting money from third parties—the sort of routine aspects of finance and HR that every business does. That cost needs to continue to fall, but the real prize is to put more of our work into the shared service environment, and to get more of our management information coming from the shared service provider and more of our financial accounting done by a shared service provider.

So, actually, there are two things we are trying to do at the same time: drive down the cost—that is about compliance in the Department and also about the shared service organisation becoming more efficient—and, secondly, we need to spend the savings that we make from doing that on getting shared service organisations to do more for us.

**Q41 James Wharton:** Just a final question on the topic of redress. When you go into negotiate sharing a service or you are to look at how the relationship is going to work, are there any mechanisms that you would like to have—either to get redress or to strengthen accountability—that you are asking for and not getting, or that you would like to see incorporated in the future; or are you completely happy with the way it is operating now? Is there something specific that you would like to look for?

***Simon Parkes:*** For where we are right now, I think we have the mechanisms and the redress that we need. As we move into a more commercial relationship, which I think is inevitable over time, clearly we will need stronger areas of redress. If you wanted to ask me for one big thing, I think we need to sharpen up how we invest in shared services to keep them current. That would be the one big thing I think we need to think about.

**Q42 Chair:** What does that mean?

***Simon Parkes:*** Well, at the moment—I shouldn't speak for others—if I was in the DWP and thinking about where to put my money to invest in my systems, I think I would have quite a few bigger problems to deal with before I started thinking about investing in shared services. What that means is, over time, if we are not careful, we will underinvest in shared services, because there is no mechanism for the DWP to get a return—it cannot make any money from them.

**Q43 Chair:** What is your response to that, Robert?

***Robert Devereux:*** I think it is a fair observation. It is the case that the amount of change that a Government typically want to do consumes quite a lot of resource. So, at the margin, if I have £1 million spare to invest in this, however productively, it is always going to be under pressure.

I think one of the things that is changing, though—consequent upon the new board structure and bringing in some of the non-executives we have—is that people are a little bit more alive to the fact that, actually, these are essentially businesses and some of these investments have fantastically good paybacks. So, at the moment, they are rationed according to their purpose, not their return.

**Q44 Chair:** Going across the table, what power do you have at all? If DWP decides that it has to put so much money into other things that it will not put any into this, but the customer is saying that they need it, what powers—authority—will you guys have to change the world there?
***Ian Watmore:*** What we want to happen as part of the strategy is that that particular service centre—it happens to be the DWP one today—unbundles from DWP and becomes a cross-Government, independent one. We use the word "independent" in the Report to mean independent of any parent Department, because that is one of the concerns.

**Q45 Chair:** Answerable to you? Accountable to you?
***Ian Watmore:*** That would be the model that I would like, in the sense that what we would have is—call it the Cabinet Office for the purposes of this discussion—something at the centre that has overall responsibility for ensuring that the shared service centres of Government are up to scratch in quality terms and in terms of benchmarking cost, and are properly invested in. That is the responsibility that I think we would like. In terms of delivering day-to-day service, it is important that customers of those centres have shared ownership of the governance; otherwise, they feel as though they are just a recipient of something from the centre, which is very negative.

**Q46 Mr Bacon:** If you get it right, you could get into a lovely virtuous circle, whereby you are investing enough at the centre to make it so leading-edge that everyone would run towards you, because the logic of outsourcing would be so compelling for you, wouldn't it, Mr Devereux?
***Ian Watmore:*** Exactly.
***Robert Devereux:*** Just one observation: even if we were in a world where Ian was running it, he would still have to find the cash. A constraint on the entire enterprise is that at the moment I must pay for investment in the year in which it occurs. I have to book it; those are the Treasury arrangements. If I put £1 million in, it costs £1 million, even if that £1 million gives me £3 million of benefit over three or four years. Any other enterprise would charge it off the price as we went along. There is a cash constraint operating in Government, and not even moving it to be independent and under Ian's control will get us out of that.

**Q47 Mr Bacon:** In that case, instead of having the Government's arrangements, why don't you have a joint vehicle that you all share the financial benefit of?
***Ian Watmore:*** That is essentially what we are talking about as a starting point inside the Government system. With Transport, we are formally outsourcing it to the market. The Transport one, which is one of our two centres, is being outsourced as we speak, and there is a commercial process going on. For the DWP one, we are talking about unbundling it from DWP and providing it across Government. Two points then become relevant. One is that if we charge for those services, can we have an element of the charge going into, for want of a better word, an investment fund or a sinking fund that you can invest over time? That is one way of doing it, and we do that with some aspects of Government services today. The other point is to get the Treasury to recognise that this is not in any one Department, and therefore needs to be done at the time of the spending review. You need to agree what the investment cycle will be.

**Q48 Mr Bacon:** How is the Treasury on this?
***Ian Watmore:*** The Treasury has no money, like everyone else. The point is that if it will leverage savings in other Departments, and the business case is sound, the Treasury will support it.
**Chair:** You can ask it.
**Mr Bacon:** Mr Gallaher?
***Marius Gallaher:*** We know the problem, and recognise it. It is almost like an invest-to-save issue. In the course of the next spending review, those sorts of issues will be highlighted, and if it is necessary to allocate resources up front to help to overcome those issues, I am sure that Ministers will listen to what Departments have to say.

**Q49 Chair:** I would be gobsmacked if you got another invest-to-save.
***Ian Watmore:*** Can I be clear about that? I am not looking to invest money now to save.

**Q50 Chair:** Using your profits.
***Ian Watmore:*** We think we can use the installed base that we have to get the current round of savings that we require, but going forward, if we don't have a mechanism to retain some of those savings for investment, we will have to have a different—
**Chair:** This leads neatly to a recommendation we might make about the importance of that. Amyas, is your comment urgent, because I have a list of people who want to get in?
***Amyas Morse:*** Before we leave this area, I want to raise one matter very briefly. We have just been listening to, and I have certainly heard in our work, statements about best practice, good service-level agreements and many other things, but I think you would agree that there is quite a wide range of diversity in the standard being achieved at the moment. We have heard a little about mandation. How are we going to get the level up across the centre? What is the plan for getting that done? Will it just be persuasion, or what?
***Ian Watmore:*** There are two aspects to that. One is the other centres, such as the MOD and HMRC, and so on. Our view is that we put them under the straightforward benchmarking scrutiny that DWP and others will have achieved. They either come down to that, or they cede the right to carry on with it, because you cannot sit there and say, "We have to have £1,000 a head," when DWP can get it at £500 a head. That is not a sustainable position.
For the Departments that are users, I think a lot more investment is needed—investment is the wrong word, but a lot more investment of time is needed of the type that Simon was talking about with regard to how customer Departments can get the best value from shared services. I think he has done the best job so far. We are a long way behind, and we need to catch up.
**Chair: "**By persuasion" is the answer.

