



House of Commons
Committee of Public Accounts

**Government Shared
Services**

Fiftieth Report of Session 2022–23

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 17 April 2023*

The Committee of Public Accounts

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Summary

All government departments need a range of corporate functions to support their operations and people, including human resources, finance, procurement and payroll. These services are used by more than 450,000 civil servants. For the last two decades, central government has been trying to achieve more sharing of these 'back-office' services across Whitehall departments to cut costs and improve efficiency. However, previous shared services strategies have failed to deliver, and back-office functions are costing the taxpayer over £500 million a year. In the past we have warned that the longer it takes for government to get on-top of the situation, the greater the impact will be on the rest of Whitehall and the effective functioning of government.

In 2021, the Cabinet Office refreshed its current Shared Services Strategy, grouping departments into five shared services clusters. We welcome the ambition of the new strategy and its commitment to delivering savings by moving to cloud-based technology, and standardising processes and data across government. Some progress has been made in the last two years, but we remain concerned about deliverability.

There are still several things that need to be put in place to ensure this effort does not falter like previous strategies. These include having contingency plans in case the current strategy encounters problems; securing the level of funding required to implement current plans; quantifying the benefits of the strategy; and having measures in place to monitor the overall progress of the strategy. If this strategy is to be a success it needs to reduce costs while also freeing up resources from back-office functions to provide better front-line services.

Introduction

All government departments need a range of corporate functions to support their operations and people, including human resources, finance, procurement and payroll. For at least the last two decades, central government has been trying to achieve more sharing of these ‘back-office’ services across Whitehall departments to cut costs and improve efficiency. This work has been led by the Cabinet Office.

We have previously reported on government shared services in 2008, 2012 and 2016. In 2012, we highlighted that the Cabinet Office needed to learn from past mistakes, show strong leadership and get buy-in from departments. Four years later, government was still failing for much the same reasons: an absence of governance and leadership by the Cabinet Office; departments acting independently rather than collaboratively; the lack of a realistic business case; and a failure to develop standardised processes.

In 2018, the Cabinet Office published a new 10-year Shared Services Strategy with three objectives: delivering value and efficiency by moving to cloud-based technology by 2025, standardising processes and data across government, and meeting end-user needs. It delegated responsibility to government departments to deliver these objectives. After slow progress, the Cabinet Office revised its approach in 2021, concluding that allowing departments to work independently would not deliver its objectives. Instead, it grouped departments into five delivery “clusters” of varying size. Its revised approach aims to ensure that all departments are on cloud-based technology by 2028 at the latest, and to deliver savings of 10% to 15% in operating costs by 2028. In 2020–21, the approximate cost of providing back-office functions across major government departments was £525 million a year.

Conclusions and recommendations

1. **The Cabinet Office does not have any contingency plans should the current strategy encounter problems.** The government's previous shared services strategies have ranged from a fully centralised approach to devolving responsibility to individual departments to deliver the strategy and procure their own shared services. Given these previous strategies have failed to deliver their intended benefits, we are concerned that the Cabinet Office does not have any contingency plans in place should its current strategy, which relies on departments clustering together to deliver the strategy, encounter problems. For example, the Department of Work & Pensions is the lead department for the 'Synergy' shared services cluster, and notes that its only contingency plan should they not receive the required level of funding would be to move more slowly; a plan which would create even bigger risks arising from ageing systems that will soon become unsupported. There are also poor back-up plans to minimise the risk presented by these ageing systems. The Department says that, should negotiations with the current business process services supplier fail, it would then work with the Cabinet Office to come up with a plan B. It is concerning that the department does not already have a back-up plan in place. It seems likely that other departments will have similar challenges, adding to the uncertainty.

