



Proposed outsourcing

**A report for Council members from
the campus unions and students'
union at Sussex University**

Proposed outsourcing: a report for Council members at Sussex University

The campus unions, UCU, UNISON, UNITE and the students' union are united in opposing this proposal as we believe that the university is making a mistake in pursuing outsourcing as an option.

However, in this briefing we want to bring to your attention what we believe to be serious failures of judgment in the decision making that has led to this point, as well as stress to Council members the tremendous risks we believe are being taken by the university management, both with its finances and its reputation.

OUTSOURCING IS A HIGHLY RISKY OPTION

There is a growing evidence base that shows these to be highly risky, potentially costly ventures for those who commission them.

- A report by the **National Audit Office** in 2008 was highly critical of failures to manage or monitor outsourced contracts properly in public sector procurement, leading to high profile failures to protect the public interest.
- A report from 2007 by the European Services Strategy Unit identified **105 ICT outsourcing and shared services** contracts that were subject to cost **overrun, delays and terminations**.
- A report by the Institute for Government earlier this year in the wake of the high profile failures of outsourcing projects in relation to the Olympic Games and the collapse of the tendering process in the South-West line rail franchise identified similar problems with **senior Whitehall staff being unable to manage tendering processes properly**.
- In the HE sector, a National Audit Office report from October 2011, was highly critical of a Research Councils' UK shared services initiative, which it accused of a '**litany of failings in the design, governance and oversight of the project**' which culminated in the Shared Services Centre being delivered **65 per cent over budget and 15 months late**. A key factor in the failure of the project was the outsourcing of IT.¹

The key point is that designing, managing and monitoring these contracts is immensely complex and risky for large public sector commissioning bodies. Currently, the campus unions have little confidence that the university management has fully considered these risks.

SERIOUS FAILURES OF PROCESS

Our lack of confidence in the management's consideration of the risks involved stems from their apparent failure to take on board or adopt even the most basic good practice from other outsourcing projects.

In June 2012, UNISON, a union with a huge amount of experience of involvement in dealing with outsourcing contracts, commissioned independent research from the **Association of Public Sector Excellence (APSE)** to look at the university's proposals. This report exposed major weaknesses in the proposed procurement process, including the **failure to conduct a proper**

¹ National Audit Office Report, 'Central government's management of service contracts', December 2008; 'Cost overruns, delays and terminations: 105 outsourced public sector ICT projects', ESSU report No. 3, December 2007); <http://www.ft.com/cms/s/0/0f426532-f291-11e1-ac41-00144feabdc0.html#axzz2Cw-cnklqU>; 'Shared Services in the Research Councils' National Audit Office, October 2011.

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service review or conduct any market testing of particular service markets; failure to demonstrate a clear strategy for involving staff unions and failure to show that there was a plan for developing an appropriate contract management structure.

The report recommended that the university implement a proper service review and implement a service improvement plan for each service. The university management has ignored these recommendations.

The university is also refusing to release to the unions essential financial information that underpins the decision to proceed with the Competitive Dialogue tendering process. The unions believe that this contravenes not only all good industrial relations practice established in relation to outsourcing projects but also the guidance issued to university by the Higher Education Funding Council for England and JNCHES, the sector collective bargaining body that negotiates for all universities and sector unions. This guidance stresses the importance and benefits of early involvement of staff unions in the processes of significant organisational change such as collaborations and mergers.² We are also concerned that the university is failing in its duties in relation to TUPE legislation.

The key point here is that the university is acting far outside the norms of good practice in relation to outsourcing projects, norms that are based on experience of outsourcing and on the pursuit of good industrial relations. This gives us little confidence that the management team responsible have considered the risks involved in this project.

RISK OF REPUTATION DAMAGE

The pressure to keep bids low and to turn a profit over the lifetime of a contract leads contractors in outsourced services to cut the pay, pensions and terms and conditions of staff, leading in turn to a deterioration in services. This represents a significant threat to the reputation of the university.

- Academic research conducted by the Public Services International Research Unit at the university of Greenwich, commissioned by UNISON, revealed that outsourcing in NHS services revealed a 'lack of evidence to show that outsourcing leads to improved quality of patient care', together with clear evidence of a negative impact on cleaning services and the failure of the NHS IT outsourcing project.
- Academic research by on Queen Mary University's decision to bring its cleaning services back in-house shows that the decision led to a marked improvement in the service. Staff surveyed reported that the services had improved; the workers themselves reported that they enjoyed their jobs more and the Chief Administrative Officer of the University reported only a marginal increase in costs.³

² JNCHES: 'Workforce Planning and Organisational Change', September 2011; HEFCE: 'Collaborations, alliances and mergers in higher education: Consultation on lessons learned and guidance for institutions', March 2012.

³ 'Empty Promises: the impact of outsourcing on the delivery of NHS services' (PSIRU, February 2012); Jane Wills with Nathalie Kakpo and Rahima Begum, Queen Mary, University of London, 'The business case for the living wage: The story of the cleaning service at Queen Mary, University of London' (March 2009).

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The key point is that it is a myth that the private company that wins the contract takes on the risk. Students paying their fees to this university have a right to expect the delivery of these essential services and will pursue this with the university if the standard deteriorates. If this outsourcing goes ahead, the university will lose managerial and financial control but retain the risk.

This makes it only more worrying that outsourcing appears to be the only option that has ever been considered by our management.

CONCLUSION

We believe that this decision represents a huge gamble with the future finances and reputation of the university and it is fraught with risk. We now face the last chance to get the contracting process right. The university will struggle to increase regulation of the contract after it is signed and it may end up costing the university more. In Local Government, for example **attempts to regulate services more tightly are resulting in a rise in legal challenges and associated legal and insurance costs as contractors challenge penalties and contract terminations.**

In short, it appears to us that the university management team responsible are more concerned to keep the campus unions and staff in general locked out of the procurement process and to minimise the cost of the contract to potential bidders than to protect the university against the huge financial and reputation risks involved.

As Council members, you are custodians of the property and revenue of this university. We believe that the decisions being made by the management of the university will have far-reaching consequences. The university needs to get this right, now.

As the representative bodies of all the staff and all the students on this campus, we ask that you consider mandating the university management to pause its competitive dialogue process, release to the unions the requisite financial information and actively address the unions' deep concerns about the failures of process thus far in order that we can move forward together in the spirit of collaboration for the future good and sustainability of our university.