**Q51 Ian Swales:** I would like to go back to the human dimension. Research shows that 70% of decisions are taken emotionally, not analytically, and we have heard a bit about the reasons, or the excuses, that people might have for not going to shared services. There is the argument that "It takes 15 log-ins to book my holidays", arguments about national security, and all those things that civil servants will say. I would like to explore this by going back to mandation. If this is so good, how on earth are we going to increase the pace and take-up of Departments climbing on board? Assuming that that is the right thing to do, that should not only save them money but make the existing centres, or any new ones, more cost-effective, because they will be dealing with higher volumes. There is a massive potential benefit in doing that. I wonder if it can be left to a relatively laissez-faire attitude: "Well, we will put this in front of you, and if you want to do it, go for it", and so on.
***Ian Watmore:*** Without rehearsing the early part of the discussion, if we make the assumption that Departments choose one of the independent centres that we are talking about, the question has to be, "What is best practice in making a success of that?" That is where the lessons from what Simon has been doing most come into play, because if I tell them from the centre that that is the way to do it, the resistance will be high; if he says, "I have already done this, and these are the benefits we achieved in Education", other Departments are more likely to follow suit.

**Q52 Ian Swales:** So are you telling the Committee that you are actually going to do that—that you are going through all the Departments saying, "You are not going to run these things any more yourselves; you're going to go to a shared service centre"? If so, when?
***Ian Watmore:*** The strategy is that the big Departments have one each, so there is HMRC, the MOD, the Home Office and Justice as a combined entity, and the Department of Health goes in with the broader NHS world. The other domestic Departments deal with one of the others.

**Q53 Ian Swales:** When are you going to do that?
***Ian Watmore:*** This is what we are fixing with individual Departments as we speak.

**Q54 Stephen Barclay:** It is more a question of "by when". It says in the Report—this is the point Ian is touching on—that defining what work will be "retained by customers" still needs to be done. Do we have a date by which that work will be completed?
***John Collington:*** The initial plan was June 2014, but we took on board the recommendation from the NAO that that was rather ambitious, and we have extended it by six months.

**Q55 Stephen Barclay:** Is that for the delivery of the definitions?
***John Collington:*** To deliver the whole plan. We have agreed that we will deliver that whole strategy by December 2014.

**Q56 Stephen Barclay:** So by what date will you have defined what customers will retain?
***John Collington:*** We are currently working through that process on an individual departmental basis now.

**Q57 Ian Swales:** Going back to the human dimension that I started with, it is inevitable, with people watching bits of their empire disappearing, that you get quite a lot of resistance—some completely irrational—from lots of parts of the civil service. It is one thing to say that we are not mandating a particular solution, but how are you dealing with that turf protection, for want of a better expression, that is bound to occur in situations such as this? Where does the power lie? How are you going to get through that?
***John Collington:*** What has helped us so far has been the gathering and publication of the data. Transparency is a great thing to change behaviours. We have certainly found that. I think that the analysis that we and the NAO did pointed out that the DWP and the MOJ, to an extent, were the most efficient shared service centres across Government. If the DWP can achieve those prices, then why cannot other Departments aspire to them? We believe that the strategy that we have developed is designed to do that. The one thing that drives benefit and efficiency in shared services is scale, so the simple fact is that you cannot maintain or persevere with 17 Departments doing their own thing.
***Ian Watmore:*** Your point is well made. We have not touched on it enough, but always, in any of these shared service functions, you are moving it from something that works today to something different, and that affects internal service providers, which requires leadership above and beyond that, to say, "This is what we need to do for our business, and this is how we will change."

**Q58 Ian Swales:** My last point is picking up on the sales pitch that you are bound to have to do—you might not call it that, but there is bound to be an element of it—which suggests having a central operation that is capable of doing so. We have talked already about the resource that the Cabinet Office has. There is also, to me, a quite damaging comment in the Report on page 23, at 3.11, which says, "There has been no comparative analysis, business intelligence or metrics available from the Cabinet Office, from individual Centres or their customers to enable us to compare the operational performance of each Centre." I would have thought that not to have that basic level of understanding, so that we know whether we are getting it right on that, is shattering, in terms of the amount of investment the public has put into these centres.
***Ian Watmore:*** There are two points on that. The three people in the Cabinet Office were to draw a strategy together. The best strategies are done by a small group of people who know what they are talking about.
**Ian Swales:** Yes, I agree with that.
***Ian Watmore:*** The implementation of this will take more resources in the centre, but the vast bulk of the implementation will be done by the people in these shared services centres—Robert's one has 1,000.

**Q59 Ian Swales:** But if you are in the centre trying to execute the policy to which you have referred, surely the centre needs some resource to have those metrics, understanding and so on.
***Ian Watmore:*** Yes, and so having developed the strategy, we are now building the team up to do that, and we are having to rob it from someone else, because there is no free resource.

**Q60 Chair:** Why didn't it happen? Why has it not happened to date? That is where our scepticism lies. I do not know how many of these centres are up and running. How many have we got? What this is saying is that we have 80% of employees covered by shared centres, so we have a load of them, and we have no analysis or intelligence.
***Ian Watmore:*** We do have a lot of analysis. The analysis that is in here on the cost side and so on is shared analysis. I think that where Mr Swales is right is that we have not got—I thought that the Report was quite helpful on this—a measure on how good it is in that service, as opposed to what its unit cost is.

**Q61 Ian Swales:** You are saying that the Report shows shared data, but I did not read the final sentence, which says: "We"—the NAO—"therefore used our own framework, described in Appendix Two, to determine how well each Centre is currently operating."
***Ian Watmore:*** "How well", which is what I am saying. The quality of the service, as opposed to the unit cost of the service, is what is talked about.
***Robert Devereux:*** Can I make a slightly technical point? Everyone is assuming that it is really straightforward to get benchmarkable data, and that if only the Cabinet Office would bother figuring it out, it would do it. If you read the technical annexe that the NAO has delivered to us, it said, with regard to benchmarking, "We looked at a whole bunch of consultants who had done all this stuff, and our study reviewed the benchmarking, and it was unable to use it due to the methodological challenges we found."
If you take my case, for example, you would want to know how much of the basic firepower of my IT system, which is running the benefit system of the country, is deployed to run the shared services, and make some sort of assessment, before you worked out the cost per invoice. If the MOJ is doing it completely differently, you get completely random numbers out of it. We have lots of random numbers, but they are not any good for you, and they are not any good for us. That is not due to a want of trying, but because it is actually quite hard to get this right. If the NAO has looked at it, and at what consultants have done, and it cannot bridge the data, you might imagine that it is technically hard.

