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Delivering world-class public services: working with business

Introduction

Ireland should strive for a public sector that meets the needs of society and the economy in a cost-efficient way and is staffed by motivated, skilled people. The challenge of how best to achieve public service efficiency has been a recurring issue over the last number of years. Our economic circumstances necessitates that all areas of public services be made more effective and efficient. However, achieving greater efficiencies while at the same time reducing costs, is a challenging task.

We are faced with the prospect of 'smaller government' and lower levels of public expenditure for the foreseeable future. Over the past three years Government's focus has been on cost cutting rather than driving sustainable cost savings that will have long term budgetary and transformational effects. Greater emphasis needs to be placed on how to secure transformational reform and long term efficiencies.

Existing services are under pressure not just from cut-backs but also due to spikes in demand. Pressures on health and welfare services have risen dramatically in recent years. Also, Ireland is expected to see the strongest population growth in the EU up to 2060, which will affect not only existing services but also the design of new ones. It is clear that Ireland will require innovative approaches to service delivery.

Reform initiatives should result in the transformation of our public services, which clearly champion excellence in the services provided to business and the citizen. There has been a lack of debate on utilising new and external mechanisms for public service delivery. IBEC believes that a collaborative approach, involving the best of the public and private sectors, will deliver the quality outcomes needed, despite scarce resources. Quality can not only be maintained but improved, while costs are reduced. Innovative and ambitious use of procurement and outsourcing can drive down costs, while maintaining and even improving on service levels and customer satisfaction.



Executive summary

The delivery of world-class public services in Ireland requires an ambitious vision and plan by Government, a rigorous implementation programme and strong interaction with the private sector. In addition to reform initiatives comprising shared services, eGovernment and procurement, there must be a comprehensive strategy for external service delivery in order to put public services back on a sustainable footing. This report addresses the external service delivery section of the *Public Service Reform* plan. The benefits of such an external service delivery strategy would be: greater savings, improved efficiencies, better service levels and improved focus by the public sector to focus on its core competences.

Recognise areas where external service delivery can deliver value

While the major areas of health, justice, education and local government have been earmarked for commencement, Ireland's fiscal situation necessitates that early action is needed right across the public sector in identifying suitable areas for external service delivery. There is no one-size-fits-all approach to external service delivery. Public bodies should be encouraged to put forward services that could be done more effectively and efficiently in partnership with industry and/or third sector bodies, going beyond the 'core versus non-core' debate of purely seeing this as a mechanism for achieving solely back-office savings. Any area or function for which outcomes or outputs can be specified should be considered for external service delivery, regardless of whether they are seen as 'core' or 'non-core', 'front-office' or 'back-office'.

Draw inspiration from external service delivery internationally

Ireland is the fourth lowest country in the OECD in terms of availing of the benefits of the partnership approach to public service delivery. International use of external service delivery has provided quality services more efficiently across a range of services, both core and non-core. The trend of partnering with the private sector is set to increase across Europe. Furthermore, countries such as New Zealand, Canada, Finland and Sweden undertook public sector reform programmes utilising external service providers in the wake of their respective severe economic circumstances. Frequently cited barriers to external service delivery have been effectively addressed by these and other countries. The Irish public sector should learn from its international peers not only what works but also how to make it happen. Government can also look closer to home for examples of successful projects in Northern Ireland.

Promote Irish examples of external service delivery across the public sector

The Irish public sector does partner with the private sector in the delivery of some services, but there is an inconsistent approach to external service delivery and it is confined to activities traditionally considered non-core or non-critical. The types of services taking place across the public sector in partnership with industry can be transferrable across sectoral boundaries. Reform plans for individual bodies need to take into account what has been done elsewhere across the Irish public sector as well as international trends in relevant sectors. Government can draw upon the experience and expertise of companies who are already supporting Irish industry and performing a variety of services on behalf of public sector bodies. Government must also leverage its experience of public private partnerships (PPPs) in the roll-out of external service delivery programmes.

Issues that need to be addressed

In addition to administrative and other challenges, there are a number of misconceptions that must be adequately addressed by Government in order to ensure the successful roll-out of external service delivery. Outsourcing need not lead to job losses and is not akin to privatisation; public sector control can be maintained and service levels

improved; finally, services performed in partnership are not more costly than if delivered directly.

Make full use of the models for external service delivery

Government must consider the full range of sourcing models for external service delivery, which vary in their complexity, governance structures and establishment, and decide which may be appropriate for a specific service based on desired outcomes. Depending on the selected delivery model there are a number of financing models that should be considered.

Key recommendations to make it happen

No.	Recommendation
1	Differentiate between the categories of services and implement appropriate strategies for external service delivery across the four over-arching pillars of activities: outsourcing of existing services, shared services with outsourced elements, new services, and short-term/seasonal services. (D/PER, all departments and agencies)
2	Set a national target for roll-out of the external service delivery programme so that Ireland moves from fourth from bottom to the OECD average by 2016. (D/PER)
3	Champion successful examples of external service delivery projects across government. Develop and exchange case studies of existing Irish and international projects and publicly acknowledge new projects through initiatives such as An Taoiseach's Public Service Excellence Awards. (D/PER and Dept. of An Taoiseach)
4	Avoid a one-size-fits-all approach to differentiating between core and non-core services. All suitable services and business areas should be considered for delivery through identified categories: managed services, ICT services, business process outsourcing, construction services, facilities management and professional services. (D/PER, all departments and agencies)
5	Benchmark the full cost of direct service provision and based on this analysis, services that can be done more effectively consider for external delivery. (All departments and agencies)
6	Examine opportunities of good practice in Northern Ireland. Also, explore the potential for certain services to be delivered on an all-island or cross-border basis. (D/PER)
7	Address the administrative issues, such as compliance with Transfer of Undertakings Regulations, early so that they don't act as an obstacle to external service delivery. (D/PER)
8	Address the treatment of VAT to allow future service delivery choices to be based on their respective merits, while avoiding potential cost distortions. (D/PER and Revenue Commissioners)
9	Focus on desired outcomes, not outputs, of public services to ensure that they bring consistent value for the user. This approach can combine the objectives of improved efficiencies and effectiveness. (All departments and agencies)
10	Identify and promote the changes that need to be made to the public procurement procedures in order to harness Government's buying power and achieve value-for-money in the roll out of external service projects. (D/PER)

- 11** Develop an up-skilling programme to strengthen the commercial and delivery competences of public sector staff, covering all the phases of rolling-out external service initiatives.

(D/PER)

- 12** Show clear and consistent leadership right across Government, ranging from political leaders right down to individual public servants, to ensure success of the external service delivery strategy.

(All departments and agencies)

- 13** Engage business on developing delivery mechanisms for the roll-out of new external service delivery projects. These should include the full range of sourcing models for external service delivery, which vary in their complexity, governance structures and establishment.

(D/PER and IBEC)

- 14** Develop innovative finance models, including risk sharing models and payment by results, which could be successfully rolled out to support an Irish external service delivery programme. Business feedback should be sought in the development of new models.

(D/PER and IBEC)

- 15** Support jobs and growth in Irish-based companies through a comprehensive external service delivery programme, which can also assist the development of export business in such activities. Draw on the expertise of companies in Ireland, who have first-hand experience of delivering projects achieving cost-reductions and supporting public sector transformation initiatives in other jurisdictions.

(D/PER, DJEI, Enterprise Ireland and IBEC)

Section One: External service delivery as a cornerstone of public service reform

a) External service delivery in the context of public service reform

Over the past three years, a number of initiatives have been undertaken to control public sector expenditure. These include measures to reduce non-discretionary expenditure, smarter procurement, better management of property and estates, and the creation of a smaller civil service. Reduced budgets have brought changes in how departments are operating, in terms of budget cuts, restructuring and reduced staff levels. However, cost reductions alone cannot provide a satisfactory result.

The *Public Service Reform* (PSR) plan, published on 17 November 2011, outlines a strategy that promises high service levels while at the same time reducing costs. According to the OECD, 'if reform is to be successful, it must take a whole-of-government approach'.¹ Departments or agencies acting independently cannot realise the scale of efficiencies needed, a 'cross-government approach can help to find further efficiencies for the government as a whole – for example through shared service centres and central procurement'.² In essence, the PSR plan must result in cutting waste and duplication by sharing support services such as payroll and HR functions; combining purchasing power to deliver savings in procurement; using new and proven technologies; and opening up public services to greater competition to allow the best provider to do the job.

Principles for reform:

- Efficiency drives (inefficiency & waste) have had mixed results; what we need is radical reform.
- Ensure that every euro spent secures value and deliver world class public services and across-the-board increases in productivity.

The PSR plan contains a 'number of actions aimed at achieving a focused and integrated approach to external service delivery to increase efficiency and enhance focus on core activities'.³ Work is underway at identifying 'non-critical' or non-core activities that may be suitable for external delivery in terms of 'in-sourcing, co-sourcing or outsourcing' and these models range from 'basic managed services, through parallel private sector delivery, to full outsourcing of functions'.⁴ This report is solely focused on the external service delivery part of the PSR plan and sets out mechanisms that would allow Government to secure greater operational efficiencies without loss of quality and service delivery levels.

Need an ambitious vision in order to deliver world-class public services

The delivery of world-class public services requires an ambitious vision and plan by Government, a rigorous implementation programme and strong interaction with the private sector. Being a small, open economy requires a new public-private balance to be struck. Businesses use public services as well as fund them, but they can also provide public services directly or in partnership with Government or not-for-profit organisations.

¹ OECD, Public sector modernisation: the way forward, OECD Policy Brief November 2005 p.2

² OECD, Restoring Fiscal Sustainability: lessons for the public sector (2010) p.16

³ Robert Watt, Public Service Reform – The Balance Sheet? (25 July 2012)

⁴ Department of Public Expenditure and Reform, Public Service Reform plan (17 November 2011) p.23

Not only can the private sector provide or underpin many public services, it can drive new ways of financing and operating them that can improve service quality and better value-for-money. Such a departure would give Government the flexibility to focus on core activities and assist in putting public services back on a sustainable footing.

There are four main ways in which Government can use the private sector:

- Outsourcing;
- Public-private partnerships;
- Privatisation (including regulation, licenses etc.); and
- Vouchers.

Privatisation, regulation and licenses have been used in Ireland in the telecoms, waste, water and energy sectors and, as such, fall outside the scope of this report. Voucher schemes have been used internationally as a mechanism to enable direct public choice and competition between providers, principally in the health and education sectors.

Drivers of External Service Delivery		
Savings	Shared Services	Service Improvement
Innovation	Competitiveness	Job Creation
Risk Transfer	Transformation	Investment

While the PSR plan recommends that all non-core activities should be examined for delivery in partnership with external service providers, serious consideration needs to be given to the potential benefits that can be derived from making full use of the private sector. This must go beyond looking at outsourcing as a mechanism for achieving efficiencies in back-office functions. It should include functions for which outcomes or outputs can be specified and where specialists can deliver better value for money across central and local government, including but not limited to, sectors such as health, justice, social welfare, local government and education. Examples of what is possible are contained in this report (see sections three and four). Essentially, Government should 'view the process not as an abdication of its responsibilities but instead as an opportunity to ensure that those who provide services to it and its citizens do so efficiently, cost effectively and in a consumer focused manner – in other words, allow Government the space to do its job'.⁵

A crucial step in the path to comprehensive public sector reform was the creation of the Reform and Delivery Office in the Department of Public Expenditure and Reform, which has responsibility for overall leadership, oversight and reporting on the PSR plan. Other important initiatives driven by the Department include measures to improve the openness, transparency and accountability of Government, new value-for-money procedures, changes to the civil service's performance management and development system (PMDS) and planned reforms to increase civil service accountability.

⁵ Feargal Brennan, 'Outsourcing' in The Public Sector Magazine p. 38

b) Benefits of external service delivery

Efforts at consolidating the public finances and returning them to a sustainable footing should also take into account the expectations of the end-user, the citizen, when evaluating services. Public attitudes towards service provision can drive sustainable reform initiatives. Evidence from the UK shows users are increasingly looking for 'more flexibility in service delivery to match their lifestyles'.⁶ New technologies and innovative ways of delivering services, for example making more services available online, can improve both the effectiveness and efficiency of service delivery.

Collaborating or partnering with the private sector does not remove Government's fundamental role in the provision of public services, namely ensuring standards are met, the rights of users are maintained and independent inspection is carried out. Such an approach can successfully combine the attributes of both the private (e.g. results oriented, focused on implementation etc.) and the public sector (e.g. State's obligations, national policy etc.). This empowers both parties to focus on what they do best, and in doing so deliver better value for money.

Government must not ignore the benefits of external partnerships

The 2009 report of the Special Group on Public Service Numbers and Expenditure Programmes highlighted the potential deliver cost savings by up to 25% to the Irish public sector through outsourcing of non-core services. However, little progress was made in relation to the development of new partnerships with the private sector since the publication of this report and, prior to the publication of the PSR plan, there was a distinct lack of a coherent national policy. For example, the implementation plans submitted under the Public Service Agreement 2010-2014 (Croke Park Agreement) have shown to date no radical departure.