Recommendation 1: *The Cabinet Office should develop a set of contingency plans for implementation should the current strategy encounter problems. It should report back to us in six months setting out what these plans are.*

2. **The Cabinet Office did not produce an overarching business case for the Shared Services Strategy, which has hindered progress.** HM Treasury's guidance to government departments states that a business case should be used to support all major programmes and projects considered by the Cabinet Office. The Cabinet Office did not follow this guidance and instead produced a "Case for Change" which lacked the requisite level of detail on costs, benefits and risk. The Cabinet Office says it did not produce a full business case as it believed that "time was of the essence" and it did not want to "put the cart before the horse". That decision has had a knock-on impact on the level of funding received and on the level of buy-in from departments, because the lack of detail made the "Case for Change" less convincing. When reporting on the government's shared services plans in 2016, we recommended that the Cabinet Office should produce a realistic and complete business case for its plans. The Cabinet Office accepted this recommendation at the time.

Recommendation 2: *The Cabinet Office should revisit its "Case for Change" and revise it in line with HM Treasury's Guide to developing the project business case, reporting progress to us in its six-month update. In future, the Cabinet Office should always complete a business case for projects, programmes and strategies of this scale.*

3. **Departments do not have the funding they need to deliver on their Shared Services Strategy.** There are both short- and long-term funding uncertainties to delivering the strategy. In the short-term, HM Treasury approved a funding envelope of £300 million to support the clusters to deliver the strategy and to address the risk that

departments could be left with unstable and unsupported systems in the interim. This covers the 2021 Spending Review period to 2024–25. Departments have stated that this settlement may not be enough to allow them to proceed with their preferred procurement options if final costs, which they currently estimate to be between £382 million and £403 million, continue to exceed the funding envelope. In the long-term, clusters have forecast that an additional £480 million of investment funding is required in the subsequent Spending Review period after 2024–25 to deliver the full strategy. There is clearly a risk to the delivery of this business-critical change programme since there is no guaranteed level of funding.

Recommendation 3: *In its six-month update, the Cabinet Office should set out what action has been taken to resolve both the short- and long-term funding uncertainties outlined above.*

4. **The benefits of the strategy have not been properly quantified.** The Cabinet Office did not calculate anticipated benefits of the refreshed strategy, and instead has relied on clusters developing cost and benefits figures as parts of their own separate business cases. These business cases have identified potential benefits of £2 billion at an estimated cost of £0.9 billion. However, clusters have not calculated these figures on a consistent basis, making it difficult to come to a clear financial picture of the strategy. In addition, there is no information available on potential benefits for the two clusters that have begun implementing their plans. The Cabinet Office is working with HM Treasury and clusters to ensure that costs and benefits are calculated on a consistent and comparable basis and are subject to external validation. The Cabinet Office expects this work to be completed in approximately three months and says it will then update its “Case for Change” to include this cost and benefit data.

Recommendation 4: *The Cabinet Office should develop a complete and consistent picture of the costs and benefits of the strategy. It should report progress to us in its six-month update, providing quantified potential efficiency savings.*

5. **The Cabinet Office has yet to start monitoring overall progress of the government’s Shared Services Strategy.** The Cabinet Office has no performance indicators that measure strategy progress. Shared services performance measures consider only business-as-usual service provision such as payroll accuracy, invoice accuracy, end-user satisfaction, government transfers and mobility of services, as well as a further 40 measures. These measures do not allow the Cabinet Office to understand the progress being made on this major programme of change. For example, there are no indicators to monitor progress on data and process standardisation. The Cabinet Office told us it will shortly begin working on designing and implementing new indicators which will allow them to track delivery against planned milestones and understand delivery progress. Once these are in place, it will introduce benchmarks that will allow it to assess its own performance against current standards of good practice in similar external initiatives.

Recommendation 5: *When the Cabinet Office writes to us in six months, it should include an update about the methods it has developed to track the overall progress of the Shared Services Strategy, including how it is tracking clusters’ progress towards milestones.*

6. **There are lessons to be learned from this strategy that will be applicable to future government projects.** We have often reported on the challenges that government faces in delivering cross-departmental initiatives, programmes and strategies. A number of these issues continue to cause problems for the current iteration of the Shared Services Strategy. The Cabinet Office says that clusters have worked to learn lessons from previous strategies, and there has been a noticeable change in pace since the introduction of the 2021 strategy refresh. Based on our previous experience, we have concerns that the strategy's timeline is overly ambitious. There will be further lessons, both positive and negative, coming out of the development and implementation of this strategy that will be applicable to future cross-government projects.