**Q62 Ian Swales:** Let me give an example: payroll. You have to be able to compare how much it costs to pay a person. Do you know that, across each centre?
***Robert Devereux:*** You would indeed, so you could tell how many people are being paid by payroll, and how many humans I have doing all of that. You then ask yourself, "Well, what's the nature and the structure of the pay that we are paying?" Typically, the systems that we are using at the moment have too many elements of pay to make up a pay bill in public service. When you compare the benchmark, the first thing that you notice is that they have taken costs out of it by simply rationalising terms and conditions, which, oddly enough, is another piece of the HR strategy. The point is that the benchmarking is not trivial. That is what I want to say.
***Ian Watmore:*** The distinction here is the unit cost of doing something, which we know, and the quality of that something. What is the quality of a payroll system? I presume that it is that there are no complaints and people get their pay on time, right? But when it gets into something more subjective, it is hard. I think that what the NAO did here was put in its own methodology to work out that the centres were not doing brilliantly, but there were no catastrophic disasters here. They were all in the "mid-table to above average" camp. We have something that is working. If we can drive the unit cost down and continue to drive out the costs, then that—

**Q63 Ian Swales:** Sorry, I must just deal with the last point on this. If I am running a big piece of the civil service now, and you come to me and say, "Hey, come and join this shared service centre," or, "You've got these options," whatever I am doing now is, by definition, working at a certain cost. If it is so sophisticated and difficult, how will you persuade me that you are going to give me a better deal?
***Ian Watmore:*** Mandate it.

**Q64 Ian Swales:** You are going tell me. Right, okay.
***Ian Watmore:*** No, I was joking. I was joking, sorry.

**Q65 Ian Swales:** Your words—I am quoting from you—"They will make it fail." That was what you said earlier.
***Robert Devereux:*** With the level of variation that exists at the minute, some of these numbers are coming out at £1,100 or £1,200 per person against £500. You do not need rocket science in benchmarking to know that that is wrong.
***Ian Watmore:*** You can't hide from those.
***Robert Devereux:*** But that is different from actually having good benchmarkable data.
***Ian Watmore:*** So if Robert had £500 and you had £550 or something, the case is quite hard to make—

**Q66 Chair:** I'll tell you what is rather depressing about this, although I've got to move on to the next people. We should have had Research Councils here, but we didn't—that's just the way the cookie crumbles. When they got going, they knew a lot of this stuff. They got going a couple of years back and have been live for a year, yet if you look at their cost base, they are the worst offenders. You sit here and you tell us this stuff and then I think, "I don't believe any of this."
***Robert Devereux:*** There aren't many of them.
***Ian Watmore:*** That is exactly the point.

**Q67 Chair:** It doesn't matter. But then why didn't they come to you? Why didn't they use you?

***Ian Watmore:*** You may ask that question, but the challenge at the time was—I am sure BIS would support this—that they are a very independent arm's length group of people. They are administering the science budgets. They had seven versions of everything, so they weren't starting using somebody else's and inventing their own.

**Q68 Chair:** And paying their staff is so difficult because they are so elite?
***Ian Watmore:*** They had seven research councils. They all had their own version of this, and they came together to do it once on behalf of all of them, which is actually an improvement on where they were. Now you may then say—and I would support—that, from that base, they should now come into the BIS model as a whole, and then the BIS Department should come into the broader cross-Government model. That is the migration that we now want to follow, and in the process you will drive down the cost. The other point is why it is expensive for a small organisation to do this. Because there is a high fixed cost, and if you divide it among—

**Q69 Mr Bacon:** Or isn't that all the more reason to miss that stage? You know, Rwanda with mobile phones—you go straight to Martin Donnelly, if that is an appropriate analogy. Why have all that middle faffage? Why not go straight to the mother ship?
**Chair:** He'd say he wasn't accountable.
***Ian Watmore:*** I would say there were seven research councils. They actually were trying to improve themselves, before we castigate them.
***Robert Devereux:*** There is an overhead in setting up a new entity, even on my system. Actually, it is much better for me, for all the research councils to sort themselves out, and actually to sort themselves out first with BIS.

**Q70 Mr Bacon:** It does not cost Barclaycard a huge amount when a new merchant wishes to use Barclaycard to receive payments from its customers. If I am setting up a new department store in Croydon, because the last one got burned down, and I decide I want to have my furniture customers paying with a credit card, I phone up Barclaycard and say, "I need a payment system; can you help?" They will do it like that, and it won't be very expensive for them either.
***Robert Devereux:*** But they do not need to know who works for the managing director and who can authorise the services.
**Mr Bacon:** They might. They might want to know. If my business has corporate credit cards, they might very well want to know those sorts of things.
**Chair:** Anyway. Austin, then Nick, Steve and Fiona.

**Q71 Austin Mitchell:** There are those mirages which presumably from time to time become fashionable in government—saving an enormous amount of money by centralising back-office services. I see they are doing it now in local government. North East Lincolnshire council is going to share back-office services with North Lincolnshire council. It tells itself that it is going to save an enormous amount of money, but you haven't done. I wonder if that is to do with the approach. Was it right to encourage the big Departments to set up their own shared services, rather than providing a centre that could, for a cluster of Departments—perhaps smaller Departments—provide common services? Was that the right approach? I notice that although Departments were encouraged to join DWP or HMRC—a fatal choice—only Education agreed to come along with DWP and nobody wanted to work with HMRC. Was it right to concentrate on the big Departments setting up their own back-office things for their services, rather than encouraging cluster building?
***Ian Watmore:*** I would say that the model we have put out in the strategy is the one you have just described—to have the smaller or medium-sized Departments clustered around one of two centres. Those two centres happen to be the ones that are today provided by DWP and by the Department for Transport, but we have talked about that. The reason why DFE and the Cabinet Office went in with the DWP was not that no one else wanted to, but because we realised that there were a lot of lessons to learn, so we said that we would go first. The two Departments—I say we, but it was Gus and David Bell in the day—took the decision that they would pilot the shared services approach using what was then the Lewis shared services centre, and now we are building on that.
HMRC was slightly different. The reason why HMRC's system was chosen was that it was the only SAP centre at that time that was implemented, and people felt in that era that it was important to have an Oracle system and an SAP system. Fairly quickly after that decision, the Revenue had a lot of difficulties, which are well documented. Transport was implementing SAP, so we switched horses and went with the Transport one instead of the HMRC one in order to be able to get an Oracle and an SAP system. Now that the market has shifted again, we are saying Oracle, SAP and now a low-cost, new provider type, so that is the origin. I think your model of getting them clustered is the right one; that is the migration path that we have been on.

**Q72 Austin Mitchell:** The Report says that because they are providing services for one or two Departments—a small number of Departments, rather than a large number—they concentrated on creating complex services that are clearly tailored to individual Departments, rather than simplified services that could be sold to a large number of Departments. What power did the managers of these back-office units have to go out and sell their services or to attract other business?
***Ian Watmore:*** What I think Simon would say is that when the Department for Education joined with the DWP one, it was told that it could join, but on the basis of the DWP processes, so it had to change its processes to fit with the DWP. In another Department where they are not constrained, they will obviously design the system around their actual processes. One of the lessons that we have all learned over the years from shared services is that you do them the same way. "Do them vanilla" is the phrase—and not with a chocolate flake. I mean something very basic, simple and reusable. That is what we are trying to do.

**Austin Mitchell:** But that has not been developed, effectively.
***Ian Watmore:*** It has, in the sense that what we are using is the version that Robert has implemented in the DWP—or his predecessors have—and we are both using that way of doing things. Anyone else who comes in will do it that way, too, so we will end up doing it on a unified basis.

