

EFFICIENCY SAVINGS IN GOVERNMENT

Will redundancies, outsourcing, devolved commissioning and Agile change management deliver what is required?

In this article John Harvey of IRIS Consulting asks “does the civil service have the right approach and tools to do the job?”

The scale of the savings that HM Treasury is demanding from all government departments is unprecedented and is forcing civil servants to contemplate the unthinkable: for example, spending cuts with options ranging from 25-40%.

In order to deliver these levels of savings making large numbers of staff redundant is just one of the options being looked at. But such options do not deliver savings in the short-term; ie, in the current financial year or even next because the redundancy payments outweigh any short-term savings in salaries. And office overheads cannot be reduced quickly because of long-term lease arrangements that have to be renegotiated.

Some Government departments are so cash-strapped that they cannot find the money to make the redundancy payments to staff in organisations that Ministers have already announced are to be shut down.

So how can Government departments find ways of coping with the constraint of cash-strapped budgets while trying to deliver savings and maintain services levels? It is the classic equation written up in management journals over many years depicted in the diagram below where the project scope and requirement is specified in advance and that determines the amount of time and resource required to deliver it:



Options

There is a lot of research that has shown what benefits can be expected from previous efficiency and transformational change initiatives – including outsourcing public services such as benefits administration and adopting devolved commissioning¹.

¹ DWP “*Local Authority Experience in Outsourcing Housing and Council Tax Benefits*”
www.dwp.gov.uk/asd

In essence, the research demonstrated that a combination of effective change management methods needed to be designed and put in place if the benefits – whether they take the form of savings, or enhanced quality of services, or both – had any prospect of being delivered.

Adopting the Right Approach

There is no magic wand that can be waved that will deliver what the Treasury say they are looking for without causing significant disruption to organisations and services. Not all of the disruption will be confined to the public sector as many private sector companies depend on public sector contracts for their survival. As, for example, is already evident from the cut-backs announced for the NHS and education sectors.

The Agile change management methodology puts the traditional approach on its head (as depicted below) where the amount of resource and time devoted determines the scope of the outputs:



The difference with the Agile approach is that it promises to deliver incremental gains in shorter timescales than the traditional transformational change approach. The question is whether it can deliver on the scale now being sought.

Research also shows that the style of public sector management also had a lot to do with delivering the desired results. There is no single style of management that delivers results better than others but the research² that was carried out amongst public sector managers showed that strong management and leadership was an essential ingredient in maintaining service standards at times of stress and change – such as the UK public sector is now going through.

² DWP Management Styles of Local Authority Benefit Managers (ISBN 1 84123 7264 1. Research Report 218. September 2004).

Conclusions

- At a time when reducing the level of public spending is the imperative, traditional cost-cutting methods will not safeguard services.
- Traditional methods are not good at distinguishing between those programmes that deliver high value and those that deliver low, or nil, value.
- What is needed is to apply the lessons from the research already carried out which means adopting intensive change management methods that address culture change alongside changing business processes.