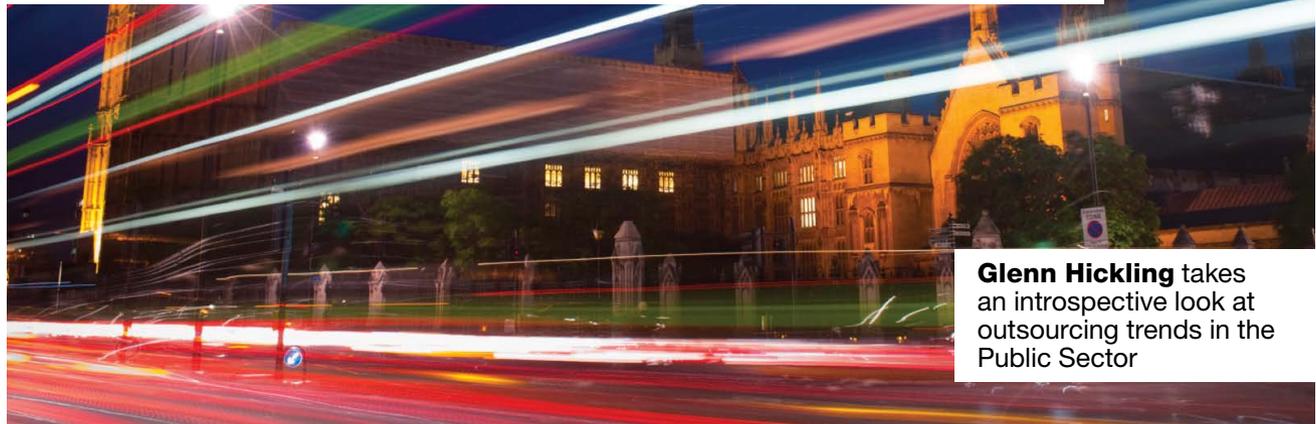


PUBLIC SECTOR

Helping the Government help itself



Glenn Hickling takes an introspective look at outsourcing trends in the Public Sector

Slicker, savvier procurement protocol is the ultimate goal of the All Party Group on Outsourcing and Shared Services

According to Ian Watmore, Chief Operating Officer of the Coalition Government's Efficiency and Reform Group, speaking at a meeting of the All Party Group on Outsourcing and Shared Services, said the government needs to save "shedloads of money" – around £50 bn which is expected to come from efficiency savings. He's got a hell of a job on his hands, but as an industry we must rally round to help.

The big issues: breathing life into the economy, the National Health Service, improving social care, educating the next generation, fighting wars – the massive projects that devour 97% of government cash – would be better supported if the government truly optimised the cost effectiveness of their outsourcing arrangements.

Currently outsourcing and shared services accounts for around 3% of public spend. In theory, deciding what problems you need solving and buying in the services to fulfil that need should be simple. It should be the low hanging fruit in the portfolio of government expenditure.

Yet the 'low-hanging fruit' isn't hanging as low as it could be. There is a serious issue with public sector procurement, namely, the government could be a more intelligent customer, and high ranking civil servants, in the right mood, with the cosmos properly aligned, will admit as much.

There is however, a strong desire to have knowledge and learning transferred into the currently cavernous skills gap that exists in the area of the government procuring services. But by whom? As a procurer from a major quango told me: "professional consultancy organisations do not build their business models through a knowledge transfer approach."

Government deals are already overloaded with consultants anyhow – a feature of the much maligned uber-wasteful CSC/NHS deal is the advisory 'arms race', as both supplier and client stock up on middlemen to account for the lack of trust and empathy that currently exists between the two parties.

Business skills were not always required in the public sector – there is a clear need for up-skilling, to handle the changing remit of a government department. The private sector must lend its full support to generating a fast influx of outsourcing skills into public sector. There is a need for a common language, a common understanding: this will be a bridge over cultural and ideological differences.

The All Party Group (APG) on Outsourcing and Shared Services was formed to address all of these issues – determining exactly what is obstructing the path to perfection, and advising how to obliterate these roadblocks. It is an incremental approach, an academic, research-based means of helping the government. Evidence-gathering is followed by conversations with MPs, leading up to a report being presented to relevant ministers. It will contain a number of suggestions. These could be changes in attitude, culture or

even modifications to the procurement rulebook, to allow the government to get themselves a better deal.

Chairman of the APG, Bob Blackman, Conservative MP for Harrow East and former Leader of Brent Council, commented: "As more organisations look to benefit from outsourcing and sharing services, it is vital to learn from past experiences: what worked and what has not. The All-Party Group is an unrivalled opportunity to build upon these experiences, ensuring shared learning is incorporated into future outsourcing proposals. We are keen to learn from those experienced in outsourcing, on all sides of the relationship – buyers, suppliers and officials."

As a vastly experienced procurer in the education sector said: "procurement bureaucracy and misconceptions about EU rules prevent decent conversations about extending the scope and 'stops sharper deals'.

Phantom EU rules, misinterpreted by reading too much into them, have long been a bugbear of many people close to the government procurement process. Particularly the perception that its illegal / wrong / sinful to have informal conversations with potential suppliers before the full-on tender process begins. Well, it's not. The French do it. The Germans do it. It's the best way. Competitive dialogue has its place, but it shouldn't be the start of the deal.

The All Party Group on Outsourcing and Shared Services is a passionate advocate of intelligent, sophisticated conversations

before the formal tender process begins. A representative of a major supplier said "Take the deal to one supplier, take it to a few. Discuss your options in detail. Find out what you really want, and take it from there. Do some legwork before it starts getting expensive. Procurement processes routinely run into millions of pounds. A good, unguarded chat over a coffee can result in untold savings for the suppliers and government alike."

Cabinet Secretary Francis Maude is in agreement: "In contrast [to the UK government] our European neighbours, and good private companies, talk to suppliers first. Procurements are subsequently faster and more straightforward because bids can summarise and price what's already been discussed. We need to bust a myth. It is not illegal for public sector procurement to talk to suppliers."

So the government is listening. There is clear desire to learn, on both sides of the negotiating table. The All Party Group is there to remove that table for a while, to sit side by side and work out the best path forward. The private sector needs to find a way to drive new behaviours within government, and help them help themselves to some of the low hanging fruit.

** Some names have been omitted due to some of initial conversations of the National Outsourcing Association's evidence meetings, prior to the APG proper, taking place under Chatham House Rules.*