Recommendation 6: The Cabinet Office should disseminate both positive and negative lessons learned from designing and implementing this strategy for other future cross-government projects to build on.

1 The government's Shared Services Strategy

1. On the basis of a Report by the Comptroller and Auditor General, we took evidence from the Cabinet Office and the Department for Work & Pensions, the lead department for the 'Synergy' shared services cluster, on government shared services.¹

2. All government departments need a range of corporate functions including human resources, finance, procurement and payroll to manage their operations effectively. Since 2004, central government has sought to have departments share these 'back-office' services, now used by more than 450,000 civil servants. The aim of using shared services is to standardise processes and services so that they can be provided in a consistent and repeatable way, in high volumes, and therefore reduce costs. This work has been led by the Cabinet Office.²

3. This Committee has previously reported on government shared services in 2008, 2012 and 2016. In 2012, we highlighted that the Cabinet Office needed to learn from past mistakes, show strong leadership and get buy-in from departments. Four years later, government was still failing for much the same reasons: a failure of governance and leadership by the Cabinet Office; departments acting independently rather than collaboratively; the absence of a realistic business case and a failure to develop standardised processes.³

4. In 2018, the Cabinet Office published a new 10-year Shared Services Strategy with three objectives: delivering value and efficiency by moving to cloud-based technology by 2025, standardising processes and data across government, and meeting end-user needs. It delegated responsibility to government departments to deliver these objectives. After slow progress, the Cabinet Office revised its approach in 2021, concluding that allowing departments to work independently would not deliver its objectives. Instead, it grouped departments into five delivery "clusters" of varying size. Its revised approach aims to ensure that all departments are on cloud-based technology by 2028 at the latest and deliver savings of 10% to 15% in operating costs by 2028. In 2020–21, the approximate cost of providing back-office functions across major government departments was £525 million a year.⁴

5. The five clusters are 'Defence' (Ministry of Defence); 'Matrix' (Department for Business, Energy & Industrial Strategy, Attorney General's Office, Cabinet Office, Department for Digital, Culture, Media & Sport, Department for Education, Department of Health & Social Care, Department for International Trade (domestic) and HM Treasury); 'Overseas' (Foreign, Commonwealth & Development Office, Department for International Trade (overseas) and other departments with an overseas presence); 'Synergy' (Department for

1 C&AG's Report, *Government shared services*, Session 2022–23, HC 921, 30 November 2022

2 C&AG's Report, para 1

3 Q 1; Committee of Public Accounts, [Shared service centres](#), Twentieth Report of Session 2016–17, HC 297, October 2016; Committee of Public Accounts, [Efficiency and reform in government corporate functions through shared service centres](#), Third Report of Session 2012–13, HC 463, July 2012; Committee of Public Accounts, [Improving corporate functions using shared services](#), Eighteenth Report of Session 2007–08, HC 190, May 2008.

4 Q 1; C&AG's Report, paras 3, 4 & 10

Work & Pensions, Department for Environment, Food & Rural Affairs, Home Office and Ministry of Justice) and ‘Unity’ (HM Revenue & Customs, Department for Levelling Up, Housing & Communities, and Department for Transport).⁵

Contingency plans

6. The government’s previous strategies have ranged from a fully centralised approach to devolving responsibility to individual departments to deliver the strategy and procure their own shared services. The Cabinet Office told us that these previous strategies had encountered problems because of excessive customisation that moved away from standardised processes, making shared services difficult. It noted that at various points in the past “there had been the thought that this had been imposed on departments”.⁶

7. The government is just over four years into its latest Shared Services Strategy. Since the Cabinet Office refreshed it in 2021, introducing the ‘cluster’ delivery model, there has been a step change in progress. The ‘Defence’ and ‘Overseas’ clusters have begun to implement new systems. The departments in the ‘Matrix’, ‘Synergy’ and ‘Unity’ clusters have obtained business case approval, which will allow them to access funding for their shared services plans. Common data standards have been agreed and are currently being validated.⁷

