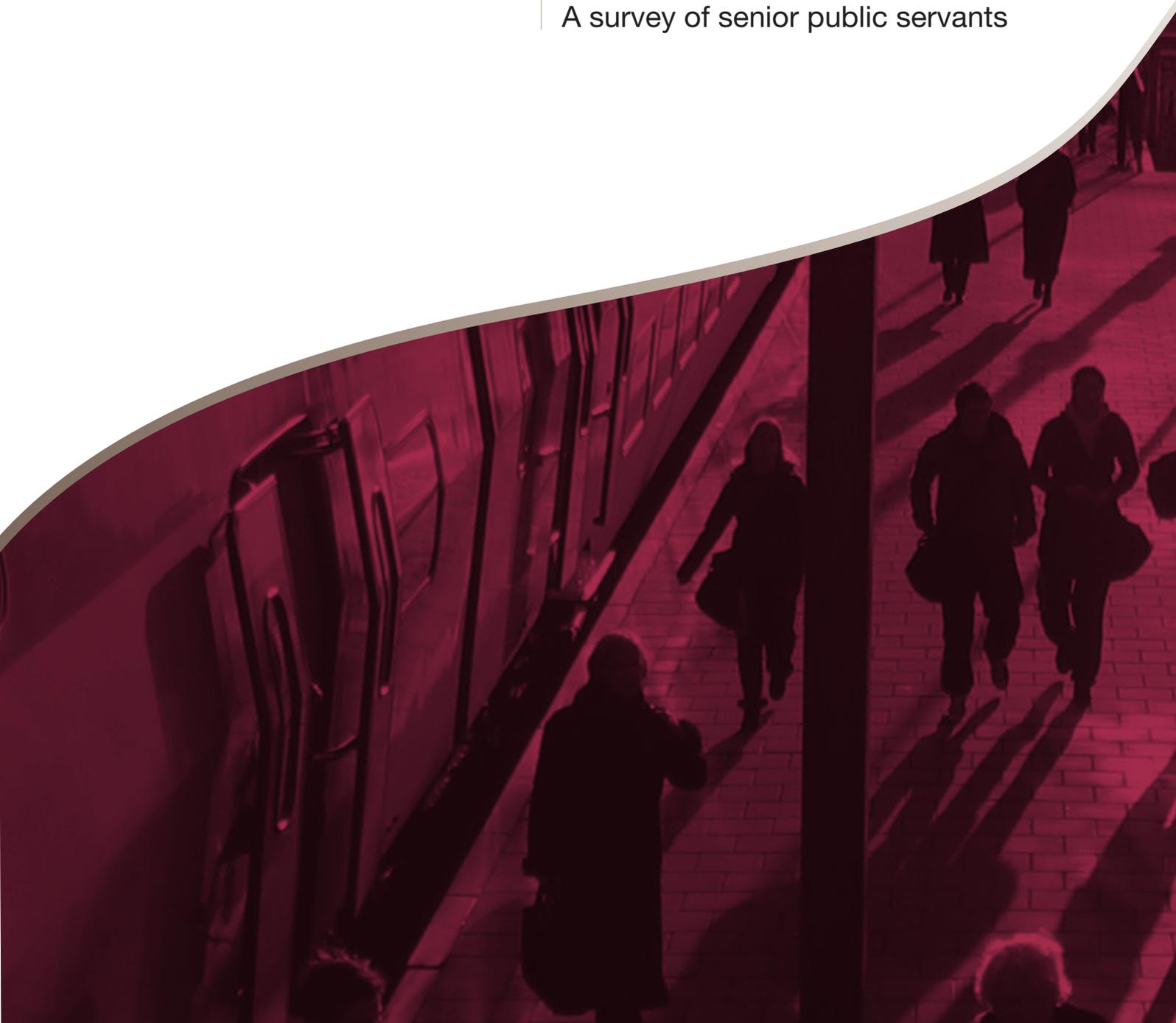


Transforming public services to deliver at lower cost

A survey of senior public servants



Introduction

It has been obvious since long before the election that – whoever was in power – we face an era of prolonged cuts in budgets for most public sector bodies. Even those in sectors, such as health, who are sheltered from the worst of the cold wind blowing through the public sector, will feel a chill as budgets fail to rise in line with demand for services.

