

The recession provides us with an opportunity to present new visions for the public sector says Rod Aldridge.

public services: time for a radical rethink?

■ **Today we are all living in a very different world. The face of the high street has changed for ever with many household names going out of business. As taxpayers, we now own 70% of the UK's largest bank – something which none of us would have contemplated at the beginning of 2008.**

However, many local authorities are reporting an increase in demand for service. The CBI is predicting that unemployment could reach 3m and current figures show that 16% of 18 to 25 year olds are now out of a job. On the economic front, the Chancellor has just set out a Budget which places public borrowing at £348bn over the next two years, which according to David Cameron is more than all previous governments put together since the Bank of England was first founded more than 300 years ago! It is a recession which is badly affecting all UK industries, with job cuts across the board.

By comparison, the world of local authorities and central government is relatively unscathed...at present, especially council housing, benefits and advice; at a time when the need for public sector managers to deliver more for less will be immense. The challenges facing the public sector as a whole are vast and require bold, decisive leadership.

comparing public and private

It is interesting to compare the impact of the recession on the public and private sectors. One of the most obvious differences is the time taken to act. In the private sector many businesses have already gone out of business and many others announcing jobs cuts daily.

However, it would seem that the full force of the recession has not reached the public sector with government continuing to recruit and in local government the Audit Commission reporting that only 25% have frozen recruitment, 50% have freezes in some departments, only 7% planning compulsory

redundancies and 20% relying on voluntary redundancies.

There is no doubt that competition intensifies the need for action, with innovation, re-engineering and outsourcing all used to try and stay ahead of the pack. While the public sector has many strengths it does need to embrace innovation as a necessity, increase its manoeuvrability and listen more to the customer: concepts all leading private businesses understand and implement to ensure survival.

radical changes required

The scale of the recession and the deficit in the budget are such that radical changes in the approach to public services are required. Expenditure reductions of the magnitude needed cannot be achieved by 'efficiency savings' alone even though the *Operational Efficiency Programme: Final Report* from HM Treasury published in April highlighted potential savings of £15bn.

Cutting back-office costs should be top of the agenda. However, the savings delivered through these measures will not come close to filling the shortfall in public finances projected by the Institute for Fiscal Studies and others. Frontline services in areas such as education, health and policing will be protected for as long as possible, but potentially big chunks of spending will have to be removed rather than the usual approach of trying to spread the pain evenly across all programmes.

For example *Reform* has suggested cutting universal child benefit and *The Times* alleges that George Osborne is already listing services that might be cut, should the Conservatives come to power. Regretfully in any situation like this job losses are inevitable. They have already come in the private sector, and will have to come in the public sector. It will be tough, but cannot be avoided.

planning ahead

Going forward this radical 'attack' needs to consist of a number of elements. Shared services need to become a reality. The theoretical logic is irrefutable, and yet in reality little has happened. In general terms, there are still 400 local authorities who have their own IT infrastructure and call centres to administer a transactional service.

The potential savings from HR and IT could be £40bn over ten years, before adding council tax, business rates, and housing benefit. There needs to be co-operation to unlock these savings, with tradition, timidity and territorialism left behind. Realistically there will also need to be incentives put in place to drive this forward.

Partnership working needs to mature with a move from outsourcing being viewed as a problem passed on, to a joint venture structure where both parties have an equity stake. Working together should mean taking the successes and troubles together, including facing enquiries with a joint front, rather than passing the blame to the other party. It is vital that partnership working is not viewed as an easy way to cut costs. A well procured partnership will save the authority money, but more crucially it will add value for the service user.

Yet cuts alone are not the solution. A 'knee-jerk' reaction seeking a quick solution to shore up public finances and return to the status quo will not be enough. My fear is that we may see a return to cost driven procurement in a false belief that this will give the immediate remedy for 'balancing the books' – we must remember the bitter experiences of CCT style contracts!

radical rethink

The problems facing the public sector amount to more than a dent which can be smoothed out; we are facing a write off. There needs to be a strategy to attack through innovation, aggregation and transformation. The current

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financial crisis is exacerbating the problems within the public sector and will force action. It will require a radical rethink on how services are delivered and structured more with the potential customer in mind.

For example, the annual cost of re-offending is £11bn and 75% of young offenders reoffend within two years of release. Similarly, the Prison Reform Trust reported in 2008 that 65% of boys with a convicted parent go on to offend and 71% of children in custody have been involved with, or in the care of, social services before entering custody.

These figures are shocking, but even more so when one considers the amount of money that has been spent on a criminal justice system, social services, education and policing without even getting close to resolving the problem. Are we not at a point when we should rethink things and focus on preventing this happening? Rather than ploughing more money into prisons why not focus on the causes of crime and address these at the 'point of delivery' in schools and in the way services are delivered?

putting the user first

Questions need to be asked about the purpose of public spending, the role of the state and the size and functions of the public sector, against the backdrop of the needs of the service user. The service user needs to be put first. Serious questions need to be asked of areas which have seen huge investment for little to no return for the most excluded groups. Silo management has caused some of these problems with many at risk individuals slipping through the net or being passed from one service to the other.

The problem is that at present far too many services are designed for the organisations themselves and not for the needs of the individual users they serve. The service must be designed around the service user, while offering the best value to service provider and tax payer. For too long there has been a void between top down policy and bottom up need. There needs to be a meeting in the middle in order to commission the service required and prevent wastage on high profile, but ineffective initiatives. ■

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The Aldridge Foundation uses entrepreneurship as a catalyst to unlock the potential of underperforming young people and the most excluded groups. For more information visit www.aldridgefoundation.com or contact: joe.stockwell@aldridgefoundation.com