Government has been ignoring the potential benefits for far too long. For example, 60% of the UK healthcare market is outsourced, whereas in Ireland it is only 8%. This enables the National Health Service to focus on what it does best, treating patients. In addition to salaries, additional savings can be made in training, investment in technology and consultancy. External service delivery is necessary and beneficial to the public sector, and can provide an effective way to manage public service spending.

The key benefits of external service delivery are:

- **Greater savings:** Adopting an external service delivery strategy can help government departments and agencies generate significant savings through outsourcing services, processes and systems to external partners. The partners, who are contracted through competitive procurement procedures, must not only deliver quality services but also constantly innovate in order to maintain competitive advantage.
- **Improved efficiency:** External service delivery can improve efficiencies and reduce unnecessary work. Outsourced service providers are specialists in their area of expertise and can identify new ways of delivering services.
- **Improved levels of service:** External service delivery can lead to an improved quality of service, as implementing improvements which restructures service delivery will also have a beneficial impact on the service offered.

⁶ Dr. DeAnne Julius, Public Service Industry Review, Understanding the Public Services Industry: How big, how good, where next? (July 2008) p.7

c) Other mechanisms for partnering with the private sector

A collaborative approach to public service delivery can help deliver quality outcomes despite scarce resources. It will help to streamline Government through sharper delivery and a fresh understanding between core and non-core activities. In addition to external service delivery, mechanisms contained in the PSR plan that will also involve the active participation of the private sector include:

- **eGovernment:** Technology is not an end in itself but it can enable the public sector not just to cut costs but to adopt fundamentally different ways of doing things. Government should seek the assistance of top-tier technology expertise in both multinational and indigenous companies in Ireland.
- **Shared services:** A key plank of the PSR plan (e.g. HR, pensions, payroll, financial management and banking), a shared service project can deliver quick-wins in cost savings and improved performance but there is the potential for greater benefits in the medium-to long-term.
- **Public procurement:** The new National Procurement Office will build on existing procurement reform initiatives by centralising procurement for common goods and services across Government, aggregating expenditure together with new analytic capabilities, stronger vendor and category management, and operational delivery responsibilities.

Each mechanism has overlapping elements with external service delivery. For example, early initiatives around the shared services agenda have focused on identifying core and non-core activities for a given department or agency, ultimately facilitating the simplification, standardisation and consolidation of services and work streams across the public sector. Not only will this minimise the unnecessary development of bespoke systems and processes for standard activities, the analytical exercise itself can contribute to the successful identification of activities that could be targeted for delivery in partnership with the private sector.

d) Role for the third sector

Partnering with voluntary and community organisations, social enterprises and not-for-profit organisations (commonly referred to as the 'third sector') can bring a wide range of tangible services. While some services provided may be grant-driven, Government has the option to partner with this sector to deliver additional services directly to users.

Users often have high satisfaction, trust and respect for the services provided by third sector organisations. The UK National Audit Office has identified the following common benefits in partnering with the third sector⁷:

- **Understanding** of the needs of service users and communities that the public sector needs to address.
- **Closeness** to the people that the public sector wants to reach.
- **Ability** to deliver outcomes that the public sector finds it hard to deliver on its own.
- **Innovation** in developing solutions.
- **Performance** in delivering services.

Internationally, third sector bodies are increasingly forming partnerships with the private sector to jointly deliver public services. These collaborations see each sector gaining from 'the strengths of the other in areas such as specialist knowledge and expertise, trust from client groups, access to capital and strong technical skills'.⁸ Partnerships can

⁷http://www.nao.org.uk/sectors/third_sector/successful_commissioning/toolkit_home/introduction/what_is_the_third_sector.aspx

⁸ ACEVO and CBI, Win-Win: The leadership of private and third sector public service partnerships (2010) p.3

vary in their structure, ranging from full joint-ventures to sub-contracting opportunities as part of a larger contract.

Third sector example: Rehab JobFit

The UK Government Department of Work and Pensions' *Work Programme* and *Mandatory Work Programme* provide tailored support for benefits claimants who need more help to undertake active and effective jobseeking. Delivered through a network of 18 prime contractors managing a supply chain of many hundreds of local providers, the Work Programme creates a structure that allows providers greater freedom to tailor the right support to the individual needs of each claimant.

Rehab JobFit, a partnership between third sector provider Rehab Group and PLC Interserve, was awarded the contract to deliver the *Work Programme* in two regions, Wales and the South West of England. This partnership combines diverse mix of skills and experience. The Rehab Group is one of Europe's most established not-for-profit organisations, with more than 60 years' experience of supporting individuals in the area of employment and training, as well as health and social care; Interserve, a major supply chain management, support services and construction company. Rehab JobFit includes a number of third sector providers within its supply chain who support more than 40% of those referred to Rehab Jobfit by Jobcentre. This combination of providers gives Work Programme participants genuine opportunities to progress into employment. In total, Rehab JobFit will support more than 100,000 people during the five years of the contract.



Section Two: Areas for external delivery

The Reform and Delivery Office in the Department of Public Expenditure and Reform is to develop a 'shortlist of potential services where testing for external service delivery will be prioritised' and following this exercise relevant departments will 'further evaluate and develop business cases' prior to implementing projects.⁹ It must be recognised, however, that most government bodies are engaged in activities which relate to a small set of common processes, including: entitlements (including grants, pensions, welfare payments, housing etc.); inspections (including compliance, inspections, investigation, audit and enforcement); collections (of revenue or income) and licensing.¹⁰ Also, it should be noted that some public services have difficulties with debt collection and fraud. These are areas in which the private sector could play a role.

The following categories of external service delivery provide examples of international good practice:

- **Managed services** cover the substantial range of services provided directly to users.
- **ICT services** have evolved considerably with the development of new technologies and the convergence of IT and communications. These include both the building of IT systems and the ongoing management of databases, servers applications and communication systems.
- **Business process outsourcing (BPO)** is the contracting out of a specific business task, while the client retains strategic and governance control. BPO includes back office (purchasing, payroll or records management) and front office (e.g. call centre).
- **Construction services** are provided before and during the construction process, and include the lead contractor role on PPP projects, as well as a range of design, engineer and surveying work.
- **Facilities management** are typically divided into support services, building operating and maintenance services, environmental services and property management.
- **Professional services** cover a vast range of consultancy or advisory service activities in the areas of human resources, financial, legal and general management consultancy.

As a first step, detailed benefits-driven external service delivery plans will be developed by the four major sectors of health, justice, education and local government.¹¹ These sectors represent four key areas of public sector spending have a mix of front-line and back-office services, and deliver services directly to the citizen. While some of these services may be identified for external service delivery, they might not be directly transferrable (apart from administrative and procedural processes). In tandem with this exercise, Government should encourage those with responsibility for public sector transformation to examine services and business areas in line with the categories identified above.

⁹ Department of Public Expenditure and Reform, Progress on the implementation of the Government's Public Service Reform Plan (September 2012) p.28

¹⁰ Deloitte, Reconnect, Reorganise, Restructure, Reform of the Irish Public Sector(2010) p.3

¹¹ Robert Watt, Public Service Reform – The Balance Sheet? (25 July 2012)

Example: the justice sector:

There are a range of agencies and services within the justice sector that cover the protection of life and property; the prevention and detection of crime; the provision of services for the buying and selling of property; the management of inward migration to the State; and provide a Courts Service and other forms of investigative tribunals. It should also be recognised that there are a number of external service delivery arrangements already in place. For example, the outsourcing of safety cameras free Gardaí for other frontline duties. IT for the Department of Justice & Equality and its associated agencies under is delivered in partnership with industry. The new Criminal Courts Complex is a flagship project of Ireland's PPP programme. Also, civilianisation in areas such as the Garda's communications centre, Garda National Immigration Bureau and the central vetting unit has occurred with the result that there are now over 200 full time equivalent civilian staff in An Garda Síochána. Other areas that can be considered for external service delivery, based on international comparisons, include:

Prison service:

- Prisoner transportation;
- Courts custody suite management;
- Staff and visitor searching;
- Electronic monitoring of high risk early release prisoners;
- Prison management and operations;
- Youth custody and secure training centres;
- ICT services.

Policing:

- Custody suite management;
- Prisoner transportation including "street to custody transportation";
- Electronic monitoring of high risk persons on bail;
- Monitoring of CCTV including review third party systems for evidence;
- Fines administration;
- Penalty points;
- Major crime investigation additional resources – provision of trained and experienced ex-Gardaí;
- ICT services.

Forensics and medical services:

- Forensic assessment and sampling of suspects;
- Medical care of detainees and officers;
- Searching, fingerprinting and photographing of detainees;
- Statutory drug testing of arrested persons.

Probation services:

- Electronic monitoring as a sentence of the courts;
- Electronic monitoring of supervised high risk offenders;
- Transitional support service - =offender managers and mentors work together to help prisoners make the transition back into the community;
- Management and operations of community sentencing;
- Secure half way house accommodation for high risk sex offenders.

Border control:

- Passport control at ports and airports;
- Passport/visa issuing;
- Refugee accommodation and support;
- Repatriation.

Government estate management:

- Facilities management;
- PFI / PPP - Design, Construct, Finance and Operate.

Section Three: External service delivery, the international perspective

a) The international patterns

Government should look internationally for examples of where outsourcing has worked and has not worked. Lambeth Council in London currently outsources 75% of its services, including waste services and debt collection.¹² Based on evidence from several countries, outsourcing has resulted in both 'satisfactory service quality and significant cost savings'; savings 'ranging from five to 33% have been recorded in respect of outsourcing operations carried out in Australia, Denmark, Iceland, the UK and the US'.¹³ Countries such as New Zealand, Canada, Finland and Sweden undertook public sector reform programmes utilising external service providers in the wake of their own economic crises.

The British experience of the partnership approach

In the 1980s, the UK embarked on a strategy of engaging the private sector in public sector delivery. It began with the 'privatisation of public enterprises and subsequently in the establishment of a mixed economy in the provision of core public services'.¹⁴ Competition was introduced to the local government and health sectors through compulsory competitive tendering (CCT) mechanism. This policy was replaced by the "contestability" approach in the early 1990s, where public services were market tested. According to the Serco Institute, it was less relevant whether the service was actually contracted out to the private sector, but rather that it was subjected to competitive challenge.¹⁵ While the drivers of external service delivery may have changed, this approach continues and has seen a progressive mix of public, private and third sector providers carrying out a range of front-line, support and back office services.

Examples of the various types of services delivered in partnership with industry across the UK include:

- **Civil service learning:** The complete management of the provision of training across the civil service is performed by an external company.
- **Southwest One:** An innovative shared service initiative, in the form of a joint-venture partnership, between Somerset County Council, Taunton Deane Borough Council and IBM that handles all customer contact.
- **National Health Service HR and payroll:** Two external HR and payroll centres manage the delivery of payroll to a consortium of six NHS Trusts.
- **Sussex police:** the provision of staff catering, hospitality and emergency catering services across two sites is delivered by an external partner.
- **Metropolitan Housing Trust:** Outsourced the management of its entire technology environment.
- **Lancashire County Council:** One Connect Limited is a public-private joint venture responsible for delivering HR and payroll, ICT, customer access and procurement services on behalf of the Council.
- **Surrey GP call centre:** An external-run call centre for Surrey Primary Care Trust handles approximately 40,000 calls per year and books around 31,500 patient journeys, which would previously have been carried out by over 100 different centres.

¹² David Kelly, 'Outsourcing opportunities' in the Public Sector Magazine p.37

¹³ http://www.oecdobserver.org/news/archivestory.php/aid/1700/When_governments_go_shopping.html

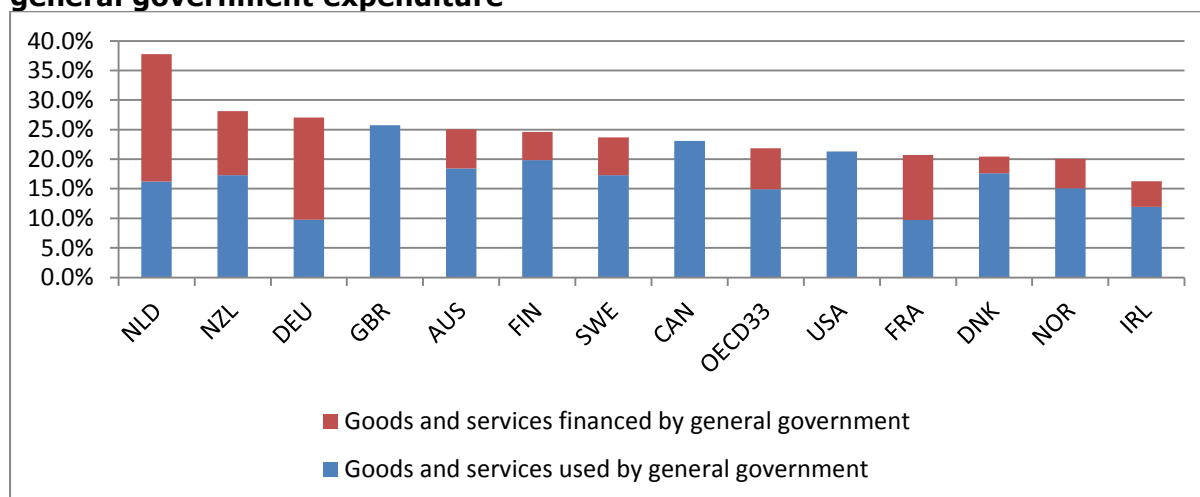
¹⁴ <http://www.serco.com/instituteresource/subjects/UKmkt/index.asp>

¹⁵ <http://www.serco.com/instituteresource/subjects/UKmkt/mkttest/Index.asp>

Outsourcing across the OECD

While the UK is frequently cited as the global leader in public sector outsourcing and can provide examples of what works and lessons learnt, the Netherlands is the leading country in the OECD for availing of private sector assistance in the provision of public services (see fig.1). Ireland ranks fourth from bottom in the OECD, just ahead of Switzerland, Greece and Mexico, in terms of using external service delivery, some way off the OECD average and less than half the rate in the Netherlands.