8. The Cabinet Office told us that the strategy is on track.⁸ However, several risks remain to its delivery. For example, the Department of Work & Pensions set out three main risks for the ‘Synergy’ shared services cluster: funding uncertainties; a tight timetable; and realising the potential benefits of the strategy. On the timetable, the Department told us that the cluster is looking to extend its contract with its current business process services (BPS) provider, which runs out in October 2023, for a further two years. It then needs to make sure that its new BPS provider is in place for a transition period from one supplier to another of about a year. The cluster will also need to ensure it has a software provider in place that can provide everything needed for all four departments in the cluster.⁹

9. The Department for Work & Pensions explained that the only contingency plans the ‘Synergy’ cluster had in place should it not receive the required level of funding for its shared services plans would be to implement its plans more slowly. However, it would then be faced with the challenge that its extended contract with its current provider, which is being negotiated now, will finish in October 2025. The Department highlighted that these are business-critical systems and that going slower on the transformation pushes benefits further into the future, leading to missed opportunities.¹⁰ We asked the Department what the cluster’s back-up plan was should the negotiations with the current BPS provider fail. It told us that it would then work with the Cabinet Office to explore alternative options. We noted that this appeared to be the wrong way round in that it should have the back-up plan in place first. The Department then assured us that it had business continuity plans in place.¹¹

5 C&AG’s Report, Figure 2

6 Q 10

7 Qq 1, 9, 30; C&AG’s Report, para 11

8 Qq 9, 97

9 Qq 73, 83

10 Q 63

11 Qq 78–82

Business case

10. When we last reported on government shared services in 2016, we recommended that the then current strategy should be supported by a realistic and complete business case that was updated regularly.¹² This is in line with HM Treasury guidance that all major programmes and projects considered by the Cabinet Office should be supported by a comprehensive business case.¹³ Without a business case, important aspects such as governance, costs and benefits risk being poorly articulated, all of which undermines the chance of success.¹⁴

11. The Cabinet Office told us that it did not produce a business case for its current strategy as it believed time was of the essence in terms of both cost opportunities and the fact that old systems were coming to the end of their contracts. It did not want to “put the cart before the horse” in terms of the detailed work needed on costs and benefits and felt that this would be better done at the cluster level.¹⁵ Instead, it produced a “Case for Change” which lacked the requisite level of detail on costs, benefits and risks.¹⁶ As part of the 2021 Spending Review, three clusters submitted bids, totalling £759 million, to HM Treasury for funding to deliver the Shared Services Strategy.¹⁷ HM Treasury rejected all three bids due to concerns that the Cabinet Office and clusters had not done enough work to develop robust cost estimates or to consider fundamental elements of the strategy, including governance arrangements and cluster design.¹⁸

12. The Cabinet Office plans to revisit its “Case for Change” now that clusters have completed their own individual business cases, updating this to include a more detailed position on the costs and benefits of the strategy.¹⁹ We noted that the production of a central business case at the start of the strategy would have been helpful in managing risk, reassuring HM Treasury and disseminating learning and best practice, all of which would have helped to save taxpayer money.²⁰

Funding

13. Although HM Treasury rejected cluster bids for funding, it approved a funding envelope of £300 million to cover the period up to 2024–25. This was to support these clusters to deliver the strategy and to address the risk that departments could be left with unstable and unsupported systems in the interim.²¹ The Cabinet Office told us that it considered these bids were ambitious, both in terms of the amount of central funding that could be allocated and the length of time it would take to go through the process. Access to this funding was contingent on the approval of cluster business cases by the Cabinet Office and HM Treasury, which clusters obtained in autumn 2022.²²