**Q73 Austin Mitchell:** Okay. Just one final question: who decides the location of these centres? I see from the map—appendix 4 on page 44—that they are not necessarily going to areas of deprivation and high unemployment that need an infusion of white-collar jobs in their local economic mix. I would love one of these centres to come to Grimsby. It has ideal conditions, cheap housing and very good parliamentary representation, and it is a wonderful place to live. In fact, they have gone for establishment on the east coast main line and York, which is a very expensive place. Not many of them have been sited in areas that need this kind of mixture.
***Ian Watmore:*** I looked at that map with interest, dreading the prospect of there being one slap bang in the middle of London. Finding out that there was not one there was useful. Most of those centres are a legacy; it is where they have been placed in the past. The centres around which we are clustering are the DWP one, which is predominantly in the Fylde coast and the north-east, and the Transport and Home Office ones, which are predominantly in south Wales. I do not think that we can be accused of saying that they are in a middle-class sort of territory. Some of these places will disappear. The York-type locations will be looked at. We will question whether they are seriously the right place to put one. It will end up being in places such as the north-east and south Wales. They are the obvious places.
**Chair:** That brings me to Nick.

**Q74 Nick Smith:** I was going to come in on this. When I first looked at the map, I thought, “Do you know what, it is not bad? They are sort of in the places that really need them.” I am talking about places that have suffered from structural unemployment in the past, such as south-east Wales, the north-east and the north-west. They are perhaps a bit near the coast; of course we would prefer to have them in Blaenau Gwent or Merthyr Tydfil—those places that really need it. So my question is this: for your new centres and the further development of this, will you try to do that again, but go towards those places that really need these centres, recognising that they, too, need a mixed economy and ought not always to rely on the public sector?
***Robert Devereux:*** Maybe I could have a go at this, from a DWP perspective. I employ 100,000 people, and every month last year we lost 1,000 people because we got more efficient and changed things. As the organisation has changed, we have got a very good track record of moving work around the country to make best use of the staff we have. One of the reasons why these centres appear in places where the DWP has historically been is because as the organisation gets more efficient, there are spare staff there. You would not want me to make them redundant in order to recruit them and put them in Grimsby, in all honesty.

**Q75 Mr Bacon:** That’s what the Ministry of Defence does all the time.
***Robert Devereux:*** Yes but, with respect, it is up to me what I am doing. Consequently, the pattern on the map owes as much to where large quantities of staff have been—
**Chair:** We look forward to seeing you when you are MOD perm sec.
***Robert Devereux:*** I think you won’t see me there.
**Mr Bacon:** Famous last words! You know this is recorded, don’t you?
***Robert Devereux:*** The position is full.
We don’t sit thinking, “Shared service—where shall I put 1,000 people?” I am trying to think where I can optimise 100,000 people, and this is the right answer.

**Q76 Nick Smith:** We would expect you to look after those staff you already have as best you can but equally, surely, you should be proactive and have an employment policy that recognises large structural unemployment around the country. If you are developing new establishments, that will be something you can do.
***Robert Devereux:*** But net civil service employment in the next four years is going in only one direction. Consequently, as you can imagine, most work will be placed where those civil servants are. We will not be making the problem worse by adding to new locations and subtracting more—
***Ian Watmore:*** And with the greatest respect to Grimsby, Dyfed Powys and so on, we do have these centres in places that other people would say are the right sort of locations. The north-east is a problem area, as we know; therefore, we have big centres there. The south Wales economy, ditto. We have them on the Fylde coast, which is out of the mainstream of the Manchester-Liverpool hub. We have them pretty well placed. I do not want to lie to you; I think we would be more likely to reinforce behind those locations than to open up new locations.

**Q77 Nick Smith:** As I said, this is good, but I think we could do better.
My other question is about removing barriers to sharing services. Mr Devereux and Mr Parkes, I was interested in your point about Whitehall mandarins not having enough head space to concentrate on this stuff if you are, in your case, introducing universal benefits and when much greater savings are needed across your staff portfolio. I sort of get that and I like the idea of an independent centre. You talked about special vehicles and encouraging smaller Departments to buy into this. I am not sure it is fashion, although I take Austin’s point about things going around and coming around, but if you are really going to take this forward in the future, how will you overcome European procurement models and how will you get local authorities—or others where there is lots of duplication of staffing—to buy into these new special vehicles in the future?

***Ian Watmore:*** I will let John talk about the procurement regimes, as he is the Government's chief procurement officer. Local authorities we have not talked about here. This is primarily a central Government Report and system. Actually, we have conversations with the local authorities about this. I think somebody said that they are already joining up—is it Lincolnshire North and South? The local authorities are actually being even more radical. They are joining up around chief executives, so they are having a chief executive running two or maybe three authorities. I think that that, in the end, will be a very interesting model. It is a bit like some of the headmaster or headmistress experiences, where they run multiple special schools in a region. There is quite a lot of interesting stuff that local government is doing that we will probably pick up in areas other than this.

**Q78 Mr Bacon:** You could have one person as permanent secretary to the Cabinet Office and being Cabinet Secretary, for example.
***Ian Watmore:*** You could. We did try that once.

**Q79 Chair:** And head of the civil service.
We wanted to hear from John Collington.
***John Collington:*** First of all, from a shared services perspective, it is a case of planning what it is we'll need to buy. Since the Report was issued—reference was made in the report to Oracle—under the leadership of the programme we have managed to negotiate with Oracle at the highest levels to take a much more strategic approach to leveraging the investments we have made so far, which will actually save us money, or avoid costs that were being planned across Departments. When it becomes clear what we need to buy by way of new IT infrastructure, or even services, we will again do that under the governance of the new programme that we are setting up, and we will then approach the procurement rules in the most effective way possible.

**Q80 Chair:** But you could do all that without changing anything. You could negotiate with Oracle—
***John Collington:*** We've done that. We've already negotiated with Oracle—
**Chair:** Quite, so your savings won't come—your savings come from your own change.
***John Collington:*** Exactly. I think it's a case of bundling and leveraging the procurements themselves, rather than running multiple procurements. It is bundling what is required and then procuring in the most effective way possible, with a keen focus on how we make sure we buy effectively, and in accordance with the European regulations, but with a focus on keeping those jobs, and focusing those jobs within the UK.
***Ian Watmore:*** If we just come back to the Department for Transport. I think, if left to its own devices, there would have been a straightforward outsource between the Department and a supplier. By working with us in the centre—Robert was there at the time and he approached me—we worked out a way in which we could do the outsourcing so that the whole of Government could benefit from it, not just the Department for Transport, and we've done it in a way which means that the solution offered can include these cloud-based smaller-scale solutions as well. So, instead of having a traditional one-Department SAP outsource, we will have a multiple-Department, cheap as well as mid-tier provider offering, that the whole of Government can take advantage of. That is by doing the more cross-Government procurement route.
**Chair:** Fiona, Amyas, and then Steve.
***Robert Devereux:*** I just want to add one more thing to the conversation: if there is one thing that the Committee might want to think about, it is that some of the cost in the central Government shared services is to do with the way we account to Parliament, so that is Government accounting and the Treasury requirements about the way and form of our accounts. You would not find that form of accounts even in local government, let alone in the private sector. If you want to be imaginative about how you can drive costs out even further, you need to look at that as well.