Figure 1: Expenditures on general government outsourcing as a percentage of general government expenditure



Source: OECD

The types of activities performed in partnership with, or directly by, the private sector varies from country to country. Commonly outsourced services across the OECD countries include back office operations such as ICT functions. For example, outsourced ICT services have been used centrally to support the UK Border Agency's Immigration and Asylum Fingerprint System and the Australian Taxation Office.¹⁶ Relatively few countries, however, have 'so far been prepared to contract out activities traditionally viewed as inherently governmental' and those that have done 'include Australia, Canada, the UK and the US with regard to prisons, Denmark for rescue and fire services, and New Zealand, where the audit office is subcontracted'.¹⁷

Upward trend in public-private collaborations across Europe

The public sector across Europe is seeing an increase in outsourcing 'taking place across Continental Europe, including Germany, the Benelux countries and the Nordics, as central and local governments are adopting outsourcing at an increased pace'.¹⁸ For example, Germany has launched a programme of outsourcing hospitals to the private sector. While France has 'not heavily relied on outsourcing in the past', the need for 'cost reductions and more efficient services is being recognised, attitudes are beginning to change'.¹⁹

The French case is interesting because there are parallels with Ireland in the drivers of an external service delivery approach. France has had to 'come to terms with the

¹⁶ Tholons, Government Sector Outsourcing, Transforming public service with outsourced IT services (March 2010)

¹⁷ http://www.oecdobserver.org/news/archivestory.php/aid/1700/When_governments_go_shopping.html

¹⁸ TPI Information Services Group, Europe's Public Sector Increasing the Use of Outsourcing (1 November 2011)

¹⁹ Ibid

introduction of private sector methods into the management of services' due to pressures around the State's role and position in French society, twenty-first century challenges and union pressures.²⁰ Not only can we see private sector service provision in the waste, water, transport and facilities management, the French public sector is partnering with companies on a case-by-case basis for IT services, support functions such as printing but also in more sensitive areas. These include: the visa issuing procedure for Ministry of Foreign Affairs, the management of emergency call points on the motorways for Ministry of the Interior, and specialist protection for special convoys for National Federation for Road Transport.

Learn from Sweden

Ireland can also learn from the fact that frequently cited barriers to external service delivery have been successfully addressed in other countries. In Sweden, for example, staff buy-in emerged as a major issue in rolling out its transformation programme.²¹ Now, according to the *Outsourcing Survey 2012*, 70% of public sector officials believe outsourcing will increase within five years (55% say it will increase in the next one to two years), mostly within construction and project management, cleaning, catering and staffing services.²² These tend to be activities still conducted directly by the public sector and increases will be based on experience of existing successful outsourced arrangements. That is not to say that more complex external service delivery arrangements do not occur in Sweden. The IT department in the Swedish Meteorological and Hydrological Institute, for instance, was recently outsourced. Also, in terms of innovative service delivery mechanisms 'in a country with deep-seated traditions of egalitarianism', its 'independently run free schools are allowed to make a profit' and public buy-in was secured on the basis of receiving a better service.²³

Activity type	International Example
Managed services	<p><u>UK: NHS Choices</u></p> <p>In 2008, Capita took on <i>NHS Choices</i>, the Department of Health's information website, with the objective of developing it into the health service's digital front door for England – helping to take pressure off front-line services, while also reducing costs.</p> <p>Working with NHS Choices, the partnership has achieved the following:</p> <ul style="list-style-type: none"> • Stretching targets, initially seven million visits a month by 2011 (target reached two years early); • Helping eight million people a month to make decisions about their health across a number of channels (Facebook, Twitter, iPhone Apps etc). 37% of NHS Choices users reported that the website decreased their use of GP Services; • Helped NHS Trusts by providing syndicated content for their local sites; • Made the communication two-way. Users can now add comments to the site, sharing their experience

²⁰ David Walker, Public Service Reform in France and the UK, Franco-British Council report of a seminar held in Edinburgh (December 2008) p.7

²¹ Frank Ulbrich, 'Adopting shared services in a public-sector organization', in *Transforming Government: People, Process and Policy*, vol.4, issue:3 (2010) pp.249-265

²² ISS world, Swedish survey: Focus on outsourcing continues in the public sector (1 March 2012)

²³ Sarah Neville, Outsourcing the state: A less uniform approach, Financial Times (26 April 2012)

	<p>of health services (and their ratings) with other users, and encouraging hospitals to make service improvements;</p> <ul style="list-style-type: none"> NHS Choices Web site development and support is based on Microsoft Office SharePoint Server (MOSS 2007) and is augmented with a search capability, which has embedded medical metadata and taxonomy, to provide more accurate results for users. <p>The external partner is responsible for the hosting, technical management and content development of the NHS online presence and related digital services. The establishment of this service involved the transfer of approximately 55 staff and 82 contractors from the previous provider to Capita.</p>
<p>Managed services</p>	<p><u>Netherlands: Traffic Enforcement</u>²⁴</p> <p>The Bureau of Traffic Enforcement of the Dutch Public Prosecution Service (LP Team Verkeer) is responsible for enforcement of the laws and regulations concerning traffic and transport. As a means to achieve this, LP Team Verkeer is converting the existing analogue network of fixed and mobile speed cameras to digital equipment. In addition, LP Team Verkeer deploys speed control systems to raise the level of road safety. CSC, as external partner, provides equipment, software development and system development for the administrative processing of offences and the interfaces with police and judicial systems.</p> <p>Under responsibility of LP Team Verkeer, the Dutch government intends to convert all the conventional speed cameras at fixed positions along the motorways and secondary roads, as well as the mobile units operated by the national and regional police forces, to a network of digital cameras. 14 of the 26 police regions are using fixed speed cameras and mobile sets supplied by CSC. In practice, this means that one-third of the fixed speed cameras and one-half of the mobile sets in the Netherlands are provided by an external contractor.</p>
<p>Managed services</p>	<p><u>UK: Staffordshire Custody Facility</u>²⁵</p> <p>The Staffordshire Police northern custody facility opened in 2005, providing centralisation of policing services across North Staffordshire and Stoke-on-Trent. G4S operates and maintains the facilities as well as providing support services, which include carrying detainees to and from the facilities and between police forces.</p> <p>Custody suite operations include the provision of civilian detention officers. G4S helps police officers comply with the the Police and Criminal Evidence Act (PACE) and its</p>

²⁴ http://assets1.csc.com/nl/downloads/Digital_Enforcement_2012.pdf

²⁵ <http://www.g4s.uk.com/en-GB/Media%20Centre/Case%20Studies/Government/Police%20-%20Custody%20Suite%20Management/>

	<p>associated codes of practice whilst also performing administrative tasks associated with custody duties.</p> <p>Lancashire and South Wales policy authorities also make use of external partners to perform a range of critical services to support front line policing, allowing officers to focus on their core duties.</p>
Manages services	<p><u>NHS Supply Chain</u>²⁶</p> <p>Operating under contract from the Department of Health, NHS Supply Chain aims to:</p> <ul style="list-style-type: none"> • Consolidate procurement and logistics spend across the UK NHS; • Deliver over £1bn savings to UK NHS; • Develop supply chain solutions, minimising wastage and maximising value. <p>Through NHS Supply Chain, DHL manages more than four million orders per year across 120,000 order points and 10,000 locations. Its systems consolidate orders from over 600 suppliers, removing the need for 40 direct deliveries per day, saving NHS Trusts, time and money, and removing duplication of overlapping contracts.</p>
ICT services	<p><u>UK: Department for Environment, Food and Rural Affairs (DEFRA)</u>²⁷</p> <p>The Department for Environment, Food and Rural Affairs (Defra) wanted to improve the alignment of outsourced IT services to business demand, to enhance the transparency of pricing, and to put itself in a better position to exploit the efficiencies of central technology initiatives.</p> <p>Building on an earlier partnership arrangement, Defra collaborated with IBM to create the IT Delivery Refresh (ITDR) contract in February 2010. This eight-year partnership covers most aspects of information services delivery including infrastructure, support, application maintenance and development, and strategic advice.</p> <p>Benefits of this partnership include:</p> <ul style="list-style-type: none"> • Ability to flex services up or down in response to changing requirements; • Delivered second-lowest cost for desktops and laptops of all government departments; • Rationalised end user software catalogue from over 1,000 to 359 items and the printer estate by 50%; • Enabled the adoption of a standard way of delivering Windows applications using virtualised infrastructure; • Expected to reduce application hosting costs by 44.9% (£13.3m) and application support by 32.8% (£3m) over the life of the contract.

²⁶ <http://www.dhl-healthcare.com/products/nhs-supply-chain.html>

²⁷ http://www-01.ibm.com/software/success/cssdb.nsf/CS/STRD-8WDEE2?OpenDocument&Site=corp&cty=en_us

<p>ICT services</p>	<p><u>Denmark: Government Reporting Portal (Virk.dk)</u>²⁸</p> <p>Virk.dk, managed by Erhvervs-og Selskabsstyrelsen (the Danish Commerce and Companies Agency), is a business Internet portal for the public sector in Denmark. The portal has a simple, though ambitious, goal: <i>'to make life easier for administrative employees in the Danish business community'</i>.</p> <p>The portal was designed to provide public access to approximately 1,300 forms. It also provided vocational information from all public authorities. Capgemini implemented the new Virk.dk portal, as well as taking ownership for general maintenance on the site over a three-year period. Since the launch of the new version of Virk.dk in March 2008, the number of forms sent through the portal has more than doubled.</p>
<p>ICT services</p>	<p><u>Australia: NSW Fire Brigades</u>²⁹</p> <p>New South Wales Fire Brigades' Computer Aided Dispatch (CAD) system is supplied by Fujitsu Services. The CAD system is activated when a Telstra operator routes an emergency call to one of the Fire Brigades' control centres.</p> <p>As soon as an incoming message arrives, information is fed directly to the CAD system which chooses the most appropriate appliances and the quickest routes to the location of the incident. Once the dispatch command is issued, the system sends a message to the appropriate fire station(s). It can ring the alarm bells, turn on the lights and even open the fire station doors. This whole process can take as little as five to 10 seconds. The system can also dispatch fire fighters via pagers across the network of unmanned fire stations in remote areas of New South Wales.</p> <p>Fujitsu Services is responsible for the maintenance of equipment and system support. The maintenance service covers CAD system equipment located in the four communications centres, the back-up site and 335 fire stations.</p>
<p>ICT services</p>	<p><u>UK: Vehicle and Operator Services (VOSA)</u></p> <p>The Vehicle and Operator Services Agency (VOSA) operates and enforces the MOT vehicle testing scheme. VOSA's task is to ensure that private vehicles over three years old are safe to drive and conform to all the relevant standards.</p> <p>Through the private finance initiative (PFI) model, Atos Origin was awarded a nine-year programme of work to modernise VOSA's IT infrastructure. This gives the agency greater certainty in planning its expenditure over the</p>

²⁸ <http://www.dk.capgemini.com/services-and-solutions/technology/business-information-management/success-stories/virk/>