The scale of the challenge and need to produce increased savings every year for the best part of a decade mean that trimming the fat around the edges of the public sector is not going to deliver. Public service will have to choose between delivering an incrementally worse service to increasingly annoyed citizens or transforming those services to deliver long term improvements at lower cost.

Capgemini has spoken to 130 senior people in the public sector to understand their perspective on the coming cuts and where they think the challenge will lie.

We interviewed 40 senior public servants across local and central government, held detailed conversations with key thinkers outside government and a seminar with 90 leaders from across the healthcare sector to gather their perspectives.

The scale of the challenge

The challenge facing the public sector is huge. Even to hit the targets set out by the previous government in the March 2010 budget would represent a task not seen by any civil servant while in office.

The new coalition has set out to be even more ambitious in its timetable for correcting the fiscal position and to do even more of the work with spending cuts rather than tax rises.

The previous government's plans would have required cuts – outside protected areas – of 14% in departmental budgets over two years and of up to a quarter by 2015. The new government is setting even more aggressive targets for cut backs. Figures of 20% are commonly quoted.

The new government so far

The coalition partners now in government each had a range of proposals for how to take cost out of the public sector. However, these proposals form only a fraction of the amounts needed over the course of the parliament.

Even some of the savings already spelt out are really little more than statements of intent which politicians will rely on civil servants to turn into reality. The efficiency savings of £6.2bn proposed for this year's budget will turn up in civil servants in-trays as simple budget cuts with officials given broad but not specific instructions on how to realise them.

Politicians of both parties will of course have some ideas they have not openly shared about where additional cuts will come from. But there will still be a large gap between the cuts ministers will be able to detail and those needed. To help close this gap the government has set out plans for a review of all government spending. This review will include input from the public and put ministers in a "Star Chamber" to justify spending plans.

¹Assuming the same areas had remained "protected", "Public services: the axe comes soon", Carl Emmerson, IFS, 2010

Cost savings and the barriers to achieving them

Our survey of public servants

With civil servants expected to do much of the heavy lifting on cost reduction, we set out to discover their views on how they might achieve this.

We interviewed 40 senior civil servants (SCS) from across all the major government departments and a selection of local governments. We also conducted an in-depth workshop with 90 senior people across health. In these focus interviews we asked respondents about how they would act to take out cost and what they thought the barriers were to radical cost reduction.

Where cost savings can be found

For the most part they know where the savings are and on average these are substantial if barriers can be removed...

89% of interviewees said that they knew where many of the necessary saving could come from. We also asked interviewees how big these savings were given a notional 5 year timeframe. We asked both about those that could be realised as things stand and those that could be realised if the barriers they had identified were removed.

With the barriers still in place the average saving mentioned was 13% and with those barriers removed 27%.

...but there are two distinct groups of thinking on the amount that can be found

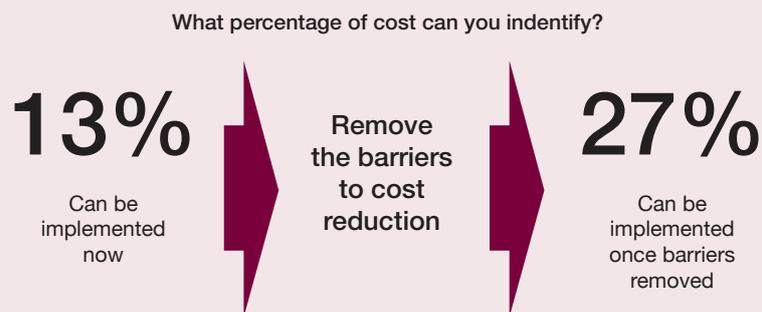
While the figures above are the averages for all respondents, in reality there was a big variation in the figures mentioned, both between and within individual departments. Figure 2 shows the highest cost saving figures mentioned by each respondent. It is clear that respondents divide into two clear groups:

1. The majority who named figures from 20-35% or lower – even where all barriers were removed.
2. A minority who named even bigger savings above 40%

In part this division reflects the type of department the respondents sat in, but further analysis of the responses shows that it was also a result of the kinds of changes they were considering. The larger the saving, the more radical the “without barriers” transformation of service the civil servant in question talked about.

Figure 1

Senior civil servants know where cost can be taken out and believe removing the barriers to cost reduction can increase savings by 14%



89% of interviewees know where savings can be made

²Where respondents gave a range of figures the smallest and largest mentioned was taken

The barriers to achieving cost reduction

SCS believe lack of leadership is the biggest barrier...