**Q81 Chair:** How long did it take the last time to change Government accounting?
***Robert Devereux:*** I don't know, but I would have thought this Committee would be able to ask.
**Chair:** About 20 years. I hear it; okay.

**Q82 Fiona Mactaggart:** My concern is about the effectiveness of this Committee and NAO Reports, because if you look at figure 2, you have heard all this before. I wasn't a member of the Committee at the time, but none of this is news. The recommendations in figure 2 are prefigures of the recommendations in the Report that we are discussing. Although what I have heard from you is, "It's going to be better; it's not that bad—we've got a plan," I am not sure I have heard any specific, measurable statements, such as Mr Watmore saying, "I am going to do this, and if I come back here in a year, you can count me against that." There is a bit of, "I am going to do things, but it is a bit hard, because, you know, accounting mechanisms, and blah, blah, blah." I am struck that this was in 2008—four years ago—and it does not seem, although please tell me if I am wrong, to have changed anything. Why are we spending all this time if what happens is the NAO brings all its resources to writing a Report and this Committee talks about stuff, but nothing happens? What's the point?
***Ian Watmore:*** I understand your frustration, but I would say more progress has gone on in the last four years than is apparent—I mean, Robert's centre, now, cost £500 a head; four years ago it would have cost substantially more than that and it would have been on 100,000 staff. That is a big number. So we have been making progress during this period.
You have asked me about what is different this time, and I think I have told you. We have now got installed base to build on; we have got the lessons learned from the pilot; and we have got a financial climate which is forcing us to change—and we have got a shift in the market. John has put a plan together, which we hope to publish with or shortly after the civil service reform plan, because it is part of that, which will have dates and commitments in that. Broadly, we are trying to get the rest of Whitehall on to one of these two

shared service centres by the end of calendar year 2014. That is the commitment we are making today.

**Q83 Fiona Mactaggart:** So, Robert, when you were the accounting officer for the Department for Transport, was the then Report discussed by the departmental board?
***Robert Devereux:*** I think that it was, yes. I am trying to recall—the board changed in 2010—but I think we did discuss it.

**Q84 Fiona Mactaggart:** You think that it was. One of the things that I am getting a bit frustrated about—I am a relatively new member of this Committee—is that although the stuff that we deal with is really important and about value for money, I feel a bit like a mouse on a wheel. We seem to be scuttling along in a circle saying the same things, and frankly it is a bit dull.
***Robert Devereux:*** I can see that it is a bit dull. Let me give you an answer that I have already given, as evidence. In 2008–09 we were operating with 116,000 users, nearly all DWP people at that stage. We currently have 112,000 users, so the DWP has got smaller and we have brought other people on. In that period, with exactly the same number of customers, we have reduced the cost of delivery per user from £600 to £400 in real prices. I have taken out one third of the cost of delivering a service to 120,000 people, and I regard that as progress.
***Simon Parkes:*** I think there are other things that one might touch on in figure 2. You are frustrated, understandably, with an apparent lack of progress, but we touched earlier on the difficulty of benchmarking. Government Departments are now publishing benchmark information about the cost of corporate services. It has been crude, but it is getting better and it is now published.
One of the other recommendations is that the information should be put in annual reports, and I think that this year for the first time we will start to do that. It has taken too long—that is fair—but getting to a decent set of comparable benchmarks is a difficult process. You are comparing the finance function of an organisation such as the DWP, which is as big as a clearing bank in terms of the number of transactions that it handles, with a finance function in an organisation such as the Treasury Solicitor's Department, which processes a few thousand transactions a year. Comparing those two organisations legitimately is hard, but there has been progress across a number of recommendations.
In my Department at the time—I was in the Treasury Solicitor's Department, which is why I used it as an example—we discussed the Report and we looked at one of the other recommendations about whether we should buy shared services from another organisation. We looked at the DWP, but frankly at the time we could not make the numbers work. We did not save enough from making the change to pay for the cost of implementation, and that is why we did not do it. It was not that we did not follow the recommendations, but having followed them, the value-for-money case was not there. There is a mixed picture about figure 2 and it is not as bleak as you fear. I think that we take you rather more seriously and take more action on the recommendations than perhaps you think.

**Q85 Fiona Mactaggart:** Is part of the problem that things take longer than we want them to?
***Simon Parkes:*** I think that in 2008 the DFE had not implemented shared services. We were taking the decision to implement shared services and to move to share with the DWP in 2008, but we did not implement that until November 2009. We were one of the early converters, if you like. This is relatively recent history, and it does take longer than perhaps we would all like. It will not take as long in the future as it has taken. It took us over a year to make the implementation in 2009. This year we have brought four executive agencies into the shared service structure at a cost that was less than a quarter of the cost of doing it in the Department just over two years ago, and far faster. We are getting better at making the transition to shared services as we learn the lessons. That is one of the really important things, but it probably takes rather longer than you would like and I am sorry.

**Q86 Fiona Mactaggart:** Just a final thing. This is slightly off the main point but it relates to the effectiveness of the Committee and the things that are raised actually happening. One of the things that I have raised before with you, Mr Devereux, is the issue and your report on A4e. I am wondering when we are going to see that.
***Robert Devereux:*** When we have completed the evidence gathering.
**Fiona Mactaggart:** Right.
***Robert Devereux:*** No—perfectly properly.
**Fiona Mactaggart:** I understand that it takes time.
***Robert Devereux:*** I will be writing to the Chair about that. You are asking quite hard questions; I am asking quite hard questions. At the end of that, who knows what legal process there might be. You want to hope, and I want to hope, that I shall be doing this properly, so I am not prepared to just dream up dates and say it will be done by then. I have got proper investigations doing it now. As soon as it is possible to tell you something, we will tell you something.

**Q87 Stephen Barclay:** Mr Collington, do we have a list of the public bodies that have not mapped all their key processes?
***John Collington:*** We do not have a list of wider public bodies; we do have a list of the Government Departments that we have been focusing our efforts on since July last year in working with the Departments.

**Q88 Stephen Barclay:** What I am driving at is the public bodies within the scope of the 2008 recommendations. The 2008 recommendations say that, regardless of shared services, they should have mapped the public bodies. You have got the team now. It is very welcome news that you have increased to 13 at the centre, but in terms of understanding the challenge have you got a list? I would quite like to see that list attached to our final report. So have you got a list, because it is surely the starting point?

***John Collington:*** It is the starting point within Departments.

**Q89 Stephen Barclay:** Have you got a list of those bodies within the scope of this piece of work that have not mapped their processes?
***John Collington:*** We would be quite happy to share with you the information that we obtained through the bottom-up analysis that we did in the autumn of last year.