²⁹ http://www.fujitsu.com/au/casestudies/nsw_fire_brigades.html

	<p>period.</p> <p>VOSA and Atos Origin share risk and reward. For example, all projects are fixed price, so the risk of cost over-runs is borne by the external partner. Underpinning the partnership is a commitment to offer a business rather than a technology focus. The terms of the contract mean that any lack of focus on VOSA's business objectives will result in neither party reaping the potential benefits of the risk-reward arrangements they have devised.</p>
ICT services	<p><u>UK: General Register Office for Scotland³⁰</u></p> <p>Situated in Edinburgh, the General Register Office for Scotland (GRO Scotland) is responsible for the registration of all births, deaths, marriages, divorces and adoptions in Scotland, as well as the administration of the central register of the Scottish National Health Service and the Scottish population census.</p> <p>The Office has built a new GIS infrastructure to improve interoperability between systems, reduce support costs and increase scale. GRO Scotland worked with Tata Consultancy Services (TCS) to develop a new application which would enable census statistics to be mapped against postcodes. TCS also migrated the Office's existing postcode data from its legacy UNIX-based Genasys platform to the new ArcGIS solution with Microsoft SQL Server as the backend database in a Windows environment.</p> <p>A team of TCS consultants worked at the GRO Scotland site to deliver the project within seven months, including documentation, training and knowledge transfer. Post-project support was provided by TCS India. The TCS solution provides a simple interface enabling GRO Scotland staff to add, edit and delete postcode information from the database, leverage Ordnance Survey data, browse maps and generate reports.</p>
Business process outsourcing	<p><u>UK: South Tyneside Council³¹</u></p> <p>A 10-year contract between BT and South Tyneside Council, under which the partnership would provide a wide range of business services, commenced in 2008. The services include ICT, contact and walk-in centres, financial services, procurement, human resources and payroll, and revenues and benefits. Through the partnership, BT created a new wholly owned subsidiary, BT South Tyneside Ltd which invested £23 million in service transformation and business process outsourcing over the lifetime of the contract.</p> <p>Benefits of the partnership include:</p> <ul style="list-style-type: none"> Some 450 council workers have transferred to the new company, with full protection of terms and conditions, as well as the opportunity for enhanced

³⁰ http://www.tcs.com/resources/case_studies/Pages/GeneralRegisterOfficeforScotland.aspx

³¹ http://www.globalservices.bt.com/uk/en/casestudy/south_tyneside

	<p>career development;</p> <ul style="list-style-type: none"> • Commitment to deliver a three per cent year-on-year reduction in service charges for the first five years, plus procurements savings of £16 million; • BT has taken a long lease on an office to accommodate up to 600 staff in South Shields, a key construction project in the Council's riverside development plans; • BT has also committed to create an average of 750 new jobs in the borough, over the 10-year lifetime of the contract. <p>The stimulus to the South Tyneside economy is expected to be worth considerably more than £200 million over the partnership's 10-year term.</p>
<p>Business process outsourcing</p>	<p><u>UK: Essex County Council Cloud Computing for Payroll</u></p> <p>Essex County Council is one of the largest county councils in the UK. The council provides services, such as education, highways and social services, to its population of 1.3 million. As part of its modernisation and transformation strategic initiative, Essex County Council pledged to save £300 million over three years while improving frontline services.</p> <p>By availing of external expertise, the solution adopted:</p> <ul style="list-style-type: none"> • Leveraged Oracle On Demand CEMLI Management and Disaster Recovery services to provide the county payroll system; • Saved more than £569,000 in first year payroll expenditure, including consultancy fees and contract costs; • Reduced unit costs per pay slip by more than 25%, bringing the council in line with many private sector organisations; • Complemented the council's green initiatives using Oracle's data centre to reduce energy costs, server costs, and carbon dioxide emissions, while ensuring disaster recovery; • Reduced critical payroll processing time from 18 hours to four hours; • Enabled Essex County Council to build HR shared service capabilities.
<p>Business process outsourcing</p>	<p><u>UK: Criminal Records Bureau</u></p> <p>The Criminal Records Bureau (CRB) was launched in 2002 and is an Executive Agency of the Home Office. Its service enables organisations make safer recruitment decisions for roles which involve regular contact with children or vulnerable adults by supplying details of any criminal records, non-conviction data or barring decisions.</p> <p>The CRB sought a private sector partner to assist it through the provision of IT enabled integrated business process management. Operationally this service is probably one of the closest public/private partnerships in the UK, with some</p>

	<p>elements of the process delivered by civil servants and others by the external partner, Capita.</p> <p>The external partner designed, built and maintains the CRB's IT and administration infrastructure and provides end-to-end business process management, working alongside civil servants. It manages the mailroom, call centre, back office, IT infrastructure, disclosure printing, client accounting and cash, and accommodation.</p>
Business process outsourcing	<p><u>Austria: Visa processing</u>³²</p> <p>In 1996, Austria was preparing to implement the Schengen Agreement to abolish border controls with other Schengen states in continental Europe. Since the agreement introduced free movement within the Schengen area, a new requirement arose for close communication between participating states regarding visa applications. Until this point, Austria's Federal Ministry of the Interior (BM.I) had used only simple IT systems to record visa requests, and to manage watchlists for Austria only.</p> <p>BM.I partnered with Capgemini for a project beginning in 1996 to deliver the new system, called VISION Austria, which would enable the country to join the Schengen Visa consultation network called VISION (Visa Inquiry Open Border Network) in 1997. In 2002, Capgemini took on full responsibility for the management of the project, and enhanced VISION features in response to the latest Schengen regulations and processes, as well as migrating it to a new software platform.</p> <p>By the end of 2007, nine new member states had joined the Schengen area, resulting in a 70% increase in workload.</p>
Facilities management	<p><u>UK: University of London</u></p> <p>The University of London (UL) selected Aramark as its catering services provider in 2010. UL consists of 18 self-governing colleges and ten other smaller specialist research institutes. The total student community consists of over 120,000 students.</p> <p>UL intended to enhance the service offering through in-house branding in the commercial areas of the service, focusing on improved menus, healthy eating and international cultures. Aramark implemented its "Neo" brand in the commercial areas of the service.</p> <p>Costs were managed so effectively through this partnership that the university was able to increase the supper allowance by 45p per student per meal.</p>

³² http://www.ch.capgemini.com/insights/referenzen/bundesministerium_inneres_oesterreich/

Facilities management

UK: National Audit Office³³

The National Audit Office (NAO) agreed a five-year partnership with Mitie to provide integrated facilities management to its London headquarters. The arrangement covered building and lift maintenance; cleaning; mailroom; portage; catering; reprographics; helpdesk; and pest control.

The NAO wanted a partner to assist it in achieving: value for money; cost certainty; achievement of a one-team approach with the project team; integration with the NAO; high quality catering for the café, restaurant, vending and hospitality; a good understanding of NAO's building users; integration with the contractors implementing the refurbishment of the building, and overseeing commissioning; assistance with achievement of ISO14001; and support and guidance to help meet its CRC targets.

b) Northern Ireland

Northern Ireland's use of external partners is in line with the approaches to public sector delivery adopted across the UK. However, there is one area in particular that Northern Ireland is leading the way, namely adopting a shared service approach that has significant outsourced elements. Projects that have been successfully rolled out in Northern Ireland include *Account NI*, a centralised financial shared service centre for the 11 government departments, and the *electronic HR service*, supporting 29,000 employees and 15,000 line managers in the Northern Irish Civil Service.

Need to consider services that could be delivered on an all-island basis

The possibility of delivering services on an all-island or cross-border basis should be considered. It offers potential benefits to both administrations because the political and economic drivers are 'broadly similar: the reduction of public expenditure in response to record debt levels; the encouragement of additional private sector activity; and the promotion of exports'.³⁴ There have been initial, collaborative approaches in the health sector and transport, as well as activities covered by the cross-border agencies, such as enterprise development. The National Procurement Service also has a representative from Northern Ireland's Central Procurement Directorate on its board. Potential areas for greater cross-border collaboration involving the private sector could include mechanisms to tackle social welfare fraud and traffic enforcement through data exchange.

In May 2012, the scoping study *Delivering a prosperity process: opportunities in North/South public service provision* was published. The report identifies 'mutually beneficial opportunities for both governments to work together for the practical benefit of their citizens'.³⁵ These include public services in the following areas:

- Regional development;
- Supporting job creation;
- Tourism;
- Health services;

³³ <http://www.mitie.com/news-centre/case-studies/tfm/national-audit-office>

³⁴ Michael D'Arcy, *Delivering a prosperity process: opportunities in North/South public service provision* (May 2012) p.7

³⁵ *Ibid* p.5

- Third-level education;
- Energy; and
- Water.

Essentially, areas for collaboration or shared service provision can 'be found where there are synergies to be obtained from planning and providing specific public services on an intra-island and inter-regional basis between the two jurisdictions'.³⁶ While cross-border co-operation is a 'matter of official policy for both administrations', a systematic and proactive stance to joint-service provision is needed, as opposed to the spontaneous and/or reactive approach that has tended to occur.³⁷ Also, in addition to boosting cross-border co-operation, there is an opportunity for both governments to make public services more effective.

Activity type	Northern Irish Example
Business process outsourcing	<p><u>Account NI</u>³⁸</p> <p>Devolution saw the number of Northern Ireland government departments increase from six to eleven, which exacerbated the administrative challenges Stormont had been facing. The decision was taken by the Department of Finance and Personnel to set up a financial processing centre for all of the Northern Irish civil service. Account NI was an opportunity to improve payment turnaround times, to capture information that would support better planning and budgeting, and to allow departments to redeploy people to front line services.</p> <p>In 2006, the contract was won by a strategic ICT services partnership headed by BT. Under the terms of the 12-year contract, BT, Accenture and Northgate Information Solutions would move the departments to a common financial system and set up a shared services centre, manned and run by the civil service. The objective was to deliver common processes to 11 departments with offices dispersed across the province. The programme would involve 1,300 core users of the financial systems along with up to 20,000 civil servants who use the system for expenses or procurement purposes. All applications and the core infrastructure are hosted in BT's Belfast data centre, with a second BT facility used for disaster recovery.</p> <p>As well as assuming overall control for the project management, BT was responsible for training and ensuring a smooth transition from the legacy systems. Accenture's expertise was in the area of financial shared services while Northgate provided a bulk cheque printing service and financial architecture. The development process, which resulted in a common solution across all departments, took 18 months. The last wave went live in July 2009.</p>

³⁶ Ibid p.5

³⁷ Ibid p.17

³⁸ http://www.btireland.ie/pdfs/NIAccount_CaseStudy.pdf

<p>ICT services</p>	<p><u>Electronic Human Resource (eHR) Service</u></p> <p>Since 2007, Capita has been providing the Electronic Human Resource (eHR) Service to 29,000 employees and 15,000 line managers in the Northern Ireland Civil Service (NICS) This partnership has emphasised the increased use of self-service and on-line service provision.</p> <p>Some key administrative volumes include: on average 40 new starts each month (excludes temporary fixed term staff); on average 400 leavers each month through, resignation, career breaks, ill health retirements, age retirements and dismissals (includes fixed term staff). The external partner processes numerous variations to contracts, term time working, part time working, condensed hours working, job share, partial retirement, temporary promotions. Additionally, it administers 2800 NICS staff absences per month and the associated OHS referrals and inefficiency sickness absence meetings.</p> <p>HR administration services have been centralised into a Belfast-based Shared Service Centre, which provides HR, recruitment and payroll services. Initial enquiries are being directed to the centre and handled by specialist teams who refer more complex queries and activities to dedicated, departmentally focused teams. Specialist, HR advice and consultancy services are provided to both the corporate centre and departments.</p>
<p>ICT services</p>	<p><u>Northern Ireland Environment Agency³⁹</u></p> <p>The Northern Ireland Environment Agency (NIEA) implements the government's environmental policies in the region, with responsibilities that range from pollution prevention controls and treatment of hazardous waste to protecting the natural environment and built heritage sites. Whilst support of the IT infrastructure is in the main managed by IT Assist (the ICT Shared Service Centre for the Northern Ireland Civil Service), the NIEA wanted a separate support role for its line-of-business applications across three central and 20 remote locations.</p> <p>BT developed the 60 dedicated business applications and provide a managed service around the infrastructure. Managing an on-line presence, where the agency interacts with citizens, was another aspect of the partnership. Applications are hosted and run from the NIEA's Klondyke Building in Belfast.</p>

³⁹ http://www.btireland.ie/pdfs/niea_CaseStudy_01.pdf

Section Four: External service delivery in Ireland

a) Public sector experience of using external partners

Government departments are being asked to examine areas that may be appropriate for external service delivery as part of the reform agenda. However, it should also be recognised that the Irish public sector already partners with the private sector in service delivery, albeit on an ad-hoc basis. The commercial semi-state sector, in particular, has realised the benefits of a partnership approach to delivering effective and cost-efficient services. To date, newer bodies and agencies are also more likely to use external contractors to deliver services.

Recent services contracted to private sector providers include education and training, parking services, social housing, legal and other consultancy services, and event management. Travel management is also centralised and outsourced for the civil service, Fáilte Ireland has contracted out its payroll function and the Department of Foreign Affairs and Trade uses a private sector partner in visa and passport processing. Some recognisable services have elements of external provision and include the National Asset Management Agency, Prize Bonds, the LEAP card, eFlow and the National Car Testing (NCT) Service.

