

By Colin Cram,
PASS Consultant



Outsourcing

PASS Consultant Colin Cram answers some common queries regarding outsourcing.

Q What is outsourcing?

A There is no single accepted definition, but the one used by the National Outsourcing Association is: 'The provision by a third party organisation of services or a bundle of business processes that either were historically or could have been performed in-house by the receiving customer'. A very large proportion of government procurement spend falls within the above definition of outsourced services; there is no accurate figure, but it is anywhere between £50 billion and £100 billion a year. Outsourcing and privatisation are often confused. The latter is when the public sector sells a business that can provide services on its own behalf to the general public. The former is when the private sector delivers the service on behalf of the public sector.

Q How new is outsourcing? Is it just a fashion?

A Outsourcing goes back a very long way. The first outsourcing in the UK which we know of was 1900 years ago when Britain was part of the Roman Empire. The Roman army initially had to make or import its pottery. However, about AD100, the army in Dorset switched to using a local manufacturer which had become capable of producing pottery in the quantities and to the standards required. There are many other instances of outsourcing in Roman times and it is likely that outsourcing has taken place throughout most civilised societies, possibly going back 6000 years.

Q What can and cannot be outsourced?

A Outsourcing is a blanket term that covers a huge variety of services. The current trend started in the early 1980s. At that time a debate began about outsourcing non-core activities. In central government these were seen as catering,

security guarding, cleaning and messenger services. Since then, the demarcation between core and non-core has moved hugely. In the early 1990s, several government departments outsourced their IT processing centres, and the Benefits Agency sold the bulk of its estate and leased it back as serviced accommodation. The work of several government agencies has been outsourced; private sector companies are involved in work previously the prerogative of Jobcentres; some prisons are run by the private sector; and recruitment of senior civil servants, adult social care services and examination marking is now outsourced.


The Private Finance Initiative (PFI), which started in the late 1980s, is essentially a form of outsourcing. Even PFIs (or PPPs) are not new. The building and maintaining of turnpikes (toll roads) in the 18th century was an early form of public private partnership.

Q What are the benefits of outsourcing?

A *Since the early 1980s, successive UK governments have seen outsourcing as a means of providing better public services at lower cost:*

- Outsourcing, particularly PPPs, enables public sector projects to be delivered much more quickly, partly because the spend is spread over a number of years.
- The presumption has been that in many areas industry has greater specialist expertise and its management is focused on delivery outcomes rather than delivery mechanisms.
- Some authorities see outsourcing as an opportunity to create jobs in their local area.
- PPP companies prefer to work on whole-life costs; so, for example, public buildings tend to be built to minimise maintenance and running costs (such as utilities).

Q What is the future of UK outsourcing?

A The UK is at the forefront of global public sector outsourcing, and its approach to contracting-out and privatisation is increasingly being adopted elsewhere. The latest EU Procurement Directive contains a new procedure, Competitive Dialogue, which specifically facilitates outsourcing. In the 1980s there was much discussion in Whitehall about the civil service becoming a series of core teams responsible for policy and the provision of services, with delivery being done by the private sector. That vision has not been achieved, but it does look as if the public sector, in the UK and globally, is moving towards a model of policy, commissioning and contracts management, with service delivery being undertaken by the private sector. 

Profile...

Colin, a Fellow of the Chartered Institute of Purchasing and Supply, has held senior positions in public sector procurement for the past 25 years, including central and local government and higher education. He has been responsible throughout for initiating and implementing innovative procurement strategies for a wide range of goods, services and outsourcings and creating and re-engineering procurement organisations and collaborative groups. Colin was founder and Director of the North West Centre of Excellence, which has led the drive for efficiencies through collaboration, joint procurement and better practice across 47 local authorities.



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