

# Her Majesty's Prison Service Saves More Than US\$131 Million Per Year with Shared Services



Her Majesty's Prison Service  
London, United Kingdom  
[www.hmprisonservice.gov.uk](http://www.hmprisonservice.gov.uk)

## Industry:

Public Sector

## Annual Revenue:

US\$3.28 billion

## Employees:

53,000

## Oracle Products & Services:

Oracle Financials  
Oracle Internet Expenses  
Oracle Human Resources  
Oracle Self-Service Human Resources  
Oracle Purchasing  
Oracle iProcurement  
Oracle Inventory Management  
Oracle Order Management  
Oracle TeleService  
Oracle Payroll

*“Not only have we driven down costs and gained greater control over our systems—we have also greatly benefited from Oracle’s wider expertise. Oracle’s tremendous commitment to this project has been key to our success, and we have reaped the benefits of its broad, cross-industry experience to deliver a world-class shared service.”— Gerry Smith, Head of Shared Services, Her Majesty’s Prison Service*

The United Kingdom government requires all public bodies to achieve significant efficiency savings year-over-year and expects agencies to achieve most of these efficiencies through the implementation of shared services. However, all 128 prisons across England and Wales managed administrative functions locally. Each prison governor was individually responsible for his own human resources (HR) department, procurement manager, and accounting clerks.

To meet the U.K.’s requirements, Her Majesty’s Prison Service (HMPS) developed a comprehensive shared service using Oracle enterprise resource planning (ERP) applications to modernize, streamline, and simplify support systems within the prison service. From the shared service facility in Newport, South Wales, HMPS provides services to all prisons across England and Wales. This central facility now handles services such as processing and paying supplier invoices and employee expense payments.

In just two-and-a-half years, HMPS has transformed its support functions for finance, human resources, and purchasing—resulting in substantial cost savings of more than US\$131 million (GBP80 million) per year.

## Centralized Financial Management

HMPS replaced its previous financial management system—which each of the 128 prisons ran as a separate instance—with a single, centrally managed implementation of Oracle Financials. The solution has standardized and automated financial management procedures, shortened process cycles, and lowered administrative costs.

**Key Benefits:**

- Achieved cost savings of US\$49 million (GBP30 million) per year by reducing the cost of running finance, purchasing, and human resources (HR) functions
- Saved 5% of US\$115 million (GBP70 million) per year with further efficiency gains by expanding implementation to the Home office
- Resolved 70%-90% of all enquiries on the first call, up from 50% when the service was first implemented
- Reduced spend on procurement by an expected US\$82 million (GBP50 million) per year
- Cut the time required to close the monthly financial books from ten days to five days
- Accelerated the time to reimburse staff expenses from sometimes weeks to five days
- Increased the consistency of supplier invoice payments, paying 94% within the 10 day government target

“We no longer need to consolidate the accounts from 128 prisons, so our monthly books are closed much faster with average times reduced from ten days to five days,” said Gerry Smith, head of shared services for Her Majesty’s Prison Service. “In addition, with the introduction of Oracle Internet Expenses, we can now reimburse staff expenses within five days instead of sometimes weeks!”

Increased financial transparency and the availability of meaningful, timely financial data across the whole organization has improved decision-making, leading to better operational performance. A single, centralized general ledger and chart of accounts provides HMPS with a consolidated, up-to-date view of all spending.

HMPS has improved cash flow by using Oracle Inventory Management to optimize management and minimize over-ordering of US\$65 million (GBP40 million) worth of stock including beds, IT, stationery and cleaning/hygiene equipment. HMPS also cut costs by improving the efficiency and visibility of interprison trading of prisoner-made items, such as sheets, towels, and laundry services, using Oracle Order Management. Payment of supplier invoices previously varied greatly between individual prisons, but now, HMPS pays more than 94% of invoices within the government target of 10 days.

**Standardized Human Resources**

With a single instance of Oracle Human Resources in place, HMPS has improved and standardized the services offered to employees, while halving the HR staff-to-employee ratio, saving approximately 300 full time posts across the business.

Redesigning the system involved migrating 128 payroll databases and more than 50,000 records onto a single server. All employees across HMPS now have access to the same training and information systems, and the organization manages expenses and payroll on a central system to eliminate disparities between individual prisons.

“All 53,000 employees now have access to Oracle Self-Service Human Resources to update their personal records and to manage overtime, variable pay, and expense claims,” Smith explained. “Line managers use Oracle Self-Service Human Resources to track performance reviews and appraisals, to close absences and for the authorization of expense claims. In addition, a larger

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Gerry Smith  
Head of Shared Services  
Her Majesty's Prison  
Service

number of management roles are now able to run management information reports for their organizations, improving efficiency and driving down costs.”