Figure 2: Representative sample of Government bodies that use external service delivery



Consideration of non-core activities should not be confined to “back-office” functions

The services provided in partnership with the private sector are not confined to what are traditional non-core or non-critical activities. For example, CHC Helicopter was awarded a 10-year contract to provide Search and Rescue services on behalf of the Irish Coast Guard and operational pack rations are prepared by the private sector for the Defence Forces. The Emergency Call Answering Service, covering calls to the pan-European emergency service number, 112, and to the traditional 999 number, is operated by a private sector contractor, BT Ireland. While the Programme for Government called for external service provision for non-critical services, careful consideration should be given to defining common non-critical services. Current Irish examples of external service

provision clearly demonstrates that there is no one-size-fits-all approach to identifying core and non-core activities and public sector bodies should be flexible in identifying suitable activities for partnering with external bodies. For example, traffic enforcement is a key responsibility of An Garda Síochána but external operation of the safety camera network should help to reduce road accidents as well as freeing-up Garda resources.

Figure 3: Sample of existing partnerships across the public sector

Public Body	Service
An Chéim Computer Services (Institutes of Technology)	MIS/IT Management
An Garda Síochána	Go-safe
Bord Bia	Inspections
Bord Gáis	Pipeline inspection services
Bord Gáis	Printing services
Central Bank of Ireland	Managed helpline services
Citizens Information Board	HR Support
Defence Forces Ireland	Operational pack rations
Department of Agriculture & Food	Bovine traceability
Dept. of Environment	Water treatment
Dept. of Foreign Affairs	Passport/visa processing
Dept. of Jobs, Enterprise & Innovation	Temporary Partial Credit Guarantee Scheme
Dept. of Justice	IT management
Dublin City Council	Dublin bike scheme
Enterprise Ireland	Travel Services
Environmental Protection Agency	Air emission monitoring (IPPC)
Electric Ireland (ESB)	Overflow contact centre support
Electric Ireland (ESB)	Printing services
Electric Ireland (ESB)	Scanning services
Fáilte Ireland	Managed payroll
Fáilte Ireland	Technical Service Support
Health Service Executive	Legal services
Health Service Executive	Business process re-engineering project for national electronic GP referral system
Health Service Executive	Road Traffic Accident Income Collection Pilot
Irish Coast Guard	Search and rescue
Leinster House	Combined Heat and Power (CHP)

Marine Institute	Coastal and Transitional Waters Monitoring
National Asset Management Agency	Master Servicer
National Procurement Service	Travel Management Services
National Roads Authority	eFlow
National Transportation Authority	Leap Card
National Treasury Management Agency	Prize Bonds
National University of Ireland, Galway	Catering programme
Personal Injuries Board	Back-office
Reception & Integration Agency	Reception centres
Revenue Commissioners	Manual capturing of forms
Road Safety Authority	Drivers Licence
Road Safety Authority	National Car Testing (NCT)
Sustainable Energy Authority of Ireland	Grant management
Waterways Ireland	Insurance/claims

Commercial semi-states avail of external expertise so they can focus on their objectives

In terms of focusing on their key mission, the commercial semi-states have made good use of external service delivery. Private construction services are widely used in the maintenance of networks by the energy utilities. Traditional services such as legal, consultancy, inspections, printing and advertising have been long contracted out. In terms of direct customer interaction, partnerships with the private sector can also be seen in terms of call centre support, sales, billing and collection services. For example, Abtran provides overflow contact centre support to ESB Customer Supply (now Electric Ireland). Bord na Móna contracted out the hosting and automation of the administrative aspects of its public procurement competitions.⁴⁰ It should also be recognised that commercial semi-state bodies can be external service providers in their own right and not just in terms of their traditional functions. For example, An Post through its post office network provides a number of services on behalf of other public bodies, ranging from social welfare to passport services and the TV licence.

Use of external service delivery mechanisms by the higher education sector

Given the devolved nature of education provision in Ireland, examples of external service delivery can also be seen across an array of activities within this sector. Ireland's seven universities, the thirteen institutes of technology and Dublin Institute of Technology have availed of external expertise in facilities management and catering, construction services as well as an extensive use of professional services in support of core tasks, for example legal services and programme evaluations. Budgetary pressures and the availability of technology has seen external providers involved in key ICT projects involving collaboration or shared activities involving a number of institutions. Examples include HEAnet, Ireland's National Education and Research Network and the common

⁴⁰ <http://www.siliconrepublic.com/cloud/item/19343-bord-na-mona-recognised-for>

management information systems for the Institute of Technology Sector (An Chéim). In fact, An Chéim recently returned to the market for a range of external services:

- Financial management services;
- Human resources management;
- Clerical services;
- External and internal auditing services;
- Procurement services;
- Quality assurance services; legal services; and
- Contract management.

RTÉ's regional operations in Sligo, Dundalk, Galway, Athlone and Waterford are to move to the local institutes of technology.

Many of the services taking place across the public sector in partnership with industry are not confined to being relevant to the sponsoring body. External service models can be transferrable across sectoral boundaries.

Activity type	Irish Example
Managed services	<p><u>Go-Safe⁴¹</u></p> <p>As part of the Road Safety Strategy 2007 – 2012, the GoSafe consortium has been contracted to operate new safety cameras on behalf of An Garda Síochána since November 2010. On a phased basis, GoSafe will provide 6,000 enforcement hours and 1,475 survey hours per month across the country. For the 6,000 enforcement hours, the cameras operate from vans which are marked with high visibility reflective material and display a safety camera symbol.</p> <p>Safety cameras are positioned on roads where fatal collisions are caused by speeding. The cameras operate 24 hours, seven days a week. The Garda National Traffic Bureau decides on the locations where the speed cameras will operate. When a motorist is detected speeding, the offence details and images are validated and the vehicle registration numbers recorded by GoSafe. The data is sent electronically by GoSafe to the Garda IT Section, where it is uploaded into the Fixed Charge Processing System.</p> <p>Success will be based on a reduction in speed across the road network, as well as a reduction in the number of fatal and serious collisions. Payment is on the basis of enforcement hours and survey hours conducted and the hourly rates to be paid are not linked to the number of detections made.</p>
Managed services	<p><u>Emergency Call Answering Service (ECAS)⁴²</u></p> <p>In 2007, the Department of Communications, Energy and Natural Resources wanted to find a solution provider to build and run the country's Emergency Call Answering Service (ECAS). The ECAS answers calls made in the</p>

⁴¹ <http://www.garda.ie/Controller.aspx?Page=5590>

⁴² http://www.btireland.ie/pdfs/ecas_caseStudy.pdf

	<p>Republic of Ireland to the pan-European emergency service number, 112, and to the traditional 999 number. The move was driven by new European regulatory requirements and the need to improve service. The new platform, which is run by BT Ireland, covers all 999 and 112 emergency calls, connecting callers to the appropriate emergency service - fire, garda, ambulance and coastguard - 24 hours a day, seven days a week, 52 weeks of the year. Caller Line Identification is a key component of the service for the first time, with the location of the caller from both fixed and mobile phones used to automatically determine the Emergency Services Control Centre to which the call should be forwarded for the first time.</p> <p>Access to the emergency services is free to citizens and paid for by the authorised operators. EU license obligations ensure every user can be connected to a public safety access point free of charge. The telecommunications network operator pays a call handling fee set by ComReg, the telecom regulator responsible for managing the new funding model.</p>
<p>Managed services</p>	<p><u>Bovine Traceability System</u></p> <p>The BSE and foot-and-mouth disease crises of recent years led to a greater awareness of the importance of food safety and traceability. The Department of Agriculture & Food now requires cattle to have individual “passports” that enable their movements to be traced from birth. SouthWestern manages the animal passports process on behalf of the Department of Agriculture & Food. This involves:</p> <ul style="list-style-type: none"> • Processing over 40,000 animal registrations per day during peak periods, and over two million records annually. • Guaranteeing a three-day maximum turnaround to those registering animals. • Managing an archive of over 40 million documents. <p>SouthWestern built its systems initially in close consultation with the Department of Agriculture & Food. The systems meet strict requirements regarding processing and archiving, and all records both, physical and electronic, are archived by SouthWestern.</p> <p>The benefits of the partnership include:</p> <ul style="list-style-type: none"> • Delivery of a reliable and timely service; • Speed of delivery of service [meets commercial demands of farmers to sell animals]; • High level of customer satisfaction; • Flexible staffing model to deal with seasonal requirements; • Flexibility to respond rapidly changing circumstances; • Effective means of acquiring essential knowledge, skills and business process capacity.

<p>Managed services</p>	<p><u>National Car Testing (NCT) Service</u>⁴³</p> <p>Applus+ provides the Statutory Vehicle Inspection programme in Ireland. This contract, awarded by the Road Safety Authority (RSA), saw the construction of an additional two centres to the existing 44 purpose built NCT centres.</p> <p>During the inspection, a series of safety checks are conducted on each vehicle covering brakes, suspension, headlight aim and exhaust emissions. Owners whose vehicles are eligible for the car inspection must make an appointment via a call centre or on-line at www.ncts.ie. The NCTS call centres which uses the web based application Dashboard, handles up to 45,000 bookings per day with a typical booking taking only a minute and a half to complete.</p> <p>The Applus+ Car Testing Solution delivered integrated applications to support the bookings, vehicle check-in, cash management and data collection needs of the NCT.</p>
<p>Managed services</p>	<p><u>eFlow</u></p> <p>eFlow is operated on behalf of the National Roads Authority by BetEire Flow, a consortium made up of the French toll operator Sanef and French tolling system designer CS. The eFlow operation has over two million customers and handles forty million transactions yearly. Abtran provides customer and payment support to the operation, as well as operating and moderating eFlow's social media channels via Twitter and Facebook. Another partner, Payzone, is responsible for providing retail and online toll payment services for M50 users.</p> <p>The M50 eFlow Barrier Free Tolling project won an award at the Taoiseach's Public Service Excellence Awards 2012. It also won three gold medals at the Contact Centre World Awards 2011, including one for Innovation in Customer-led Efficiencies.</p>
<p>Managed services</p>	<p><u>Irish Search and Rescue</u>⁴⁴</p> <p>CHC Helicopter was awarded a 10-year, €500 million contract to provide Search and Rescue (SAR) services on behalf of the Irish Coast Guard. The contract will provide SAR services from bases at Waterford, Dublin, Shannon and Sligo from 2012 onwards. CHC already provides SAR services from these bases but the new contract will see the existing fleet of S-61N aircraft replaced with newer Sikorsky S-92A helicopters that are custom fitted for SAR work.</p> <p>The Irish Coast Guard provides a diverse range of maritime and land-based SAR activities, ranging from national emergency situations such as flood response to Medevac and incidents involving leisure activity. The partnership will</p>

⁴³ <http://www.ncts.ie/>

⁴⁴ <http://www.chc.ca/AboutCHC/News/Pages/New-Irish-Search-and-Rescue-Contract-to-be-Signed--.aspx>

	offer a number of service improvements including the ability to deliver a paramedic to any SAR incident within an hour anywhere on the coastline.
ICT services	<p><u>Department of Justice & Equality</u></p> <p>The Department of Justice has a managed service contract with IBM, through which IT shared services including the following are delivered:</p> <ul style="list-style-type: none"> • Centralised application servers and storage in an IBM data centre; • Delivery of business applications from the centre to remote locations; • E-mail, calendaring, collaboration and document management; • Office productivity applications; • Centralised management and administration of the service, including Tier 1 service desk, problem fixing, security, change management etc; • Support to mobile users (e.g. smartphones).
ICT services	<p><u>An Chéim Computer Services (Institutes of Technology) MIS/IT Management</u></p> <p>An Chéim is a vehicle for professionally organising and managing the MIS needs and collective buying power of multiple entities (13 Institutes) to improve value-for-money; quality; security; scale; sustainability; compliance; communication & collaboration; and risk management.</p> <p>An Chéim's 15-year-old business model is based on:</p> <ul style="list-style-type: none"> • Outsourcing; • Multi vendor sourcing strategy; • Multi annual contracts; • Framework procurement panels; • Standardisation; • Industry best practices; • Accountability. <p>Key suppliers include:</p> <ul style="list-style-type: none"> • Hewlett Packard – Data centre managed services, helpdesk and development support services ; • Unit4 – Agresso (Finance Management System) Support Services; • Core International – Core (HR/ Payroll Management System) Support Services; • Ellucian – Banner (Student Records Management System) support services; • Innovative Interfaces – Millennium (library system) support services; • Digitary – Digitary (secure electronic documents system) support Services; • Scientia – Syllabus + (timetabling system) support services.

