



Delivering flexibility...

...and certainty in changing times

Steria
SPOTLIGHT

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With budget cuts affecting all areas, restructuring on the cards and too many ‘unknowns’ ahead, questions are understandably being asked about long-term contracts with external suppliers and service providers. However, Paul Sellick, Steria’s Director of Public Authorities, argues that it is time for providers to ‘think out of the box’ and help local authorities make change happen. It is why Steria has developed new and innovative commercial approaches that deliver flexibility and certainty.

When moving to outsourcing, the challenge is to find a model that works for you, delivers the promised benefits and overcomes barriers to change. There are a number of options, some new and others that have been around for a while. All are based on the premise that now is the time for local authorities to do things differently.

Authorities are operating in an environment of constant change and uncertainty, but perhaps the biggest challenge they face is how to cater for future changes, the potential impact of which is far from clear. Universal Credit, for example is, as yet, an unknown quantity. With the largely digital administration of Universal Credit due to be undertaken by the Department of Work and Pensions (DWP), local authorities face uncertainty about what will happen to people and resources previously involved in benefits and welfare administration. This is precisely the type of ‘unknown’ that has made it more difficult for authorities to make

decisions about long-term outsourcing contracts that can bring significant cost and efficiency improvements to the public sector.

Changing requirements

It isn’t easy to commit to a long-term business partnership when headcount, IT needs or service level requirements could change significantly just a few years down the line. For example, a fixed contract delivering IT services for 1,500 council employees suddenly becomes hard to justify if redundancies reduce the IT user base by a large amount. The effects are similar in Business Process Outsourcing (BPO), where fluctuating employee numbers can again be cited as an area requiring flexibility. Another poignant example relates to benefits processing where, because of the recession, over the past 12-18 months authorities have seen double digit increases in the number of benefits claims they have to handle. However, when Universal Credit is introduced, it appears that this element of their operation will disappear completely.

But should this uncertainty about what the future holds prevent the very thing that can help to cut costs and improve business efficiency? Surely it would be preferable to find a way of managing the long-term

partnerships that bring these benefits – not just today, but long into the future? From Steria’s own experience in the public sector, the ability of an outsourcing partner to bring new, technology-enabled, approaches to business can make a huge difference – especially when combined with innovative ways of delivering services, which may not be available to local authorities internally.

Commercial flexibility

One of the solutions is to adopt flexible commercial agreements with an outsourcing partner. These should flex as the authority’s need changes in the light of any restructuring or future government initiatives. This will ensure money is not being spent on services that will no longer be needed in a few years’ time. This can be achieved with contracts built around unit-based or transactional pricing. Essentially, you pay for what you use. This is an area from which local authorities could gain significant value, and one that we believe will grow significantly over the coming years. After all, it’s not just government spending cuts that local authorities are having to contend with, but a reduction in revenues from other areas, such as planning control fees and car parking revenue.

These financial pressures mean that there is an urgency around finding new ways to deliver improved outcomes for the public at lower cost. Unit-based, or transactional-based, pricing is a viable option. While it wouldn’t be feasible for a service provider to offer pricing down to a minimum of one unit or transaction, bands of transaction levels could be agreed. This would ensure that the cost savings and efficiencies being delivered at the start of the contract could continue in line with the council’s business needs three, five or even ten years into the future.





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Established framework

Steria has found that this flexible unit-based, or transactional-based, pricing approach to outsourcing has attracted considerable interest from local authorities. Another established option is, of course, shared services. As a huge advocate of shared services, Steria has proven the benefit of this business model for a number of local authorities in the UK. Both the Cabinet Office and Home Office are urging local government to sweat the assets already in place rather than go through long, drawn-out, procurements. By joining an established shared services framework, perhaps set up by a neighbouring council or department within the same authority, a council could quickly *'release efficiencies across the system and support delivery more focused on customer needs'* as espoused six years ago when the Transformational Government strategy originally identified a need for a shared service approach.

Pioneering partnership

Beyond shared services, there are other ways to benefit from outsourcing and new thinking around accepted practices. There are already notable examples of public sector organisations outsourcing back office business processes such as finance and accounting and HR administration, or the delivery of ICT services. These are the traditional non-core functions that many organisations feel comfortable outsourcing. There is, however, scope to extend the outsourcing model into new areas; to move it from the back office into the middle, or even front office.

That is precisely what a pioneering 10-year partnership between Steria and Cleveland Police Authority has done. Steria is not only providing transformational ICT services and business support, but is working with the Force to deliver innovative approaches to customer service and frontline operations management. For example, we have a dedicated team in the control room handling emergency calls and, at a later time, calling back citizens to get feedback on their experience of the 999 service.

Cleveland Police's decision to work with an external partner in this way has set the pace for change in UK policing. Importantly, it is giving serving officers more time to focus on detecting

and preventing crime and safeguarding communities. Could this broader approach to outsourcing also add value to local authorities, perhaps in areas such as planning, legal services or social work?

New approaches

Budgetary pressures and difficult economic circumstances mean that authorities need to seek new ways to deliver business transformation. Unit-based pricing, shared services and a broader outsourcing model: all three options offer local authorities a means to move ahead with long-term strategies for efficiency and cost savings. With the right outsourcing partner offering flexibility and new thinking, it is possible to change now without worrying about what the future holds.





About Steria

Steria delivers IT enabled business services which help organisations in the public and private sectors operate more efficiently and profitably. By combining in depth understanding of our clients' businesses with expertise in IT and business process outsourcing, we take on our clients' challenges and develop innovative solutions to address them. Through our highly collaborative consulting style, we work with our clients to transform their business, enabling them to focus on what they do best. Our 20,000 people, working across 16 countries, support the systems, services and processes that make today's world turn, touching the lives of millions around the globe each day.

Founded in 1969, Steria has offices in Europe, India, North Africa and SE Asia and a 2010 revenue of €1.7 billion. 20%* of Steria's capital is owned by its employees. Headquartered in Paris, Steria is listed on the Euronext Paris market.

*Including the Employees Shares Trust in the UK



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