

UK PUBLIC SECTOR: OUTLOOK FOR OUTSOURCING

- Financial Framework
- Efficiency Drive
- Implications for Outsourcing
- The Future of Public Sector Outsourcing
- How to Win Public Sector Business

Colin Cram

Marc1 Ltd

Colin.Cram@talktalk.net

Tel: 01457 868107 Mobile: 075251 49611

My Background

- Director, North West Centre of Excellence
- 47 local authorities
- Director, Research Councils' Procurement Organisation
- Director, North West Universities' Purchasing Consortium
- Director, Benefits Agency Contracts Organisation
- Central Unit on Purchasing
- Cabinet Office, Treasury, Central Government generally

- Managing Director, Marc1 Ltd
- Senior Adviser to Office of Government Commerce
- Member of Society of Local Authority Chief Executives -SOLACE
- Fellow of Chartered Institute of Purchasing and Supply

PUBLIC SPENDING £bn

	Central	Local	Total
Pensions	110		110
Health Care	117		117
Education	28	52	80
Defence	38		38
Welfare	60	50	110
Protection	16	17	33
Transport	13	10	23
General Government	13	13	26
Other Spending	71	32	103
Interest	30	1	31
TOTAL	496	175	671

UK PUBLIC EXPENDITURE

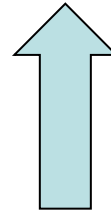
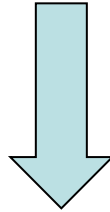
£billion

- Total Budget 671
- Cost of Public Spending (ex Welfare/Pensions) 451
- Annual Procurement Spend 175
- Estimated Annual Outsourcing Spend 20
- Estimated Potential O/S Spend IT/Back Office 34
- Theoretical Total Additional Outsourcing Potential* 50-100

* Includes front line services

STATE OF PUBLIC SECTOR FINANCES

- Tax Revenues
- Government Spending
- Forecast Government Net Borrowing 2010: £175bn



Political Parties in Race to Demonstrate 'Efficiency' Credentials

PUBLIC SPENDING CUTS

By March 2014

- Conservatives 10% +
- Labour 10% +

But: Some Local Authority CXs are planning for cuts of 30-35% cuts

Outsourcing to get Huge Boost after 2010 Election
Off-shoring likely to be more acceptable

OPERATIONAL EFFICIENCY PROGRAMME

The OEP points the way to how these savings can be delivered

- Local Incentives and Empowerment
- Back Office Operations and IT (Includes Outsourcing)
- Collaborative Procurement
- Property
- Asset Management/Sales

SAVINGS BY 2013/14

Function	2007/8 Spend £bn	Annual Savings ¹ 2013/14 £bn
Back Office	18	4.0
IT	16	3.2
Collab Procurement ²	89	7.7 ²
Property/Estate	25	2.0 ³
TOTAL		14.8

- ¹Additional to original CSR'07 Savings
- ²Savings include £1.6bn on IT and £0.5bn on FM
- ³Additional £20bn from Property Sales by 2019
- ³Property Savings to rise to £5bn pa by 2017/18
- Financial Settlements to Assume Savings

WHY DOES THE PUBLIC SECTOR OUTSOURCE?

- Strategic
- Organisational
- Fashion/Emotion
 - It's a Mess: Give it to Someone Else!
- Financial/Survival
- Bury the Past
- Access the Future


STRATEGIC

- Focus on Core Strategic Activities
- Improve Service
- Increase Flexibility
- Develop Strategic Partnership
- Access to Expertise
- Acquire Innovative Ideas
- Enable Major Organisational Changes
- Create Local Employment
- Investment
- Cutting Costs

ORGANISATIONAL

- Address Shortage of Technical Resources
- Improve Quality and Efficiency
- Improve Management and Control
- Outputs Clearly Defined
- Clear View of Costs
- Solve Internal Problems

PUBLIC SECTOR OUTSOURCING: IN 10 -15 YEARS?

- Reduced to 'Core Functions
- Cross Cutting Functions
- Local Government
 - 45%  75% + Outsourced
 - Some 'Virtual' Councils
 - Some Councils Run by the Private Sector
 - Some Councils Run by Other Councils

FACILITATED BY FRAMEWORK AGREEMENTS

WHAT CAN BE OUTSOURCED?

EVERYTHING!

- Software Services
- Call Centres
- Finance
- HR
- Healthcare
- Social Care
- Roads Maintenance
- Elements of Defence
- Building Services
- Estates Management/FM
- Debt Collection
- Procurement
- Training

FUTURE OF OUTSOURCING OF PUBLIC SECTOR ACTIVITIES

- Outsourcing Growing Rapidly
- Increasingly Front Office as well as Back Office
- Operational Efficiency Programme
- Need for Efficiencies – should lead to huge increase
- Conservatives would Dramatically Increase Outsourcing
- Cabinet Secretary reportedly:
 - strongly favours outsourcing
 - supports off-shoring

Additional £50bn+ to be outsourced in next 5-10 years

BREAKDOWN OF BACK OFFICE SERVICES COSTS

£Billions

• HR	4.1
• Finance	3.5
• Procurement	1.6
• Estates	2.4
• Marketing and Comms	2.5
• Other	4.0
• Total	18.1

Potential for WIPRO's Type of Market?

£billion

- IT Services
 - Current Outsourcing: 2-3
 - Potential: 16
- Services Incorporating IT
 - Current Outsourcing: 5
 - Potential: 50

HOW TO SECURE PUBLIC SECTOR BUSINESS

- Ensure Product is Right
- Ensure Product can Deliver Public Sector Objectives
- Understand Public Sector Business
- Develop Profile
- Develop Relationships
 - People
 - Government Organisations
- Develop Links with Appropriate Public Sector Partners
- Develop Links with Appropriate Private Sector Partners
- Help Develop Public Sector Market
- Understand Procurement Regulations
- Influence Tenders
- Respond to Tenders Appropriately
- Develop Reputation as Quality Supplier
- Get on Framework Agreements

HOW TO SECURE BUSINESS FROM PUBLIC SECTOR

- Treat as Campaign
 - Long Term View/Strategy
 - Suitably Resourced



ICC Cricket World Cup
2011

BUT: Be Ready to Seize Opportunities



THANKYOU

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