SHARED SERVICES? WHAT COULD POSSIBLY GO WRONG…

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In 2012, the National Audit Office (NAO) reported on the lack of success of five central government shared service centres set up by the Cabinet Office[1]. The damning report had the snappy title: *Efficiency and reform in government corporate functions through shared service centres.*

The NAO revealed that over £1.4bn had been spent on central government shared service projects, with a saving of less than £500m as a result.

They wrote, *"We found that the government had not achieved value for money and that complex services were tailored too much to individual departments, increasing costs and reducing flexibility".*

Shorter titles - longer reports…

In 2014, the NAO published a longer review of the Cabinet Office's shared service progress with the shorter, less snappy title: *Next Generation Shared Services Strategy*[2].

This examined a new strategy to create two independent shared service centres to provide back-office functions for up to 14 departments and their arm's-length bodies.

Amyas Morse, Head of the National Audit Office, commented on the report, *"The Cabinet Office has made progress with its shared services strategy.*

However, as the initiative enters its most challenging phase, it is crucial that the Cabinet Office fully address previous recommendations by the Public Accounts Committee. In particular, lessons from intelligent customers should be shared, and the Department should prepare and communicate performance benchmarks.

NAO National Audit Office

Report by the Comptroller and Auditor General

Cabinet Office

Shared service centres

HC 16 SESSION 2016-17 20 MAY 2016

There will be a tension between getting departments to join the centres and sticking to the programme's timetable, and maintaining a standard operating model that is acceptable to all users.[3]*"*

In May 2016, a further review was published by the NAO, simply called '*Shared Service Centres*[4]'.

The review confirmed that although the Cabinet Office programme had achieved some benefits, these are below what was expected.

Their report tells the story: '*The government set up the two independent shared service centres as planned. It signed contracts with two private sector companies (arvato UK Ltd and Steria Ltd) to operate the centres, initially known as ISSC1 and ISSC2. These began providing outsourced services to participating departments and arm's-length bodies in 2013.*

Staff working in the Department for Transport's existing shared service centre were transferred to arvato.

[1] Comptroller and Auditor General (2012), *Efficiency and reform in government corporate functions through shared service centres*, Session 2010–2012, HC 1790, National Audit Office, March 2012.

[2] Comptroller and Auditor General (2014), *Update on the Next Generation Shared Services Strategy*, HC 1101 NAO Session 2013-14, March 2014

[3] March 2014 - NAO Website Press Release

[4] Comptroller and Auditor General (2016) *Shared Service Centres.* HC 16 Session 2016-17, May 2016

Departments have reported savings to date of £90 million and investment costs of £94 million.

Staff in other departments joined Shared Services Connected Limited (SSCL): a new joint venture company (75% owned by Steria and 25% owned by the Cabinet Office).

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Shared services = reduced costs. Right?

The report goes on to confirm that *'Customers' costs have increased because they have had to maintain project teams and, in the case of the arvato centre, maintain and extend the life of existing and ageing systems.'*

Suppliers' costs have increased because they had to take more time than they had originally envisaged developing their single operating platforms, extend migration timetables and carry out commercial negotiations that have arisen as a result of delays.'

Unpacking the report, evidences the following predictable problems that are highlighted in the SSA taught programmes and Postgraduate Certificate in Collaborative Transformation.

The lack of trust and shared vision

The 2016 NAO review reveals that:

- *While remaining committed to the programme, customers' confidence in it has deteriorated*
- *The Cabinet Office did not secure sufficient support from departments at an early stage of the programme*
- *Departments varied in the extent to which they believed in the merits of the shared service centres*
- *Some said that they felt pressurised into joining the programme. Several departments were unhappy not to have been sufficiently consulted on key elements…*

Insufficient skills and knowledge of the project teams and providers

The 2016 review reveals:

- *Weaknesses in the programme design have undermined its success*
- *The Cabinet Office did not develop an integrated business case for the Strategy that consolidated the business cases…*
- *The approach to creating standardised processes was not well managed*
- *…contractors for both centres did not have the capability in-house to design and implement the single operating platforms*
- *They also had varying degrees of experience in managing transformation projects.*

Déjà vu all over again…

The NAO reports should be praised, because they highlight the challenges and mistakes that we can all learn from and avoid.

However, when you compare the 2012, 2014 and 2016 reports' recommendations, you see frequent repetition of the same mistakes.

Maybe you remember the saying: *Insanity, is doing the same thing over and over again and expecting different results?*

You can download the NAO 2016 Shared Services report at: https://www.nao.org.uk/report/shared-service-centres/

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