ICT services	<p><u>Fáilte Ireland - ICT Managed Service/Support Network and Security⁴⁵</u></p> <p>In 2008, Fáilte Ireland awarded a contract to Kerna Communications to provide ICT Managed Services/Support (Network and Security). The contract provided for outsourced service management of Fáilte Ireland facilities and technical support on a range of ICT systems / services and includes the following:</p> <ul style="list-style-type: none"> • Actively monitoring Fáilte Ireland's network and security systems (firewalls, servers, routers, switches, security appliances etc); • Provision of a support desk and on-site support resources; • Support for the diagnosis and resolution of problems which Fáilte Ireland may have in relation to network connectivity problems; • Expertise in the analysis of malicious activity which may be detected in firewall, router or system logs; • Support and maintenance for any problems Fáilte Ireland may experience with software and hardware components; • Implementation of software upgrades and maintenance of a software register; • Provision of advice to Fáilte Ireland on proposed changes to the site's security configuration.
Business process outsourcing	<p><u>Electric Ireland</u></p> <p>From initial contract award in 2004 to provide overflow contact centre support to ESB Customer Supply (now Electric Ireland), Abtran is responsible for the provision of the full end-to-end service delivery for Electric Ireland customers, dealing with members of the public, SMEs, local authorities and agencies across the electricity and gas markets.</p> <p>Services provided by the contract include:</p> <ul style="list-style-type: none"> • Front office customer management across multiple channels including social media to provide information, set up accounts and manage debt recovery; • Back office administration functions managing white mail and email queries for customers, as well as fulfilment of outbound requests; • Inbound and outbound sales to both residential and SME customers; • Transfer of staff into Abtran in order to maintain key personnel, knowledge and experience in the operation; • Technology projects such as the IVR project to increase the level of self service and automation, as well as involvement in the CRM rollout.

⁴⁵ www.e-tenders.gov.ie

<p>Business process outsourcing</p>	<p><u>Temporary Partial Credit Guarantee Scheme⁴⁶</u></p> <p>In April 2012, Capita Asset Services was appointed by the Department for Jobs, Enterprise and Innovation to operate the new Temporary Partial Credit Guarantee Scheme. The Scheme aims to provide credit to job-creating SMEs who currently struggle to get finance from the banks. It is intended to address market failure affecting commercially viable businesses in two specific situations – namely, where businesses have insufficient collateral, and where businesses operate in sectors with which the banks are not familiar. It provide a 75% State guarantee to banks against losses on qualifying loans to firms with growth and job creation potential.</p> <p>The design of the Scheme was approved by the Government in November 2011, and was developed by the UK based organisation 'Capital for Enterprise Limited' (CFEL) following a previous tendering process in July 2011.</p>
<p>Facilities management</p>	<p><u>EirGrid Facilities Management Programme</u></p> <p>Aramark has provided facilities management services in EirGrid for the last six years. The current contract provides a site team that includes a facilities manager, contract technician, receptionists, facilities operative (post room, concierge & portering, shredding etc) and cleaning team from Aramark.</p> <p>The contract site team, who deliver a scope of services over the two EirGrid buildings, are supported by the wider Aramark organisation, including 24 hour help desk, mobile maintenance team, EHS support, administration and quality-controlled contractors for specialist services.</p>
<p>Construction services</p>	<p><u>Criminal Courts Complex</u></p> <p>The Criminal Courts Complex PPP project, which was procured by the Courts Service/ National Development Finance Agency (NDFA), involved the design, build, finance and maintenance of a new 22 courtroom Criminal Courts Complex near the Phoenix Park in Dublin. This was designed to consolidate criminal court business within one functional location. In April 2007, the contract was awarded to Babcock & Brown and the complex was officially opened in November 2009, approximately three months ahead of schedule and on budget. The contract duration is 25 years.</p> <p>The structure of the payment mechanism developed for the project is that the consortium is paid an annual availability payment based on the complex being available for use, plus an annual payment for various additional services e.g. utilities, catering costs, etc.</p> <p>The 2008 C&AG Report verified that the cost of the PPP was 6% lower than the cost under traditional procurement.</p>

⁴⁶ <http://www.djei.ie/press/2012/20120411.htm>

Construction services

Convention Centre Dublin

In April 2007, the Spencer Dock Convention Centre Dublin Ltd (SDCCD) was awarded the PPP contract to design, build, finance, operate and maintain a new national conference centre by the Office of Public Works (OPW). The CCD, which was opened in August 2010, can accommodate up to 2,000 delegates and has over an acre of exhibition space. This was a highly complex project, as it takes demand risk and the financing including sub-ordinated funding for a car park directly underneath the conference centre. It is envisaged that the CCD, designed as a landmark building located by the International Financial Services Centre, will play a significant role in the continued urban regeneration of the Dublin Docklands.

Under the PPP Contract, the OPW pays the SDCCD an annual unitary payment linked to performance and availability of the centre. SDCCD is responsible for operation and maintenance of the CCD over a 25 year period and is also required to secure a specified number of international delegates at the centre over the length of the concession. Where profits at the CCD exceed specified levels, these will be shared with the OPW. The SDCCD is also subject to deductions to annual payments where defined key performance indicators are not achieved.

Construction services

NRA's first PPP programme

In 2000, the National Roads Authority launched its first PPP Roads Programme valued at approximately €3 billion. This programme was one of the largest infrastructure mandates in the history of the Irish State. The final projects on this programme reached financial close during 2007. The programme encompassed the following road schemes: the M4/M6 Kilcock-Kinnegad Motorway, M1 Dundalk Western Bypass, the M3 Clonee to North of Kells Scheme, the M8 Rathcormac/Fermoy Bypass, the Limerick Tunnel PPP, the N6 Galway to East Ballinasloe Scheme, the M7 Portlaoise-Castletown/M8 Portlaoise-Cullahill and M50 PPP Contract. All of the NRA's PPP schemes were procured as design, build, finance and operation contracts, each of which have long-term concession periods of between 25 and 35 years. Except for the M50 PPP Contract, the concessionaire takes the risk on recouping a portion of the initial capital investment and ongoing operation cost associated with the road through the collection of tolls. While the M50 project was also procured on a PPP basis, the payment mechanism on the scheme is based on an assumed annual payment from the NRA linked to availability of the road.

A key feature from the NRA's first roads programme is that all of the PPP road schemes were completed and opened to traffic ahead of schedule and on budget.

Construction services

Schools PPP Programme

The Schools PPP Programme proposes the design, build, finance and maintenance of 27 schools in a number of “bundled” PPP projects. The schools are being bundled together in various numbers and delivered collectively by consortia that combine to perform the design and construction and then the long-term maintenance of the schools. The schools will then be handed back to the Department of Education and Skills in effectively an “as new” condition at the end of the 25 year concession period. The Department pays the PPP company a monthly unitary payment for the 25 year contract period. Payment of this unitary charge is subject to ongoing performance by the PPP company of its obligations to ensure that the schools are both available as required, but also that services such as cleaning and catering are performed to a required standard. The payment mechanism is effective because it imposes financial penalties on the PPP company where it fails to perform.

Schools Bundle One contained four schools on three sites in Banagher, Ferbane and Portlaoise (where two schools share a campus). The project went to tender in September 2006 and achieved financial close in March 2009. All four schools were constructed in 16 months and are now fully operational. Schools Bundle Two contains five schools on four sites in Abbeyfeale, Athboy, Bantry (where two schools will share a campus), Kildare and Wicklow. The project was published in the Official Journal in May 2008 and achieved financial close at the start of June 2010.

Professional services

HSE Legal Services

External legal services cost the Health Service Executive (HSE) €188 million in the five years since 2007.⁴⁷ Legal spending amounted to €30 million in 2007, €36 million in 2008 and €45 million in 2009. It then fell to €41 million in 2010 before shrinking further to €36 million last year. Although the HSE has its own legal office, it still uses external lawyers across a wide range of its activities.

In 2011, it reordered the way it uses outside law firms by appointing Arthur Cox to manage the services provided by 35 other solicitors in a variety of areas, in a contract worth €58 million over three years. The cost of hiring solicitors has fallen 23 per cent since the new contracting model was introduced last year, and the number of hours billed also fell by 5 per cent.⁴⁸ The HSE can still monitor the cost of hiring solicitors and their activity, as well as full contractual compliance.

⁴⁷ External legal services cost HSE €188m over five years, Irish Times 6 March 2012

⁴⁸ Ibid

c) Leverage Ireland's experience of PPPs

The development of Public Private Partnerships (PPP) projects can provide useful examples for the public sector in utilising external service delivery models. PPP projects were not confined solely to infrastructure builds and each contained a substantial service component (maintenance of the asset, tolling etc). These projects are maintained to superior standards because payment was not limited to constructing the asset to a particular deadline and budget, but also on the availability of the asset over the lifetime of the contract. Payment schedules reflect service levels agreed in advance.

Examples of PPPs in Ireland include:

- Criminal Courts Complex;
- Schools bundle programmes;
- National Maritime College of Ireland;
- Convention Centre Dublin.

Not including financing structures, there are many aspects of PPPs that are directly transferrable to external service delivery. These include:

- Identifying long-term service needs;
- Considering alternative forms of procurement;
- Handling complexity;
- Managing the interface between central government and local bodies;
- Establishing good contract management procedures;
- Pursuing efficiencies.⁴⁹

To ensure high quality performance management from outsourced projects, the public sector should draw on the available expertise in the National Roads Authority, the Railway Procurement Agency and the National Development Finance Agency in designing service level agreements and post-contract management of projects.

d) Irish private sector use of external partners

Outsourcing is recognised as a key tool for boosting productivity and organisational competitiveness in the private sector. The top three reasons cited for outsourcing are enhancing process efficiency and quality; relieving internal resources to concentrate on core functions; and reducing costs.⁵⁰

According to Mazars *Annual Outsourcing Survey 2011*, there is a continued trend in the increased use of outsourcing:

- 42% of respondents indicated that they had increased their use of outsourcing in the preceding 12 months as compared to 33% in 2010.
- 25% of companies indicated that they would increase their use of outsourcing over the next 12 months;
- 33% of companies indicated they were more likely to move to an outsourced model as a result of the economic downturn;
- 92% of organisations believe that outsourcing adds value to their company;
- IT managed services and web hosting are the most common activities that companies outsource;
- 77% of organisations opt for a partial outsourcing model as opposed to full outsourcing, as they prefer to retain an element of control over each process they outsource.⁵¹

⁴⁹ Lessons from PFI and other projects, National Audit Office (28 April 2011) p.15

⁵⁰ Mazars Annual Outsourcing Survey 2011

⁵¹ Ibid

Private sector example: Microsoft OneFinance

With pressure on both margins and top-line growth, Microsoft saw a need for a more centralised and efficient approach to finance, accounting and procurement. The company believed the best way of achieving these goals would be to transform the finance and procurement processes. Microsoft joined Accenture in 2007 in a seven year bundled agreement to outsource procure-to-pay and record functions. Managed from Ireland, the OneFinance initiative encompassed 95 countries and 450 individual roles.

This outsourced global finance and procurement initiative has been underpinned by a strong joint ownership approach to governance. Microsoft and Accenture are partnered at many different levels throughout the two organisations. The structure in the buyer organisation mirrors the structure in the provider organisation, with weekly calls to ensure alignment on all issues. This is supported by a governance workspace, which helps the joint team monitor and manage performance against service level agreements, as well as the status of key metrics, action items and risks. The global transition was completed over 18 months.

While OneFinance is an ongoing engagement, results so far have been impressive. For example, Microsoft has achieved an initial 35% reduction in operating costs and driven improvements in procurement process compliance and realisation of supplier discounts. However, the most valuable aspect of OneFinance may be the potential for continuous improvement and cost reduction it has created, an especially important benefit during tough economic times.



Section Five: Making it happen

a) Approaching external service delivery

There is no uniform approach to evaluate whether services could be done more effectively in partnership with the private sector. However, there are common areas for external service delivery highlighted in section two of this report that have been successfully rolled out internationally as well as examples of the partnership approach already occurring in the public sector. The ultimate examination of any programme or service must go beyond providing a “pass/fail” recommendation and incorporate more detailed considerations such as:

- Is this something Government needs to continue?
- Is this something Government can afford to continue?
- Is this something that could be done more efficiently?
- Is this something that could be delivered better in partnership with external partners?
- Is this something that can be re-engineered to deliver a better service?⁵²

A significant cultural shift is needed if external service delivery is to be more widely considered as a realistic alternative to direct service provision in the public sector. It should also be promoted and supported by central government. External delivery must be considered as a means of delivery for all new services, short-term or seasonal activities.

The four pillars of external service delivery are:

1. **Outsourcing of existing services** carried out directly by the public service. At the very least providers should face a credible alternative of competition either through detailed cost analysis and benchmarking against other methods of delivery. Not to be confused with compulsory competitive tendering, the best approach of service delivery based on an agreed efficiency test could be selected.
2. **Shared services with outsourcing** are inextricably linked, in that a programme of shared services can include an element of outsourcing in order to achieve additional cost savings and efficiencies. An Chéim computer services is an example of a shared service for the Institutes of Technology that has significant outsourced elements.
3. **New services** should be considered for delivery via an external service model. This will assist Government in more rapid deployment or service roll-out, avoiding the build up of unnecessary headcount that would threaten long-term efficiency gains and result in better targeting of existing resources. Existing Irish examples include the NCT, eFlow and Go-safe.
4. **Short-term/seasonal services** are suitable for delivery by external partners. They prevent the build up of head-count within the public sector and can be scaled to meet short-term or seasonal pressures, as well as reacting to potential crises. The types of services that fall into this category include:
 - Services that are coming to an end of life over time with reducing volumes;
 - New services that peak at launch;
 - Medium-term change and technology projects that require backfill; and services which require extended hours of operation on weekends and evenings.