**Q90 Stephen Barclay:** That is not quite what I am asking for, but perhaps it is something that the NAO—
***Ian Watmore:*** What I think our plan has been is that we work with the Departments, and it is for the Departments to work with their arm's-length bodies. So I am not trying to do the job of the Department for Business, Innovation and Skills, to integrate 28 arm's-length bodies into a shared service centre. That is for the—

**Q91 Stephen Barclay:** Again, Mr Watmore, I am not suggesting that it is. I have sympathy with your position. What I am saying is that we, as a Committee, perhaps need to shine a light. The Committee made a recommendation in 2008 that says the starting point is that processes should be mapped. I understand that you have come into this midway through that process, so even though you answer for the Department it is not you individually who has been around since 2008, but your team needs to understand what the starting point is. Therefore I think that, as part of our report, we should attach to it a list of where the gaps are. Then it is for those accounting officers, where there are gaps in their arm's-length bodies, to explain why their arm's-length bodies and others have not mapped those processes. Perhaps that is something that the NAO could take forward.
***John Collington:*** One of the things that we have done is to focus on the large non-departmental public bodies. That is because in some cases—let us take the Department for Environment, Food and Rural Affairs, for example. The Environment Agency has got a larger population of potential customers and users, so part of our focus in developing the strategy is how we identify the needs and requirements of those larger NDPBs, to ensure that they are being addressed as we implement the strategy.

**Q92 Stephen Barclay:** Sure, but if this is not yet clear it comes on to my next point. What the report makes clear is that the work has still not been done to define what legacy systems there are, which will be an impediment to benefits.
***John Collington:*** We have that information.

**Q93 Stephen Barclay:** That would be good to see, to see how many there are. But also in terms of the obstacles from some of the arm's-length bodies, of bringing those bodies in and how many of them you are trying to bring in. Again, the report says that you have still to define how much customers will retain. If those bodies have not mapped their processes, it is very hard to have confidence in your timetable and that you will have this work completed if you have not even worked out how much work is within the programme that you are trying to complete. Does that make sense? The report says that it is still to be defined how much customers retain. Therefore, you may say, "In order to hit our deadline of 2014"—or whenever it is—"we will hit that deadline by just letting our customers retain more than would have been the case."
***Ian Watmore:*** I see what you are getting at. Right. I understand. Sorry—I was being a bit stupid there.
When we implement one of these shared service centres, we do not want the low-level transactions coming across and big retained functions sitting behind. That is to nobody's advantage. That does not benefit the Department and it does not benefit the shared service centre. If you are going to move in with the shared service centre, you throw your lot in with the shared service centre. You need to keep a small retained function. If you don't do that, you don't make the savings—it's as simple as that. Sometimes Departments get too heroic about what they will need left; they think they will need one man and a dog left, or whatever. And actually they need a little bit more of a retained function than they thought. But we are not suffering at the moment from the problem of people throwing in low-level transactions and hoarding their function. They are either saying, "We think we should do it ourselves" or, like Simon's done, "You come and do it for us and we'll make the consequent changes."

**Q94 Stephen Barclay:** The point I'm making is, the scope of the project has not been defined fully. So you are giving us a commitment on the end deadline without having clarity as to how much is going to be covered.
***Ian Watmore:*** There is more detailed work to do—I agree with that—but we are trying to get the 10 or so big Departments sorted out. The implication of the ones that are at the end, typically, is because they need more time to get their arm's length bodies sorted out.

**Q95 Stephen Barclay:** But you can see how they could be flexed to hit a deadline, which brings me on—
**Chair:** I am conscious there is a vote shortly, okay?

**Q96 Stephen Barclay:** Another point, if I may. Looking at the journey to date, the estimated costs were £0.9 billion, but the actual cost has been £1.4 billion. In the report we set out some projected costs. Have you shared the detailed numbers behind that with the NAO? I do not think it is the case—some of those, the 26—
***Sally Howes:*** We put them towards the beginning of this year. I don't know if you have worked on them subsequently.

**Q97 Stephen Barclay:** Has any work happened since, in terms of—
***John Collington:*** We've refined our numbers, based on the detailed engagement we have had with key Departments and we would be happy to share our up-to-date numbers and strategic plan with the NAO.

**Stephen Barclay:** That would be great. So we could have that done before the report is finalised.

**Q98 Chair:** Are they different from what is in the report?
***John Collington:*** Roughly similar. Very similar. Just tweaks in terms of the timing that we have worked on.

**Q99 Stephen Barclay:** Okay, so the final thing is, who is the senior responsible owner for this piece of work and, given the failure to implement the 2008 recommendations, how much cost overrun would there need to be before that senior responsible owner should be held to account?
**Chair:** There is about to be a vote.
***Ian Watmore:*** We don't ever come to the PAC without understanding our accountabilities any more. In this particular case, going forward, I will take the SRO responsibility when the strategy and plan are agreed by the Civil Service Board.

**Q100 Stephen Barclay:** Which is going to be—
***Ian Watmore:*** We are trying to do it as part of the publication of Bob Kerslake's civil service reform plan.

**Q101 Chair:** When is all that? I don't even know—
***Ian Watmore:*** End of May, early June. But until that point there is nothing to be responsible for, because the individual responsibility lies within the Department.

**Q102 Chair:** John Collington is the senior responsible officer.
***Ian Watmore:*** Sorry, accounting officer is probably the better word. I will take the accounting officer responsibility for driving the programme through Whitehall—
**Chair:** I am conscious we're going to be called, Steve. I don't know if you guys want to come back. I know you want to come in, Amyas, but Jackie hasn't had a chance yet, so just quickly, before—

**Q103 Jackie Doyle-Price:** I have listened carefully to what you have all had to say. The thing that is really hitting me in the face about all this is the complete lack of leadership, to be honest. The Cabinet Office has very much approached this in a voluntary spirit, which is the right way in terms of getting buy-in, but the reality is, as Mr Devereux has set out, that really he will be losing sleep about his core business activities, not about making sure whether his services and all his arm's length bodies are buying into the same shared services. Do you think, on reflection, the Cabinet Office should have been more dynamic in terms of leading this through Government?
***Ian Watmore:*** In the past, I suspect, to be honest, it would have sunk without trace if they had tried to be, because the prevailing mood of Departments at that time was not to be told what to do by the Cabinet Office, frankly, and I don't think they would have accepted it. I think it was the right approach to try to build a consensus around it. I think it was also the right approach to put Departments under pressure to get themselves to first base.
I think now, however, the time is different. I think there is a willingness to do things in a more cross-cutting way and there is a demand to do it, or a burning platform to do it, because of the deficit and I think now is the time to push hard on this. Therefore I think we've reached the right point.