12 Committee of Public Accounts, *Shared service centres*, Twentieth Report of Session 2016–17, HC 297, October 2016

13 C&AG’s Report, para 2.5

14 Committee of Public Accounts, *Shared service centres*, Twentieth Report of Session 2016–17, HC 297, October 2016

15 Q 60

16 C&AG’s Report, para 15

17 Q 62; C&AG’s Report, para 3.4

18 C&AG’s Report, para 3.4

19 Q 60

20 Qq 60–61

21 Q 62; C&AG’s Report, para 19

22 Q 62; C&AG’s Report, para 3.5

14. Departments have stated that this settlement may not be enough to allow them to proceed with their preferred procurement options if final costs, which they currently estimate to be between £382 million and £403 million, continue to exceed the funding available.²³ The Department for Work & Pensions told us that one of the top risks to the successful delivery of the Shared Services Strategy was the uncertainty over the additional funding it needed in this Spending Review period.²⁴ It noted that it has to make the best case it can to get the extra funding for the rest of this Spending Review period, as well as the additional funding required in the next Spending Review period. The cluster business cases forecast that about £480 million in investment funding will be required in subsequent Spending Review periods to deliver these programmes. These figures are likely to change as clusters engage with the market and finalise their business cases.²⁵

23 Q 62; C&AG's Report, para 3.5

24 Q 83

25 Q 28; C&AG's Report, para 19

2 Project management

Benefits

15. The Cabinet Office’s original expectation was that the strategy would lead to savings of 10% to 15% in operating costs, based on what other large public and private sector organisations across the world had been able to achieve.²⁶ It did not calculate specific programme-wide costs and benefits from the outset. Its benefits database included written descriptions of benefits but did not quantify savings.²⁷ Instead, it adopted a bottom-up approach with cost and benefits figures developed as part of individual cluster business cases for their shared services plans.²⁸

16. In autumn 2022, the business cases of three clusters (‘Synergy’, ‘Matrix’ and ‘Unity’) identified potential benefits (both “cashable” and “non-cashable”) of £2 billion at an estimated cost of £0.9 billion.²⁹ However, the three clusters have not calculated these figures on a consistent basis. For example, clusters have different definitions for what constitutes “cashable” savings and have calculated them over different timescales.³⁰ In addition, the ‘Defence’ cluster has yet to provide any information to the Cabinet Office on the benefits of its shared services plans and the ‘Overseas’ cluster has only recently provided a benefits figure of £6 million a year.³¹

17. The Cabinet Office told us that it is working with HM Treasury and all five clusters to revise and externally validate these estimates and obtain a benefits figure from the ‘Defence’ cluster. It said that it is working to ensure that costs and benefits are calculated on a consistent and comparable basis by all clusters, to strengthen their business cases for delivery.³² Part of this work includes examining the “non-cashable” benefits, such as resource management, productivity, and better reporting of financial data, to see if these benefits can be monetised in some way. The Cabinet Office expected this work to be completed about three months after our evidence session in January and said it would then update its “Case for Change” to include the latest data on costs and benefits.³³

Monitoring progress

18. The Cabinet Office has no performance indicators that measure progress of the Shared Services Strategy.³⁴ When asked what metrics were used to monitor progress of the strategy, the Cabinet office told us that there are three elements to this: two that are currently underway and one that it is working on. Firstly, it is measuring business as usual service provision. Performance measures include payroll accuracy, invoice accuracy, end-user satisfaction, government transfers and mobility of services, as well as a further 40 measures. Secondly, it is tracking delivery of individual projects, such as standardising the processes for people who join, move and leave the civil service.³⁵ However, these measures

26 Q 51; C&AG’s Report, para 2.7

27 C&AG’s Report, paras 2.7–2.8

28 Qq 51, 60

29 Qq 21, 51, 58, 59; C&AG’s Report, Figure 6

30 Qq 54, 58; C&AG’s Report, para 2.12 & Figure 6

31 Q 52

32 Qq 51, 53

33 Qq 51, 54, 60

34 Qq 32, 67, 88; C&AG’s Report, para 12

35 Qq 31–32; C&AG’s Report, para 12

do not allow the Cabinet Office to understand the overall progress being made on this major programme of change. For example, there are no indicators to monitor progress on data and process standardisation among departments and clusters.³⁶

