

Her Majesty's Prison Service

Accounts Payable
Shared Services

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Head of HMPS Shared Services
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Her Majesty's Prison Service (HMPS) is the British executive agency tasked with managing 130 jails in England and Wales. In 2005, HMPS created a Shared Service Centre in Newport, United Kingdom, to consolidate and simplify business processes in the areas of finance, human resources and procurement.

“The center was tasked to deliver nearly 30 million pounds in cost reduction, whilst improving the service and compliance of its finance and HR services,” says Steve Hodgson, head of HMPS Shared Services.

Purchase-to-pay optimization turned out to be especially challenging.

“We benchmarked our purchase-to-pay process and we found that the cost of processing an invoice was roughly twice that which we were expecting,” explains Hodgson. “In other words, in UK pounds, it was close to 5 pounds per transaction rather than closer to 2 pounds. That was the gap that we set out to close. We had a number of issues with it, some of which were business-related and some of which were technology-related.”

Weighing the Options

When HMPS decided to optimize the accounts payable process, they started with an analysis of their extremely diverse supplier base. It turned out that few vendors were able to submit electronic billing documents, and thus relied on paper invoices.

“Less than half of our top 32 suppliers can supply us with an electronic statement against which we can reconcile,” says Hodgson. His group considered the electronic data interchange (EDI) option, but quickly rejected the idea as the suppliers were reluctant to dramatically revamp their operations or take on the costs associated with EDI.

“We, therefore, decided that the automation of paper rather than the elimination of the paper was the way that we would go initially,” says Hodgson. “This would result in the least amount of change within our supply base.”

After a rigorous comparison of vendors, HMPS chose Brainware Distiller, part of the Perceptive Capture product family, for its ability to process large volumes of unstructured documents including invoices.

“There are over 10,000 vendors in the supply base and over 5,000 who regularly interact with us,” explains Hodgson. “Building individual templates for thousands of suppliers would not have been a practical proposition. The feature of Brainware that attracted us initially was its ability to process invoices without having to have a template built for each supplier.”

Delivering Immediate Value and ROI

“We transact three quarters of a million invoices a year for the Prison Service,” says Hodgson. “The implementation of the software has delivered a quarter of a million pounds in cost reduction. We would expect to further reduce the cost of invoice transaction processing from something on the order of two pounds per invoice to closer to a pound, and this beats world-class processing costs.”

The implementation gave the agency new flexibility to manage and empower its people.

“In introducing this technology we have moved the role of some of our people from data entry to process improvement, where they can really add some value to the end-to-end process,” says Hodgson. “The truth of the matter is that with the high employment cost in the UK, the only way that you can deliver shared services cost-effectively is with great processes, good technology and fantastic, creative people.”

Her Majesty’s Prison Service is the winner of the 2008 IQPC Shared Services Excellence Award in the category of Best New Shared Services Organization.

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Quick Stats

- ◉ Focus: Executive Agencies, Government
- ◉ Departments: Accounts Payable
- ◉ Countries: United Kingdom
- ◉ Integration: Oracle ERP and Workflow
- ◉ Efficiency: Reduced cost to process an invoice by 50 percent in first phase
- ◉ Cost Savings: £250,000

The Challenges

- ▶ Deliver dramatic cost reductions while improving service
- ▶ Shrink the cost of processing an invoice per transaction
- ▶ Find technology that accommodates large supply base

The Results

- ▶ Saved £250,000 and refocused staff on more valuable roles
- ▶ Reduced invoice processing cost by almost £3 per transaction
- ▶ Practical, template-free processing supports 10,000+ vendors

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