**Q104 Jackie Doyle-Price:** That's really financial discipline, isn't it, that has forced that, rather than—?
***Ian Watmore:*** Well also, as I've said multiple times, I don't think we were in a fit place to start swapping Departments around Whitehall. Individual Departments had to get to first base in order to cross over and we had to do the piloting.
***Robert Devereux:*** The thing you have now which you did not have previously is a customer who just comes to another person's shared services and declares it to be a success. Ian can say as much as he likes and I can say as much as I like, but if the Department of Education says, "I tried this, it worked, I got savings out of it", you have got something different now from what we had previously and, ultimately, that will be the most powerful way through this.

**Q105 Jackie Doyle-Price:** That's fine, but this Report tells us that three of the shared service centres have got spare capacity of 50%, which is—
***Ian Watmore:*** That is back to the point that if these things are too small you put the big investment in and you don't have the scale to match it.

**Q106 Chair:** Someone should stop those research councils running off. Someone should have done it, I don't know who. It is so obvious, isn't it?
**Mr Bacon:** That answer doesn't go down on the record, unfortunately. We will have to get a new version for *Hansard*.
***Ian Watmore:*** I refer the member to the answer I gave earlier—*[Laughter.]*
**Chair:** Shakes his head—for the benefit of *Hansard*—in despair.

**Q107 Jackie Doyle-Price:** Coming back to the arm's length bodies, are you confident that you can rely on Departments to get them to buy in? Because I don't think you can, to be successful.
***Ian Watmore:*** I am absolutely certain that DEFRA has more influence on the Environment Agency than I do.

**Q108 Jackie Doyle-Price:** Equally, you are the senior responsible person, and we are going to have a go at you when they do not.
***Ian Watmore:*** That is what I am saying. That is why when it is agreed I will do it. Therefore, in the case of the Environment Agency, which I used just because it came up, Bronwyn might say, "No, this is what I am going to do with DEFRA. I will get my agencies in, then we will come and join Robert's centre"—or whatever the plan is—"and I will manage it from there

and hold them to account." If she says, however, "I will think about it for another six months", then clearly that is not a deliverable responsibility on my part.

**Chair:** Okay, I think we have been saved a vote. Amyas, then Ian.

***Amyas Morse:*** I was very interested in what Simon started to say, and I wanted to fill it out, slightly differently—looking up hill, rather than down hill, so to speak. You were talking about adding functionality, building up the potential and really seeing this thing taking off. In many ways, when you said earlier about investment, the justification for the investment is opening up the strategic potentials of a lot more going through shared services in future and getting much higher functionality. When are we going to get some plans? Are you going to be thinking about that? Are we going to see something about how that might happen, even if only aspirations?

***Ian Watmore:*** You make a very interesting point, because we have constrained the discussion today right down to the functions of finance, HR procurement and so on, but we briefly strayed into the territory of local government, where they are doing more broad things. I think—I know Bob Kerslake thinks this as well—that, particularly for the very small Departments, there are a whole lot of other things that they should draw upon. DCMS, which I think was your former Department, Chair, if I remember rightly, will be 400 people or fewer after the Olympics are over. Those people should be using a whole range of shared services—

**Q109 Chair:** But they would just be the Department. They will be petrified in the competitive environment in which Departments operate in Whitehall—they will be petrified that that will further ensure their final demise.

***Ian Watmore:*** That is always the risk. As you will know, there was some briefing on that at the weekend, I noticed. But I think it is very unlikely that in a coalition Government there will be fewer Departments. *[Laughter.]*

**Chair:** That is a good brief, thank you, but it is a serious point. From my life in DCMS, I can tell you what they might have thought: "Oh my god, if we hand that over to that lot, the next thing that they will want will be this, that and the other."

***Ian Watmore:*** I think that Jonathan Stephens—I have not spoken to the Secretary of State about this, but I have spoken to the permanent secretary—is in a place where, post-Olympics, he wants to trial all these shared arrangements. When we come to putting our civil service reform plan out, I suspect that it is likely that that will be one of the actions that we will do. So, looking at things like the parliamentary branch, honours and appointments and all these plethora of things that if you are a Department you have to have a team focusing on, actually we could use someone else's, who already has one, and concentrate the 300 or 400 people you have got on serving the Secretary of State and delivering the key policy areas. I think that is where we will end up.

**Q110 Mr Bacon:** And reducing the quality of the Minister's responses to Parliament.

***Ian Watmore:*** I don't think I understand.

**Q111 Mr Bacon:** You said the parliamentary branch—things like this that Ministers need.

***Ian Watmore:*** No, the co-ordinating functions—

***Robert Devereux:*** If you lay a statutory instrument, someone physically has to walk it over here—so we would just have one team and they do that, and they can do it for the DCMS and one or two others.

**Q112 Mr Bacon:** You are not talking about the correspondence or the private offices.

***Ian Watmore:*** No, that is properly within the core of the Department.

**Q113 Ian Swales:** Can I touch on technology, with particular reference to your IT strategy, which we have discussed in this room before? There are some comments which are a bit like a broken record for this Committee, I'm afraid: "These ERP systems are complex and it is not easy to modify them when needs change, such as when an organisation is restructured or processes are redesigned", or further on—page 30, by the way—"it is not clear why such expensive solutions were bought. Other smaller and simpler accounting packages were not looked at to see if they may have provided the required functionality."

Once again there is this sense that long time scales and complexity are built in, perhaps by our suppliers and perhaps because they make a whole lot more money that way. I just wonder how you see the future in the shared service centres, particularly now we seem to be tied into Oracle—again from the Report. How are we going to drive down those kinds of costs, speed things up and make them more flexible? *[Interruption.]*

**Chair:** A tight answer.

***Ian Watmore:*** Very shortly, when the Gershon plan was put together, the choice was broadly Oracle or SAP. Today the choice is not that: the choice has many more products, such as cloud-based computing, smaller and medium-sized units for smaller and medium-sized companies. That is part of our plan—to introduce alongside the transport outsourcing—to get more of those, so that the Departments have the choice between an SAP and Oracle or one of these newer style ones.

**Q114 Ian Swales:** So you will be accrediting some simpler, faster solutions.

***John Collington:*** That is part of the strategy.

**Ian Swales:** Okay, thank you.

**Chair:** You are lucky, you are all saved by the bell.

***Ian Watmore:*** We were enjoying that.

**Chair:** Thank you very much indeed; I think that was a very constructive exchange.

## Written evidence from Canon

On 6 March, the National Audit Office published its report *Efficiency and reform in government corporate functions through shared service centres*. Canon (UK) Ltd provides many government departments, local government bodies and private sector companies with managed print services that underpin all shared services functions.

With this expertise in mind, we would like to submit the enclosed Written Evidence to the Public Accounts Committee, so that it might be considered before the Committee's hearing into shared services (currently planned for Monday 23 April).

We would be pleased to provide the Committee with any further information it may require. My contact details are robert_pickles@cuk.canon.co.uk

### RE: THE NAO REPORT: EFFICIENCY AND REFORM IN GOVERNMENT CORPORATE FUNCTIONS THROUGH SHARED SERVICE CENTRES

#### Executive Summary

1. The NAO report into shared services highlights the challenges central government has faced in delivering cashable savings from its shared services functions.