Leadership is seen as the biggest barrier to achieving significant cost reduction.

When talking about leadership respondents mentioned political leadership, but also gave weight to the need for leadership within the civil service itself.

The government has clearly moved to address this challenge – through the latest spending review process. The process is designed to address many of the concerns about leadership expressed by interviewees, such as the need for a clear framework or the need to mobilise all staff behind a common objective.

While leadership was the clear top priority for SCS it is also one which is automatically addressed – at least in part – as cost saving plans take a more detailed shape. It is perhaps unsurprising that when these interviews were conducted – while the exact shape of cost reduction measures was unclear – leadership was the number one concern. This makes those barriers in 2nd and 3rd place all the more interesting.

...but there are other important barriers that can't be neglected

Complexity, the cost of stopping operations and a lack of customer understanding were all also seen as very significant barriers. As the question of leadership is addressed, these other concerns will become increasingly important and need to be addressed if the government is not to find itself with brilliant cost saving plans it cannot deliver.

The problem of complexity was seen by respondents as partly a problem of having too many priorities – or indeed conflicting priorities. As one respondent put it: “There are too many outcomes under the remit of one department.”

Not understanding customers adequately was seen as inhibiting cheaper innovative solutions that could save significant money. As one respondent said: “Many civil servants design policies remotely... and do not understand what the real needs are making it difficult to change and innovate.” Another said “There is a lot of consultation at policy development level but customers are not kept involved in the development and deployment process... This results in service provision that is not effectively targeted to end users and hence costly.”

Those barriers associated with making significant redundancies were given a surprisingly low priority

While the cost of stopping operations was cited as an important barrier, it was surprising not to see those barriers closely associated with making redundancies in the public sector getting a higher score. Any significant cost savings will have to mean reductions in headcount – as this is the main cost in almost all government departments. Capgemini believes that these reductions will throw up several barriers to cost reduction, in the form of:

- The high costs of making civil servants redundant – a respondent estimated that this cost was so high that it would take 27 months for the cost of redundancies to be balanced by savings.
- The lack of recent experience in making large scale redundancies – few SCS have experience of taking out large scale cost and the challenges it poses for workforce management.
- Damage to motivation – there is a real danger that government productivity suffers as civil service morale declines rapidly.

As the cost reduction programme moves from identifying savings to trying to realise them, we expect these barriers to become much more prominent as other concerns move into the background.

Figure 2

Senior civil servants interviewed divided those who looked for savings in existing practices and those who had an ambition to “do different”

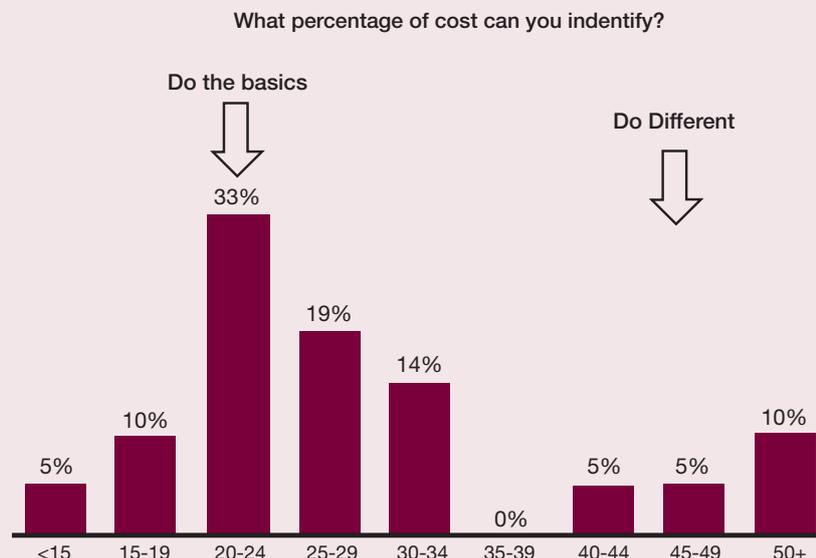


Figure 3

Lack of Leadership, Organisational Complexity and Lack of Customer Understanding are seen as the highest priority barriers to cost reduction