19. The final element that the Cabinet Office is working on is how to identify and implement measures that will drive quality and performance in the future.³⁷ It explained that each cluster is accountable for delivery and has its own team tracking progress, but it acknowledged the importance of being able to compare clusters and support those who are falling behind. It told us that it plans to use information from project and programme reports to produce measurements and track each cluster's progress in implementing its shared services.³⁸

20. Once the new services and updated technology are in place, the Cabinet Office said it plans to revise the business-as-usual performance measures, many of which are decades old, in order to utilise more modern measurements such as the net promoter score, a metric that assesses the user's likelihood of recommending the product or service.³⁹ It plans to introduce benchmarks that are on a par with external organisations, including private sector organisations and governmental bodies in other nations, in order to stretch its technology and service providers.⁴⁰

Lessons learned

21. We have often highlighted the various challenges that government faces in delivering cross-departmental initiatives, programmes and strategies. These challenges include measuring and reporting of progress, common data, getting departmental buy-in, and achieving the right balance between central and departmental responsibilities, coordination, leadership and ownership. Examples include our 2022 reports on the use of evaluation and modelling across government, public sector greenhouse gas emissions, and improving the accounting officer assessment process.⁴¹

22. The Cabinet Office said that each cluster has undertaken a lessons learned exercise. For example, the 'Synergy' cluster's outline business case explicitly goes through the lessons learned and says how those are addressed in their programme.⁴² The Department for Work & Pensions noted that one of the lessons learned from previous shared services strategies was the lack of alignment around data configuration. Its cluster now has a common top 50 data sets, which align to the work that the Cabinet Office is doing.⁴³ The overseas cluster launched its new service in November 2022 and the Cabinet Office highlighted the importance of sharing lessons from this experience with the other four clusters.⁴⁴

36 Q 67; C&AG's Report, para 12

37 Qq 32, 64, 67

38 Qq 64, 67, 88

39 Qq 31, 88–90

40 Qq 41, 53, 55, 88, 91

41 Committee of Public Accounts, [Use of evaluation and modelling in government](#), Fourth Report of Session 2022–23, HC 254, May 2022; Committee of Public Accounts, [Measuring and reporting public sector greenhouse gas emissions](#), Twenty-Third Report of Session 2022–23, HC 39, November 2022; and Committee of Public Accounts, [Improving the Accounting Officer Assessment process](#), Twenty-Eighth Report of Session 2022–23, HC 43, November 2022.

42 Q 61

43 Q 12

44 Q 67

23. There has been a noticeable change in pace since the introduction of the 2021 strategy refresh.⁴⁵ The Cabinet Office highlighted what was different, namely that government functions such as HR, finance and commercial had taken the lead and set standards for departments to use. It explained that departments were working together in clusters and accepting this leadership, whereas previously departments held their own views on how they would like to use these functions.⁴⁶ The Department for Work & Pensions explained that its cluster had learned to work together more effectively. When the four departments in the cluster first came together to develop their 2021 Spending Review bid, everything was repeated a number of times as engagement took place with commercial, HR and investment committees in each department. Now they have a memorandum of understanding between the departments, a single programme senior responsible officer and a lead accounting officer.⁴⁷

45 Q 1

46 Q 30

47 Q 86

Formal minutes

Monday 17 April 2023

Members present:

Dame Meg Hillier

Olivia Blake

Sir Geoffrey Clifton-Brown

Mrs Flick Drummond

Mr Mark Francois

Anne Marie Morris

Nick Smith

Government Shared Services

Draft Report (*Government Shared Services*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 23 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Fiftieth of the Committee to the House.

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

Adjournment

Adjourned till Thursday 20 April at 9.30am.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 16 January 2023

Alex Chisholm, Permanent Secretary and Chief Operating Officer of the Civil Service, Cabinet Office; **Nathan Moores**, Director for Shared Services, Cabinet Office; **Peter Schofield**, Permanent Secretary, Department for Work and Pensions; **Debbie Alder**, Director General for People, Capability and Place, Department for Work and Pensions

[Q1-100](#)

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