2. In the private sector and in local government, shared services depend on professional management of the print services used to deliver deliver most administrative functions.

3. Print services include all machinery, software and networks associated with document management. These operations underpin all major shared services functions, including payroll, HR and ICT. Every department also uses print services in its daily operation.

4. Evidence described in this submission, taken from real life case studies from the private sector and local government, shows that managed print services are essential to successful shared services functions. Without managed print services, shared services functions cannot operate effectively.

5. On average, managed print services deliver cashable savings of £105 per employee. This means DWP would achieve cashable savings of £11,025,000 each year by including managed print services in its shared services operation.

6. The government should assess how managed print services can help deliver a more effective shared services system.

#### Introduction

7. Managed print services are a vital component of shared services systems in the private sector and local government. Managed print services help standardise administrative processes within and across different bodies, and enable more customers to take part in shared services infrastructure.

8. Document management, printing, machinery and software functions are all included in managed print services. These "nuts and bolts" functions enable the coordination of larger functions, such as HR, payroll and ICT services. Without managed print services, it is difficult, if not impossible, to introduce an effective shared services infrastructure.

9. To date, the Government has not undertaken any assessment of how it manages print services across departments and how these basic functions can be used to encourage greater coordination between departments and deliver savings.

#### Information to Consider

10. Managed print services are essential to delivering an effective shared services infrastructure, as they encourage different departments to standardise administrative functions and ensure that new customers can buy into existing administrative systems. Experience with local government bodies suggests that central government departments could save £590 million each year by introducing managed print services.

11. At the moment, government departments have to reinvest in print software, machinery, maintenance and supplies every year. Introducing managed print services would lead to year on year savings as the cost savings achieved in the first year would be repeated in every subsequent year.

12. Government departments use documents to communicate with each other and try to coordinate functions through shared service centres. A managed print services system would allow departments to standardise document management and speak to each other "in the same language". This would help prevent the creation of work "silos" that prevent different government departments from working with each other. Managed print services would remove barriers to departments joining shared services.

13. It is impossible to accurately measure the costs and benefits of the new shared services strategy without an assessment of the spend on print services across different departments. Print services are involved with every major administrative cost associated with HR, payroll and ICT functions.

14. The NAO recommends that shared services centres "should explore all opportunities to reduce costs including…process and technology". In the private sector and in local government, managed print services are considered a necessary first step to reducing process and technology costs and standardising functions.

15. Private sector and local government bodies have also used managed print services to increase document and data security across shared service functions. This is achieved by uniform document handling procedures, standardized access to email and scanning tools, and central lock down of the whole system if it faces an external security threat. These procedures should be implemented as a priority across central government departments handling sensitive data.

## Recommendations

16. The Cabinet Office should assess each government department's spend on print services, including software, machinery, maintenance and materials.

17. Government should implement a managed print services system that will standardise document production and administrative functions within and between shared service centres.

18. The Cabinet Office should include an assessment of the cost of print services, and how standardising those services can be used to promote cross-departmental cooperation, in its projections and business case for its shared services strategy.

*30 March 2012*

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### Written evidence from the Permanent Secretary and the Chief Procurement Officer, Cabinet Office

Q93 Stephen Barclay: *Have you got a list of those bodies within the scope of this piece of work that have not mapped their processes?*

A: We believe that all central Government Departments and their Arms Lengths Bodies (ALB's) map onto the high level services offered by Shared Service Centres. It is not possible or practical to map each organisation onto a specific set of detailed processes, as each Centre will have a different process depending on which system it uses. This work will be carried out once we know which Centre an organisation is likely to use to avoid duplication of work. It is however the strategic intent to limit the number of systems and processes going forward to minimise customisation and reduce complexity, both of which have been barriers to extracting the full value of Shared Services in the past.

To understand the size of the task and the potential benefits, in August 2011 the Cabinet Office issued a commission on Shared Services in the form of a questionnaire to central Government Departments. The commission included departments ALB's with a workforce in excess of 250 staff. The purpose of the questionnaire was to gather information on the nature, scope and range of provision in place to inform future strategy and planning. The scope of the questionnaire was extensive and covered HR, Payroll, Finance and Accounting, Procurement and other systems in place to support the aforementioned areas. The Committee may find it helpful to see a copy of the questionnaire along with a list of Departments and ALBs who replied—both are attached.

The Committee will recognise that it was important to capture data for relevant organisations in the ALB sector, as in some cases an ALB can be larger in size than the parent Department, as is the case with the Environment Agency and the Department for Environment, Food and Rural Affairs. Making connections to the ALBs and seizing opportunities to maximise economies of scale is very much part of the Next Generation Shared Services ambition.

The completed questionnaires map the vast majority of Shared Service activity across central government to the core services we expect Centres to provide, and have provided valuable insight into the "as is" position.

This work continues to inform Shared Services strategy and planning. We believe that the data collection exercise covered more than 80% of the total spend on back office services excluding MOD, MOJ, HMRC and NHS as they are large stand alone Shared Service Centres. However, these Centres have agreed to participate in the performance monitoring regime going forward.

Q37 *on the service received by smaller department*

Past issues with securing value for smaller departments

The current Strategic Plan recognises that historically more could have been done to avoid duplication, over customisation, inconsistent processing and over reliance on large scale ERP and technology solutions. This is due to unnecessarily complex and customised systems that use inconsistent processes and these can be a particular problem for smaller departments.

Historically the Cabinet Office played a role in the cross Government Shared Services programme, but did not have the constitution to apply a mandate for Departments to use specific Shared Service Centres. It did work with the Civil Service Steering Board (CSSB) wherever possible but Departments, through their Accounting Officers, make their own Value for Money judgements in these circumstances. The current economic climate means that there is a burning platform for a step change in the take up of Shared Services which the Cabinet Office is now actively managing.

Securing value in the future

Along with the creation of Independent Shared Service Centres, a key part of the Strategic Plan for Shared Services is focussed on delivering an essential *monitoring oversight function*. In the future the Crown Oversight Function (based at Cabinet Office) will monitor departmental performance to ensure that they deliver upper quartile performance for customers on both price and on service. This monitoring and reporting system will start in the autumn of 2012.

For the smaller non-operational departments the latest versions of Tier 2 ERP systems offer similar functionality and in some cases better usability than Tier 1 systems because they can focus on a restricted functionality set. We believe that Tier 2 ERP systems meet all transactional requirements for smaller departments and provide the opportunity for lower transactional and maintenance costs in the future. Offering a range of solutions for smaller Departments and pursing upper quartile performance will remove barriers to entry and lead to greater value for money from Shared Services in central Government.

To ensure that departments are able to contribute to and benefit from Shared Services, the Next Generation Shared Services programme will have stakeholder forums covering all government departments—smaller departments will not be excluded.

*June 2012*

ISBN 978-0-215-04671-0

PEFC
PEFC/16-33-622

Printed in the United Kingdom by The Stationery Office Limited
07/2012 020537 19585