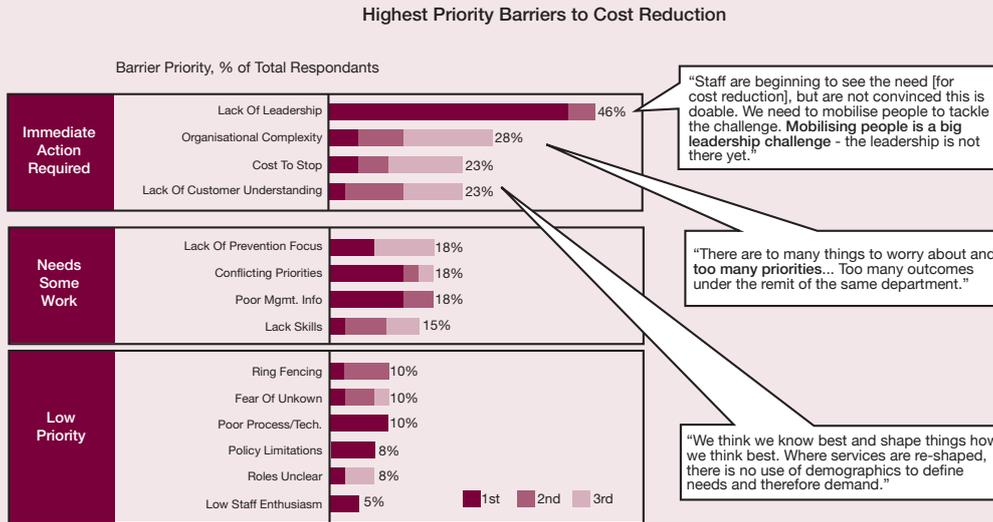
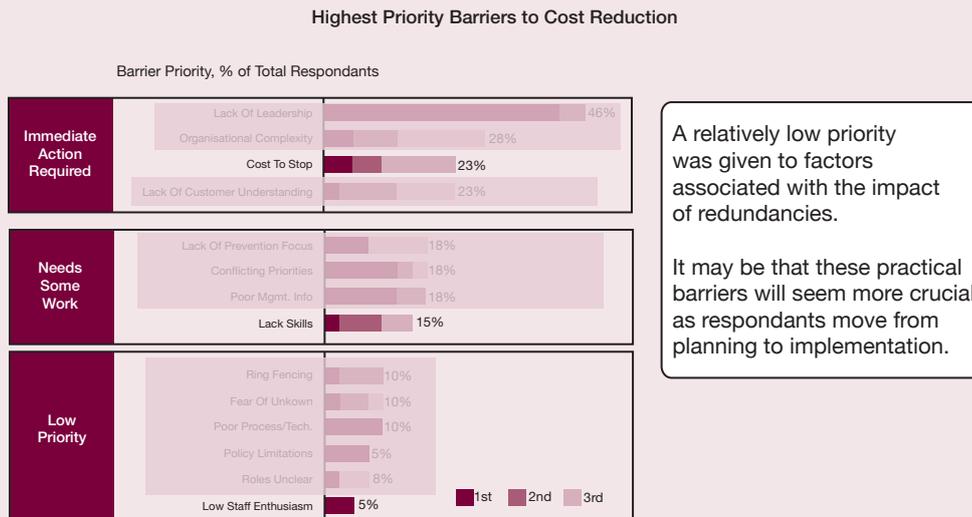


Figure 4

Respondents are less concerned than expected about the impact of redundancies and lack of experience at cost cutting



Overcoming the barriers to cost reduction

Civil servants' views on overcoming the barriers

Civil servants suggestions suggest a simplified approach which is designed around citizens and that ignores existing departmental boundaries...

Interviewees were asked to outline how they might overcome the barrier they had been discussing and their responses were then analysed for recurring ideas. Overall there was a general recognition that current departmental silos were a significant cause of increased cost and that services could be designed dramatically around the way citizens

really used the service in a way that would save money by simplifying how services work. As one respondent put it: *"Looking at it from a customer perspective our departments and structures restrict us... We should turn it on its head to a customer orientation"*.