### **Savings in Procurement**

Until recently, individual prisons purchased goods and services from local suppliers and paid the invoice directly. Now, with Oracle iProcurement in place, procurement managers within each prison choose from centralized electronic catalogs. The staff then submits orders to suppliers electronically. Suppliers deliver goods directly to the prison and send invoices, which the shared service center processes in the Newport facility.

“Automated and centralized purchasing has resulted in huge procurement savings,” Smith said. “With the Oracle solution, we have reduced the administrative costs associated with procurement. In addition, we are set to save US\$82 million (GBP50 million) per year by reducing the US\$903 million (GBP550 million) spent each year with external suppliers by a significant 10%. Costs are driven down through quantity discounts and centralized buying.”

HMPS now manages 30% of the total spend on products such as food, catering, and cleaning supplies with online catalogs through Oracle iProcurement. This provides HMPS with increased visibility and control over expenditure. HMPS improved control over the remaining 70% of spends by raising purchase orders for every transaction in Oracle Financials.

Process automation also eliminated the need for a purchasing administration function at each prison. HMPS replaced this previous function with six regional purchasing teams, cutting the organization's headcount by 65%.

### **Shared Services Provide an Enterprisewide View**

The success of the primary HMPS initiative prompted the United Kingdom to expand the program to encompass the Home Office, another large department within the United Kingdom government responsible for immigration and passports, drugs policy, counter-terrorism and police. Although the Oracle-based shared service was originally conceived for the prison service only, HMPS saved an additional US\$3.28 million (GBP2 million) on annual operating costs by providing the service for the Home Office, as well—at this stage still on its own completely separate Oracle platform.

HMPS has saved more than US\$49 million (GBP30 million) each year in running costs by consolidating its core administrative systems. The organization now benefits from an enterprisewide view through consistent management of information and a standard set of processes. In addition, HMPS expects further savings of 5% of the US\$115 million (GBP70 million) cost of running the shared service, year over year.

“Our entire shared service was built from scratch,” Smith said. “In just two-and-a-half years, we fitted out new offices, installed all the systems, recruited and trained more than 700 employees in our South Wales facility, and delivered services not only to HMPS but also to the Home Office. It’s a tremendous achievement.”

All 53,000 HMPS employees and an additional 24,000 Home Office employees currently use the centralized systems. HMPS plans to add 15,000 additional Home Office employees to the system in the near future.

“The Home Office has different requirements than HMPS, so, at this stage, it has retained its own Oracle platform. The principal benefits are currently shared overhead costs and the process, change and management expertise that HMPS developed in setting up the centre” Smith said. “Service level agreements with the prisons and the Home Office have been put in place for response times, transaction accuracy, and service accessibility. By adhering to these, we can be sure that we are providing an excellent service to our customers.”

HMPS and the Home Office implemented Oracle TeleService in the contact center to simplify communications between the new shared service center and both organizations’ customers. The vast majority of customers make contact by telephone or e-mail, with a small percentage using letter or fax. Now, HMPS and Home Office staff resolve 70% to 80% of HMPS enquiries and 80% to 90% of Home Office inquiries on the first call, up from 50% when the organizations first implemented the service.

### **Why Oracle?**

HMPS evaluated a number of solutions and found that Oracle offered the greatest business process flexibility, as well as the most intuitive interface and user-friendly operation.

“Not only have we driven down costs and gained greater control over our systems—we have also greatly benefited from Oracle’s

wider expertise,” Smith explained. “By working with Oracle, we have access to its broad experience across many sectors and we have been able to reap the benefits of that cross-industry expertise.”

### Implementation Process

HMPS initially rolled out Oracle Financials in each prison before moving operations to the shared service center. Next, HMPS moved procurement functions to the center with the implementation of Oracle Purchasing. Finally, the organization added Oracle Human Resources to manage all HR functions including payroll from the shared service center.

HMPS has now rolled out Oracle Financials for the Home Office and implemented Oracle Human Resources this year. Further expansion to other areas within the Home Office is planned for 2010.

“Moving forward, we are embarking on a strategy of growth,” Smith explained. “We will offer more shared services to prisons across England and Wales. In addition, we will offer further services to the Home Office, where applicable. The more users we have on the system and the more transactions we are able to process—the lower the overall unit costs.”

### Advice from Her Majesty’s Prison Service

- When planning and implementing a shared service, make sure to have an experienced and knowledgeable team in place.
- Be clear in your goals and objectives and identify specific achievement targets.
- Drive the project through from the top.
- To ensure continued progress, keep customizations to a minimum and do not try to accommodate every small requirement.

*With 128 prisons across England and Wales, Her Majesty’s Prison Service is committed to protecting the public and reducing re-offending by helping its 84,000 prisoners to lead law-abiding and useful lives both within the prison system and after release.*