The Department of Agriculture used this in activities relating to Bovine Traceability and the Department of Jobs, Enterprise and Innovation recently appointed an industry partner in the delivery of the Temporary Partial Credit Guarantee Scheme.

⁵² CBI, Time for Action: Reforming public services and balancing the budget (May 2010) p.5

A group of Nordic economists undertook a review of public sector outsourcing programmes and concluded that the following elements are essential to making a strategy work successfully:

- Competition is key to improved performance;
- Projects have differing characteristics, requiring great attention to detail;
- Outsourcing requires clearly defined goals and carefully chosen performance measures.⁵³

b) Administrative issues

Administrative issues relating to public sector staff need to be identified, analysed and addressed so that they don't act as an obstacle to external service delivery.

The outsourcing of any significant existing service will involve Transfer of Undertakings Regulations which gives staff the right to transfer to the outsourcing company on the same terms, if the services they deliver are now outsourced. This is different to staff being seconded to the new entity. Particular attention also needs to be given to pension entitlements. Companies are obliged to comply with Transfer of Undertakings obligations under both European and national law.

Compliance with these regulations is not an impossible task and it is important to bear in mind the longer term benefits. This issue has been successfully dealt with in other EU Member States. In the UK, for instance, National Savings & Investment 'outsourced key elements of their operations, along with more than 4,000 civil servants' to Siemens Business Services, which generated £500 million in savings over ten years.⁵⁴ Also, there are a few existing examples of Transfer of Undertakings Regulations being applied to the Irish public sector, most notably in the case of Eircom.

c) Benchmarking of services

According to the OECD, benchmarking is an important tool for monitoring effective service performance because it 'can serve to place the spotlight on underperforming service providers and thereby serve as a motivator for future action to improve performance'.⁵⁵

Benchmarking not only sets performance standards, it highlights where the current service sits in relation to that standard. It serves as an important management tool for ensuring excellence and, in terms of the public sector, value-for-money for the Irish taxpayer. Successfully applied, it can encourage good performance and keep costs low. However, for the benchmarking process to be successful, all input costs (e.g. staff numbers, employee wages and conditions etc) need to be included. The results of the benchmarking process would also identify suitable services that could either be shared with other Government providers or contracted out, where they can be done more efficiently and cost effectively. Services can also be benchmarked against similar public services being performed internationally.

⁵³ Torben M. Andersen, Bengt Holmström, Seppo Honkapohja, Sixten Korkman, Hans Tson Söderström and Juhana Vartiainen, *The Nordic Model, Embracing globalization and sharing risks* (Helsinki, 2007) pp 149-50

⁵⁴ Paul Pierotti, '*Innovation: the subtle skill of outsourcing*' in *Business & Finance* (7 October 2009)

⁵⁵ Teresa Curristine, Zsuzsanna Lonti and Isabelle Jourard, 'Improving Public Sector Efficiency: Challenges and Opportunities' in *OECD Journal on Budgeting* vol. 7, no.1 (2007) p.21

d) VAT

The treatment of VAT in considering whether or not to partner with a private sector body can seriously undermine the competitive benefits of external service delivery. Currently, if a public body decides to outsource a support service to a private provider, this provider will add VAT to its invoice; VAT that the public body cannot recover. Hence, the economic gains must be exceptional to outweigh the cost of VAT. This can affect the take-up of external service in two important ways: first, there is the reduced incentive to outsource and secondly, it reduces the potential competitiveness of the private service provider as against direct service provision.

Ireland should look to other countries for ideas on how to tackle this issue. Eight EU Member States have 'refund schemes in place that allow public entities to recover input VAT when outsourcing support services'.⁵⁶ Canada operates a similar model.⁵⁷ The other option is a 'full taxation solution', whereby VAT is 'applied to public entities' output, and at the same time the solution allows for public entities to deduct its incoming VAT. In this way, public and private entities are treated equally regarding VAT. The full taxation solution is similar to the current system in New Zealand, which is often mentioned as a good practice case.⁵⁸

The Department of Public Expenditure and Reform needs to address the issue of VAT, in order to avoid potential cost distortions during economic assessment, and issue clear guidelines to all public bodies.

e) Outcomes not just outputs

The starting point for designing public services must be a focus on the outcome. Moving to this approach requires a shift in focus from the service itself (required inputs and outputs) to the end-user or indeed the ultimate objective of the service. This 'personalisation' approach requires 'seeing the citizen as consumer' so that resources are allocated to where they are needed most and, through the use of external partners, strong performance improvements delivered.⁵⁹

An outcomes-based strategy ensures that the service brings consistent value to the user, which in turn determines the service design, commissioning and delivery. On the other hand, concentrating only on output can 'lead to too narrow a focus on efficiency and to the wider exclusion of effectiveness'.⁶⁰ Ultimately the resulting services may not be 'sufficiently oriented towards the needs of the citizens and the wider societal outcomes'.⁶¹

Commissioning for outcomes offers 'the possibility of combining central accountability and front line flexibility'.⁶² Public bodies can facilitate this by establishing their needs in a broad and performance-based way, which would allow industry partners to propose a wider variety of solutions. This approach is also being successfully combined with the

⁵⁶ The countries are Austria, Denmark, Finland, France, Netherlands, Portugal, Sweden and the UK. Source: Copenhagen Economics, VAT in the public sector and exemption in the public interest, Final report for TAXUD/2009/DE/36 (1 March 2011) p.5

⁵⁷ Ibid p.12

⁵⁸ Ibid p.6

⁵⁹ Ian Mulheirn and Barney Gough, More with Less, Rethinking public service delivery, Social Market Foundation (December 2010) p.11

⁶⁰ Curristine, Zsuzsanna and Journard, p.29

⁶¹ Ibid p.29

⁶² Mulheirn and Gough p.14

payment-by-results model (see section seven) internationally in the following public service areas: job placements; skills and re-training; and tackling re-offending rates.

f) The procurement process

The public procurement process is essential to supporting the success of desired benefits and potential gains from external service delivery. The perception of public procurement should move from regarding the process as a bureaucratic mechanism to one that can not only facilitate, but also drive, strategic commissioning. The procurement phase encompasses the competitive nature of the process and structuring of specific contracts with metrics for success.

Based on analysis of the international roll-out of external services the following can impact the value-for-money of the project:

- Policy uncertainty;
- Poorly specified contracts;
- Inflexibility during contract delivery phase;
- Complexity and cost of the procurement process.

National and European regulations will have an impact on the timing of the pre-contract procedure, award criteria adopted, and duration of the contract. However, European regulations are frequently cited as a barrier to reforming and improving the process in Ireland. This begs the question as to how other EU Member are able to operate more flexible public procurement practice, under the same legal regime.

Sharper public procurement would avoid adding unnecessary costs and complexity to bidding and would move the focus to “what” is being purchased rather than “how” it is being procured. Government should promote a more flexible approach to procurement of external services. For example, the administrative burden should be minimised; risk should be managed and not avoided; detailed market analysis and early market engagement should occur.

Public sector buyers should also exploit the full range of procurement procedures permissible under existing EU rules. For example, competitive dialogue is a dynamic way of conducting a large and complex tender process for services, because it allows contracting authorities to discuss all aspects of the proposed contract with tenderers. This can secure greater value for money, as tenderers have a better understanding of the buyer’s culture and requirements, allowing for future problems to be solved more efficiently. The Australian Industry Commission found that a clear understanding of requirements from the outset is needed to really achieve desired service outcomes.⁶³

The Department of Public Expenditure and Reform should take the lead in identifying what changes should be made to the public procurement practices, based on examples of best practice that already take place in Ireland and internationally.

g) Skills

The Public Service Reform Plan has identified the need to strengthen the commercial capability, including analysis and delivery skills, across Government organisations. Roll-out of external services has specific requirements for the pre-procurement, procurement and post-procurement phases. The proposed programme of learning and development to be implemented by the Reform and Delivery Office should adequately address the complex but interconnected elements of each in order to ensure successful project

⁶³ Dr. DeAnne Julius, Public Service Industry Review, Understanding the Public Services Industry: How big, how good, where next? (July 2008) p.26

delivery. Up-skilling in areas such as needs analysis, risk management, market engagement, project management and performance evaluation, in addition to public procurement skills, is essential. The UK National Audit Office has identified the following elements as crucial to the success of a project:

- **Purpose:** having clarity on the overall priorities and desired outcomes;
- **Affordability:** understanding what delivery will cost and not being over-optimistic;
- **Pre-commitment:** having robust internal assessment and challenge to establish if the project is feasible;
- **Project set-up:** the detailed specification, procurement, contract and incentive design;
- **Delivery and variation management:** maintaining delivery pressure throughout the life of the contract and flexibility to recover the integrity of the project in light of unanticipated events or significant variations from the original plan.⁶⁴

Each of these phases requires specific skills to support each action. Essentially the successful rollout of an external service delivery project requires actions to be taken during three distinct phases: initiation (pre-procurement); delivery (procurement); and operations (post-procurement). These phases encompass the development of the business case, the preparation of the request for tender (RfT) and tender evaluation procedure, the proposed contract, project initiation, key milestones and performance indicators, and project completion.

The ability to build relationships is an important but often under-valued skill in the roll-out of projects, be it managing internal relationships or working with external partners. Each project should be viewed as a partnership that needs to be built and managed effectively over the course of the contract. Also, successful customer-supplier relationships require a certain degree of trust and a commitment to work together for the success of the project.

In addition to generic skills such as general management and team-building, core skills and competences required include:

- Business requirements and justification
- Governance arrangements;
- Risk management;
- Project management;
- Scope;
- Technical architectures/design;
- Feasibility;
- Stakeholder involvement and commitment;
- Outcomes and operational benefits;
- Change management;
- Procurement approach and compliance;
- Contract management;
- Best practices including compliance with relevant legislation and guidelines.

Recognising this, the OECD recommends that governments 'should seek to learn from the experiences of their peers'.⁶⁵ Government can also draw upon first-hand experience of existing Irish projects, as well as those in the PPP space. The proposed pilot exchange scheme of staff between the Civil Service and the private sector could also be a mechanism for developing key skills in the functional areas necessary for the roll-out of external service delivery projects.

⁶⁴ National Audit Office, Initiating successful projects (1 December 2011) p.4

⁶⁵ http://www.oecdobserver.org/news/archivestory.php/aid/1700/When_governments_go_shopping.html

h) Leadership:

Successfully implementing an external service delivery strategy will be challenging at times but as the Irish and international examples demonstrate, potentially problematic areas can be overcome. Key to this is clear and consistent leadership, accountability and targeting setting ranging from the Cabinet Committee on Public Service Reform to individual officials across government. According to the OECD, 'outsourcing has produced long-term savings only when it is based on sound economic analysis and reflects non-political judgements about the most efficient way to provide public services'.⁶⁶ 'Real leadership' is also needed at both 'central and Departmental levels' if 'major transformational initiatives' are to succeed.⁶⁷ Government and public service managers must 'be prepared to challenge the view that there is no possible scope to use resources better and that services cannot be transformed because 'that's how they've always been done'.⁶⁸ At the earliest opportunity, Government should publish a list of projects identified for external service delivery.

⁶⁶ OECD, Restoring Fiscal Sustainability: lessons for the public sector (2010) p.17

⁶⁷ Robert Watt, Public Service Reform – The Balance Sheet? (25 July 2012)

⁶⁸ CBI, Time for Action: Reforming public services and balancing the budget (May 2010) p.20

Section Six: Issues that need to be addressed

Developing external service delivery models are unlikely to generate significant public controversy because, if handled well, the public using the services should not notice things are changing behind the scenes. However, misconceptions or 'myths' have built up around developing external partnerships. The following issues need to be addressed:

Myth one - outsourcing inevitably leads to job losses: External service delivery is part of the PSR plan, which sets out the reductions in public sector numbers. This is only a narrow view of the overall debate. The external services industry in Ireland is strong and is viewed as an area for expansion in terms of job creation. Wages are competitive and there is a high level of employee satisfaction amongst companies.

The recently published Action Plan for Jobs calls on all Government Departments to '*identify further potential non-core activities suitable for external service delivery which could in turn offer opportunities for Irish based BPOs*'.⁶⁹ Ireland is a centre of excellence for business process outsourcing and shared services, which focus on key knowledge intensive services. The various categories of externally delivered services (see section two) can also be delivered by existing companies, both indigenous and multinational, based in Ireland. The types of services that can be performed by these companies can be transferred to potential international clients, through internationally traded services or attracting them to locate in Ireland.

Contracting can dictate not only what services are to be carried out but also where they are delivered. Partnering with the private sector in performing public services can also result in significant job creation. For example, the outsourcing of business services by South Tyneside Council in the UK saw 450 council workers transfer to the new service entity under UK Transfer of Undertakings Regulations but its private sector partner, BT committed to create an average of 750 jobs in the borough over the lifetime of the contract. Also, the partnership approach can see companies bidding together in consortia which, depending on the nature of the project, may involve innovative SMEs, supporting the Irish enterprise base even further. Essentially, Government can play its part in developing this sector by making a commitment to availing of these services and in turn creating sustainable employment.

