



Cuts, Commissioners and Cultural Change

The headlines following the Spending Review have been concerned mainly with the numbers and immediate impact of the cuts. Hardly surprising given a 26% government grant reduction which, with a freeze on Council Tax, equates to around a 15% cut in spending across the board. Capital allowance reductions are even more spectacular, with those for housing and schools building being slashed by 45% and 60% respectively. At least 100,000 local government workers will lose their jobs. However, this is not just another cuts programme. It's a sea-change in approach. The era of "modernisation" is over; a new era has begun.

Modernisation was characterised by large-scale projects driven by a centralist agenda. In ICT in particular the big is best mantra predominated with an emphasis on standardisation and aggregation of services. Those of us involved in talking to government in this era (which incidentally spanned not just the Blair/Brown period but also the Major years before that) found that any suggestion that aggregation was not a good thing in all circumstances, even when the evidence for smaller units being more cost efficient was compelling, was treated with derision. This brave new world was one in which all of the public sector would be served by no more than six data centres with everyone on the same centrally managed network that delivered standard applications that would eliminate forever all local differences. After three decades of centralising collectivism, communist Bulgaria finally aggregated its entire agriculture endeavours into just seven farms. But the world has turned and Eastern Europe is not like that now, thank goodness. As the world turns here as well, it looks like the Bulgarian Stalinist tendency in the public sector strategy has probably had its day as well. Hooray to that, I say.

In recent years some of those within local government began to develop alternative approaches. Localism and new methodologies such as the commissioning service management model began to appear and started to challenge the prevailing orthodoxy. Those of us who have always believed that Small is Beautiful, and is often so in public administration, began to notice that we were no longer being dismissed out of hand. Shared Services were part of that wind blowing away the old Bulgarians. In application always different and locally inspired, the Shared Services movement, even though it may appear at first sight to be part of the aggregation agenda, is in fact an important facilitator for localism. You would have to be a very dedicated localist indeed not to recognise the benefits of sharing certain scarce specialist resources or the potential savings from, say, sharing a data centre. It will be tactical sharing of this kind, in a web of different combinations across the country, that will underpin good locally oriented services, both front line and support, and enable them to thrive in the future.

But the new situation, especially the commissioning model, demands more than this. So far local authorities who have adopted the commissioning approach, have tended to reorganise in a way that creates a new, and in some cases additional, kind of manager – the commissioner. Under modernisation the emphasis was on large-scale and long-lasting partnership



agreements with, usually, a single supplier (sorry... “partner”). Despite the best efforts of the partnership contract specifiers, usually involving several years of extremely costly and tedious effort, this approach has proved to be inherently inflexible. Resulting partnerships are now actually preventing some local authorities from making cost driven adjustments. Anyone running a major “all-singing-all-dancing” partnership procurement project should review it urgently with a view to stopping as soon as possible. Flexibility is the new gold standard; lose it at your peril. The new service commissioners need to be positively entrepreneurial in the search for best value. That will involve dealing with many more contractors and using pared down and quicker procurement processes. This will threaten the dominant position of the large suppliers, with their fixed cost base and heavy management and sales overheads. Although I expect their “spot” day rates will fall significantly in the new year, they will never be able to compete on cost or flexibility with the independents and freelancers, whose ranks will be swelled as more public sector jobs are shed. The days of the external project manager costing a grand a day or more plus expenses are gone. However, that does not mean a retreat to using only direct staff. In this new world continuing to employ only or mainly direct employees for ICT development and project work must be carefully benchmarked against the cost and incoming skill potential of temporary resources. Especially as the unit cost of buying in that resource falls, as it will. In many situations, interim staff are already less expensive than permanent ones, especially so on a productive hour by hour comparison basis.

Entrepreneurial minded commissioning officers will have to look at unit costs rather than budget availability and such a change in culture will drive down costs dramatically. Most local government ICT managers will be well placed to step up to this challenge because of their long term experience of working in a complex environment dealing with a large number of resource providers. Other services will find this change a lot more challenging and may be forced into outsourcing the commissioning role itself in order to obtain the skills and mind-set now required.

SOCITM has pointed out, in its thoughtful response to the Spending Review announcement, that there are still many opportunities for ICT projects to save money in local government. But with capital allowances cut, business cases are going to have to be much sharper and focused very closely on tangible cost reductions over the short term. Whilst I would like to think that service access channel shifting and efficiency improvement driven by mobile working and more automated back office will form a major part of realising the savings demanded, I have my doubts that it will. For one thing the depth of the cuts and the shortness of the time to make them will ensure that old-fashioned head-count driven reduction are inevitable. Moreover, these productivity improvements were the great promise of the Modernisation Project and although there has been some progress, in the main local government has not delivered on that promise. Compared to much of the private sector we are woefully “unmodernised” still. Realistically, new big projects will be few and far between in the next few years. Instead, ICT departments will be required now to squeeze the last ounce of value from the investments they have already made. That means re-visiting all those half implemented contact



centre and back-office projects, and indeed the cultural barriers that prevented their full realisation, to see what more can be done to make them work better. “Make do and mend” you might call it, but there is plenty of value yet to be realised from these old projects, especially now the culture is changing – albeit very slowly!

Although there has been a lot of progress in the ICT infrastructure in recent years, especially in server virtualisation, there are, I believe, still cost savings to be made here. Companies like Microsoft have global pricing strategies and are not going to slow their rate of technological development and its consequential churn and associated costs. It follows that stability IT approaches such as virtualisation of the desk top, and open source software will come into closer focus as both can offer significant savings. Stability IT, is also about reducing carbon emissions (both from power consumption in use and also from that originating in manufacture and disposal), and could make a significant contribution to local carbon reduction targets.

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