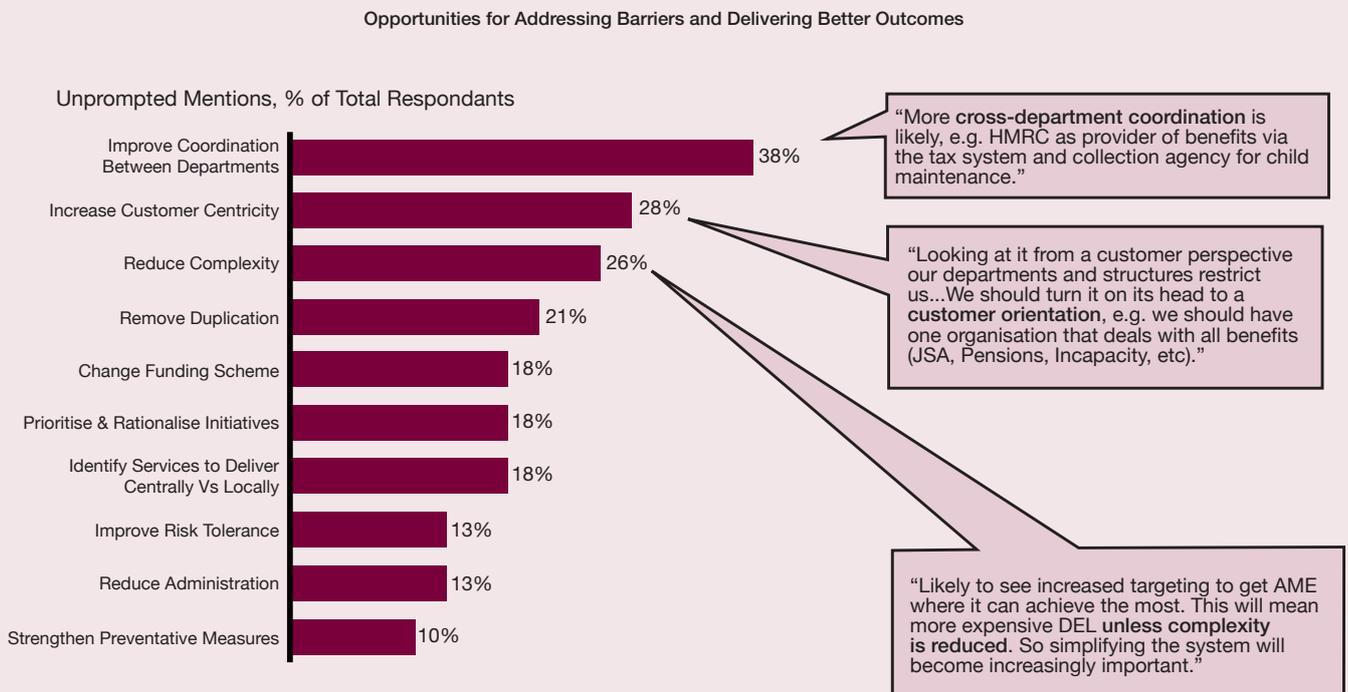
The emphasis on working from the citizen up rather than from the department down contrasts with the way most cost reduction programmes run. Naturally the current Treasury plans focus on making ministers and senior civil servants responsible for cost saving. However, ways need to be found to make sure that the range of potential options is not limited by the way existing departments happen to be organised.

... But none of these directly address the challenge of leadership

The solutions suggested by civil servants stand in contrast to the barriers they identified, with few if any addressing the leadership question. In part this suggests that civil servants have been waiting for politicians to provide this leadership. But the leadership needs to come from senior civil servants themselves as well as their ministerial bosses. Ministers will be looking to those who understand the system best to contribute the most insightful cost reduction ideas and drive these through the organisation.

Figure 5

Senior Civil Servants would do the following things to fix the barriers and deliver better outcomes





Key conclusions and actions on cost reduction

The key roles for civil servants and policy makers

- Draw on the experience of the civil service – The planned spending review needs to draw on the experience of senior civil servants, who already know where significant savings can be found.
- Encourage civil servants to come forward with “do different” options – Making the largest savings will only be achieved by introducing new ways of doing things rather than simple cutting the old ones to the bone.
- Take a view of the whole system view – Not seeing the big picture of government delivery can lead to the identification of illusory savings. It is easy to make savings in one part of the government which simply lead to higher costs somewhere else. In addition, taking a narrow purely departmental view will miss cost saving that could be achieved across traditional barriers.
- Senior civil servants need to step up into a leadership role – Ministers have an obvious role in providing leadership for cost reduction and the government has already announced an important role for finance directors in keeping the cost savings on track. However, success will depend on leadership being shown across the civil service.
- Build the skills to deal with redundancies – As cost savings move from carefully laid plans into practice, civil servants will need to develop new skills.



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