Myth two – outsourcing leads to loss of control and service levels: In an external service partnership, the State remains in control by specifying outcomes, holding providers to account and re-tendering contracts. The skills needed to contract out activities is vital to ensuring the success of projects (see section five). Specifications during the tendering phase will help determine the desired outcomes and performance will be measured and monitored through service level agreements that can be augmented through independent audits. Service level agreements assure arms-length control. The opposite is not true for services delivered directly.

Cooperation between the different sectors brings together skills and ideas in designing and developing better services for the end-user. Partnerships must provide taxpayers with value for money, but this does not necessarily mean opting for the cheapest option during the tender phase. The priority is the best long-term option and the focus must remain on quality.

Service providers can guarantee compliance to required standards, especially those relating to security and confidentiality. Service providers should employ proven world-class methodologies. An existing Irish public example is provided by the critical

⁶⁹ 2012 Action Plan for Jobs p.106

Emergency Call Answering Service, which is 'required to adhere to a number of internationally recognised standards to provide evidence of its approach to quality, information security management and its ability to operate on a continual basis'.⁷⁰ ECAS has been audited and been certified to the following recognised standards, ISO 9001:2008, ISO27001:2005 and BS25999-2:2007.

The type of performance metrics used to measure the success of external service arrangements will vary depending on the service being contracted (e.g. managed services, facilities management, ICT services, business process outsourcing etc) and the reasons it was outsourced (cost saving, productivity, skills internally unavailable etc). A combination of some or all of the examples below may be used. The design of the individual metrics will be specific to each individual situation and their design may require specific expertise.

Possible Performance Metrics	
Performance	<ul style="list-style-type: none"> ✓ Availability of service/system; ✓ System downtime; ✓ Speed; ✓ Responsiveness.
Process Performance	<ul style="list-style-type: none"> ✓ Productivity across employees and processes; ✓ Revenue per full-time equivalent (FTE); ✓ Efficiency in the end-to-end process; ✓ Reduction in cycle time between process steps; ✓ Increased productivity; ✓ Set up and adherence to Service Level; Agreements (SLAs), policies, and programs; ✓ Sustainable cost reduction in accounts receivable, invoicing, or general accounting; ✓ Improvements in the processing of financial transactions.
Quality/Satisfaction	<ul style="list-style-type: none"> ✓ Customer satisfaction; ✓ Employee satisfaction; ✓ Improvements in customer service; ✓ Right first time; ✓ Early life failure; ✓ First call resolution.
Financial Performance	<ul style="list-style-type: none"> ✓ Return on investment (ROI); ✓ Cost savings.

⁷⁰ http://www.btireland.ie/pdfs/ecas_caseStudy.pdf

Myth three - outsourcing is another type of privatisation: Outsourcing or other external service delivery mechanisms are not privatisation. Privatisation involves the sale of publicly owned assets to the private sector. Outsourcing is about the state moving from the role of direct operator to one of organiser, regulator and controller. The services remain public. Companies are not 'competing to win customers in markets, they are competing for contracts for the market'.⁷¹ Outsourcing arrangements allow the private sector to provide and operate public assets or services for a set period under a contractual agreement. The contract is constantly supervised and monitored by the public service procuring entity, allowing for significant public sector control. At the end of the contract period, the assets will revert entirely to direct public control, pending the establishment of a new arrangement through a competitive process.

Myth four – outsourcing will eventually prove to be the more expensive option: Benchmarking, a value-for-money assessment and a competitive procurement process will result in lower costs and increased productivity (enforced through service level agreements). Private sector partners are able to produce the services more efficiently, due to economies of scale, competitive pressures, skills and expertise. Specialist companies can 'use their scale, analytics capabilities and insights to help create innovations that can drive better decision making, continuous operation improvements, enhance product development processes and more profitable customer relationships' and they are also in a 'better position to make the ongoing investments needed to improve operations within that industry'.⁷²

The cost of partnering with external providers may appear more expensive than retaining the service in-house but transparency on the true costs of direct service provision combined with traditional procurement methods, is required. In the UK, for example, *'the evidence shows that two-thirds of public sector projects are completed late, over budget or do not deliver the outcomes expected'*.⁷³

⁷¹ Ian Mulheirn and Barney Gough, More with Less, Rethinking public service delivery, Social Market Foundation (December 2010) p.13

⁷² Michael J. Salvino and Charles Sutherland, 'Deeper in the value chain' in Outlook 2011, no.2 (June 2011) p.6

⁷³ National Audit Office, Initiating successful projects (1 December 2011) p.5



Section Seven: Models for external service delivery

a) External delivery models

The areas for external service delivery were set out in section two and taken together with Irish and international examples, they are in turn designed around a number of different sourcing models. The PSR plan identified that there are a number of 'different sourcing models for service delivery' in terms of in-sourcing, co-sourcing and outsourcing, which 'range from basic managed services, through parallel/partial private sector delivery to full outsourcing of functions'.⁷⁴ On this basis, and in line with international best practice, the following models can be considered for external service delivery:

1. **Insourced:** Of all the potential models, the contracting entity retains the highest levels of control but can result in the real objectives/drivers for a change in approach being fudged and often results in lower efficiency gains. In the main the service is provided directly by the public body, with external support generally limited to supply of goods and ancillary support services. Change through this model can be seen as a low priority. Management focus remains on non-essential activities. However, it provides an interim step and keeps commercial options open.
2. **Co-sourced:** The approach in the public sector has been to recruit "generalists" and train them accordingly. This does not suit particular business practices (e.g. software development) for a variety of reasons, which include the time it takes, ultimate expense, impact on public sector numbers, life-span of the project etc. Particular services can require specialist expertise for a pre-determined time and public sector bodies can opt for a co-sourced model, which involves the provision of services jointly by staff from within the public body and those from an external provider. Managed applications, a variant of this model, is typically used for IT applications and infrastructure, where the processes and service provision are run in-house, but external expertise is needed.
3. **Outsourced:** Full or "classic" outsourcing involves a services agreement between the public sector and external service partner(s), under which the service is performed in exchange for a fee. The fee structure may include an element of risk/reward, for example a share of any cost savings realised or penalties for failure to meet agreed service levels. This model can include the transfer of staff under the Transfer of Undertakings Regulations into the new partnership. Government can benefit from arm's-length control, agreed and clearly defined targets, and outcomes.

The full outsourcing model can involve a number of varying contractual relationships. In addition to the option of entering an agreement with a single supplier, the public body could enter an agreement that has other providers involved with the lead partner through subcontracting. Another option could be a multi-sourcing arrangement that has specific services contracted out to a number of service providers at the same time in order to obtain specific expertise. Finally, companies themselves may wish to take the consortium approach one step further and form a special purpose vehicle (SPV) that would enter into a service agreement with Government.

⁷⁴ Department of Public Expenditure and Reform, Public Service Reform plan (17 November 2011) p.23

4. **Joint venture:** This model describes a range of different commercial arrangements (either contractual or separate legal entity) between two or more separate businesses, organisations or public bodies. In terms of external service delivery, both a public sector body and the private sector establish and contribute to a commercial partnership, and agree to develop and manage that business on a joint long-term basis. Essentially, they are working together, sharing the risks and benefits arising. The employees may be employed by the joint venture company or merely seconded to the company. PPP is a type of joint venture already used in Ireland.
5. **Mutuals:** Under this model, public sector officials are given the opportunity to take over the running of the services they provide, as part of 'opening up the delivery of public services beyond the traditional binary choice of public and private', empowering 'employees to redesign services around users and communities freeing up their untapped entrepreneurial and innovative drive'.⁷⁵ These are defined as businesses where 'employee ownership or engagement has a significant impact on the governance of the organisation' and can operate as employee owned, co-operative or wider social enterprises and can 'include or participate in a variety of commercial arrangements, including joint ventures with government or other parties'.⁷⁶ The UK has embarked on a pilot mutualisation programme and has over 50 in place covering a range of services. In Italy, there are more than 700 mutuals in operation.

While all solutions offer opportunities to reduce costs and provide process and service improvements, there are differences in terms of their complexity, governance structures and set-up costs. The joint venture and outsourced models typically mean a much greater degree of business change and a more fundamental transformation of the business. Mutuals are an evolving model internationally and over time, appropriate services in Ireland might be considered for this approach. Given the commitment to public sector reform and the level of change required to achieve sustainable services, the insourced model should be used sparingly, for example in re-designing existing services, and only when the results of a benchmark test indicate that it is the most appropriate model to pursue.

b) Innovative financing models

Depending on the delivery model selected above and the nature and scope of work, there are a number of financing mechanisms available and often arrangements feature a combination of payment strategies. Traditional methods of payment for external service delivery arrangements include:

Cost-plus:	The customer pays the supplier both the actual cost of providing the services and an agreed profit margin.
Fixed price:	A unitary payment is made in cases where there is a regular and predictable volume and scope of services and provides budgetary certainty to the contracting body.
Pay-as-you-go:	The public sector body pays a pre-agreed unit price for specific services (e.g. catering, data processing etc). Additional set-up and investment costs may need to be taken into account.
User-pays:	For specialist services, the principle of 'user pays' may be suitable and has been used in Ireland, most notably in the case of toll-roads. This model might not suit all cases but could be used to

⁷⁵ Mutuals Taskforce, Public Service Mutuals: The Next Steps (June 2012) p.9

⁷⁶ <http://mutuals.cabinetoffice.gov.uk/how/forms-mutual>

finance a partnership approach in areas where there is an existing charge (e.g. passport and visa application).

Certain schemes can be structured to include savings or profit incentives that can be shared by the partnership. Other potential financing mechanisms for external service projects being explored internationally include: measures to finance social investment (e.g. social impact bonds), payment for results on capital improvements (e.g. energy efficiency), and the financing of modernisation programmes (e.g. joint ventures to introduce new technology); sale and lease back of public offices/properties.

Given the pressures on the Irish public finances, innovative models to finance such projects should be developed. For example, a form of risk sharing model could be suitable to support the rollout of certain projects. One option could involve a degree of transfer of risk to the external partner and could involve a minimal payment in return for meeting basic service levels, together with a risk/reward component based on performance. Another option could involve a full-risk model, where there would be no basic charge and payment would be entirely performance based.

Payment by results

An outcomes based approach to public services opens up an innovative financing option. Payment-by-results is a “high-stakes” form of performance contracting because providers are paid on the basis of outcomes rather than effort expended. They are used in the UK in welfare to work (payment in return for successful job placements) and offender management (payment measured against rates of re-offending) schemes. It is a dynamic mechanism that champions success and achieves desired outcomes and should be taken into consideration by public bodies when deciding service delivery options. For example, there is a clear case for this approach to be used on the roll-out of Government’s Pathways to Work initiative (see below).

Payment by results: the case for Pathways to Work

Pathways to Work is the Government’s roadmap for engaging with and supporting the unemployed to assist them back into the workforce. It will build on existing government policies to ensure that as many new job opportunities as possible are filled by those on the live register.

The targets include getting at least 75,000 of those currently long-term unemployed into employment by 2015 and reducing the average time spent on the live register from 21 months today to less than 12 months by the end of 2015. Greater engagement, through the Intreo office, will be encouraged between job seekers and the welfare system, whether that be education, job search assistance, training or work experience to try and increase employability and keep them close to market. Individuals will be also made aware of their responsibility to commit to proactive strategies (e.g. job-search, training etc) or risk losing or receiving reduced social welfare payments. Targets have been set by the Minister to ensure all new clients will at the minimum have had a group engagement after three months and a referral to job placement/training after 18 months.

Based on international experience in Austria, Australia, the Netherlands and in the UK, there is a clear argument for partnering with the private sector in the successful delivery of the Intreo programme (e.g. case management of clients, employer engagement and job matching/placement etc.). Partners are rewarded on the basis of their successful performance, which in turn ensures that the service meets Government’s desired outcome.



Conclusion

Ireland's economic circumstance requires the Government to progress external service delivery as a key plank of the public sector reform programme. However, successful implementation will challenge the traditional ways in which the public sector has operated and responds to the need of the service-user.

The benefits of a partnership approach include:

- **Quality service delivery available in Ireland:** Government can draw upon the experience and expertise of companies, who are already supporting Irish industry and performing a variety of services on behalf of public sector bodies. Service delivery companies operate in a highly competitive environment and across many sectors. Not only can they draw upon their skills and expertise, they are also constantly investing in innovation.
- **Guaranteed and transparent costs:** Costs are set according to agreed programmes/work packages and monitored by service level agreements.
- **Supporting job creation:** Irish service firms work with both Irish and international clients and their potential for job creation was highlighted in the Action Plan for Jobs.
- **Public sector can focus on core activities:** By using resources more effectively, public sector staff can concentrate on essential activities while other functions are outsourced to specialist providers, delivering value-for-money.

By working in partnership with the private sector, Government can do more with fewer resources. It can play a role in reducing government spending and reaching the reform targets which have been set. The net benefit will be more efficient and effective services, ultimately benefiting the Irish taxpayer.

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