



Economic Regulation Authority

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INFORMATION

Inquiry into the Benefits and Costs Associated with the Provision of Shared Corporate Services in the Public Sector

FINAL REPORT TABLED IN PARLIAMENT

The Treasurer, the Hon. Mr Christian Porter, has released the Economic Regulation Authority's [final report](#) on its Inquiry into the Benefits and Costs Associated with the Provision of Shared Corporate Services in the Public Sector. The inquiry, requested by the Treasurer on 19 January 2011, considers whether the Office of Shared Services (**OSS**) provides a benefit to Western Australia. In accordance with the Terms of Reference, the ERA was required to investigate and report on:

- the effectiveness and efficiency of the OSS at its current level of operations;
- how the effectiveness and efficiency of the OSS is likely to vary with the number of agencies it services;
- the impact that 'rolling-in' to the OSS has had on the operations of a selection of representative agencies;
- whether the provision of shared corporate services within the public sector, as implemented thus far, has provided a net benefit to the State;
- whether rolling-in the remaining agencies into the OSS would provide a net benefit to the State; and
- whether alternative options for the provision of functions currently provided by the OSS would provide a greater net benefit to the State.

Background

Shared corporate services were introduced in Western Australia in 2003, with the objective of reducing the overall cost of providing corporate services in the public sector. At the time, it was estimated that savings of \$56.6 million per annum could be achieved through the aggregation, standardisation and centralisation of common 'back office' corporate functions such as finance, human resources, payroll and procurement across the whole-of-government.

The OSS was established on 1 July 2005 to provide corporate services to general agencies of the Western Australian Government. Two separate shared services centres were set up to service the health sector and the education sectors – these were not examined in this review. In January 2007, the Department of Treasury and Finance assumed responsibility for the OSS, which is now known as the DTF Shared Service Centre (**DTFSSC**).

Findings and Recommendations

In response to the terms of reference, the Authority concluded that:

- the DTFSSC is not operating effectively or efficiently under existing arrangements;
- without substantive reform the effectiveness of the DTFSSC is likely to deteriorate further as more agencies are serviced;
- rolling-in to the DTFSSC has had a detrimental impact on the operations of the majority of rolled-in agencies;
- as implemented thus far, the provision of shared services within the public sector has resulted in a net cost to Government. Between 2005-06 and 2010-11 the DTFSSC component of the project has delivered a net present value of –\$345 million; and
- rolling-in more agencies under the current arrangements is unsustainable, as it would result in a net cost to the State, rather than a net benefit.

In investigating whether alternative options for the provision of functions currently provided by the DTFSSC would provide a greater net benefit to the State, the Authority examined a range of approaches, including continuing the current arrangements, providing HR/payroll services through an alternative provider or by agencies, and decommissioning. The Authority concluded that decommissioning DTFSSC is the least cost and most certain option for delivering corporate services, across a range of assumptions.

The key recommendations of the ERA from this inquiry are that:

- the current roll-in of further agencies ceases immediately; and that
- the DTFSSC be decommissioned and responsibility for corporate services be returned to agencies.

Inquiry Process

In conducting the inquiry, the ERA gathered extensive information through:

- submissions in response to an issues paper and a draft report provided to government agencies, relevant unions and DTFSSC's private sector partners;
- interviews with agencies, individuals and organisations;
- issuing a template to all Chief Financial Officers from rolled-in agencies to gather data regarding the financial impact of receiving services from DTFSSC;
- formal and informal information requests to DTF; and
- consultant advice on a technical review of the systems and processes used at DTFSSC.

The ERA would like to thank all who have made submissions and participated in the development of the ERA's recommendations in this final report.

A copy of the final report is available on the ERA's [website](#).

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