

Restructuring

Getting back into the black – private sector methods to fix a public sector crisis

Unprecedented cuts have been announced across much of the public sector ranging from 25 to 40%. Everyone is agreed that achieving such cost savings will require radical structural reform.

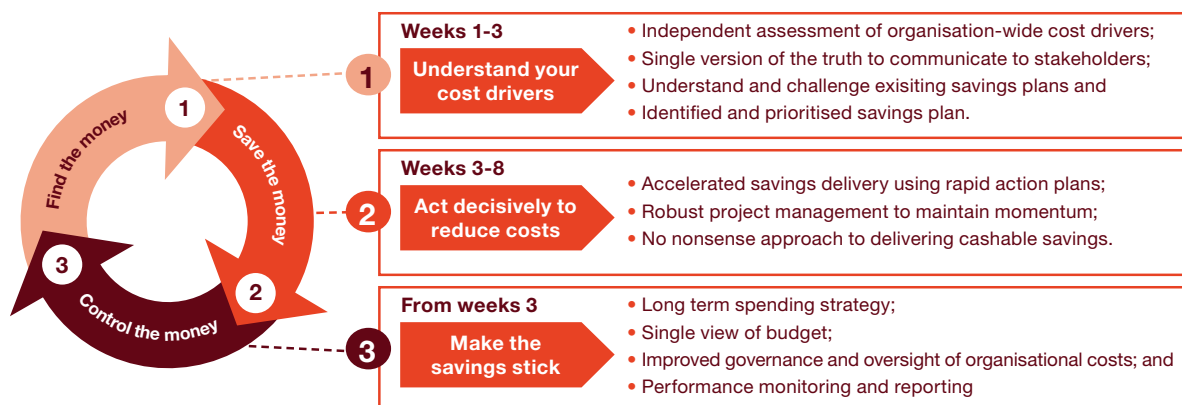
There is a lot of experience on how to do this well from the private sector, which is just beginning to emerge from the recession, as well as from best practise within the public sector.

Our response

PricewaterhouseCoopers LLP (PwC) has developed a three-step methodology focused on implementation to assist your organisation to eliminate costs that are sustained over the long-term.

- **Find the money:** Once you have received your Spending Review settlement a rapid, independent, assessment of your financial and operational position will define the scale of the challenge and enable you to present a single version of the truth to your stakeholders. It will provide an independent baseline from which all subsequent action can be driven.
- **Save the money:** implement fast action plans to generate the cash savings, focussing on quick wins and mid- to long-term strategic and structural changes. Our approach will build capability and expertise in your teams to ensure momentum is maintained after we have gone.
- **Control the money:** Once you have developed your cost reduction plans, new processes and policies for continuous cost control must be implemented. A long term spending strategy is required with focus on the prevention of incremental cost growth occurring in the future.

The benefits



Our approach in detail

Cost driver	Improvement lever	Typical actions	Potential implementation issues
Strategic What you do Typical savings: 20 – 40%	Restructure your operating model	<ul style="list-style-type: none"> • Whole system prioritisation • Withdraw non-core services / channels • Merge back office functions • Collaborations • Total Place approach – enhance quality & reduce 	<ul style="list-style-type: none"> • Stakeholder engagement and buy in • Engagement with public, private and third sectors to shape delivery market • Maintaining customer service levels • Public opinion • Staff issues and terms and conditions
	Restructure your projects & programmes	<ul style="list-style-type: none"> • Prioritise investment in change • Stop non core programmes • Outsource delivery to the private sector (payment by results) 	<ul style="list-style-type: none"> • Impact of not delivering benefits • Staff surplus • Contract termination • Impact on delivery of other government initiatives
	Deliver successful closure	<ul style="list-style-type: none"> • Channel or service closure • ALBs / Quango closure • Redesign eligibility or entitlement 	<ul style="list-style-type: none"> • Customer communications • Business closure / wind-down • Legal statuses / issues
Structural Where you do it Typical savings: 15 – 25%	Restructure your assets	<ul style="list-style-type: none"> • Rationalise technologies • Rationalise estate / property • Relocate 	<ul style="list-style-type: none"> • Staff relocation issues • Contract renegotiation • Short term costs • Safe disposal
	Renew and renegotiate your contracts	<ul style="list-style-type: none"> • Contract diagnosis • Efficiency review • Verify and model costs • Identify and negotiate new arrangements 	<ul style="list-style-type: none"> • Opaque costing • Performance / risk / cost trade-off • Finding the win-win propositions • Client contractor joint transformation plan
Operational How you do it Typical savings: 10 – 20%	Restructure your people	<ul style="list-style-type: none"> • Current and future demand models • Workforce productivity and mix assessment • Realignment of staff salaries • Cost of contractors 	<ul style="list-style-type: none"> • Incentivising the contractor • Negotiating strategy • Minimising impact on service delivery • Managing unions • Distressed pension situations • Legal issues (TUPE / redundancy)

Our experience

PwC has been working with hard-hit private sector organisations to take radical action and strip out costs. Standing alongside decisions makers as they make tough choices on issues such as mergers and closures, we have maintained investment in the long-term health of their companies. As a result, these organisations are exiting the recession stronger than ever; leaner, fitter and more profitable.

National Programme Office for NHS Turnaround

At the end of financial year 2005/06 the NHS reported a substantial net overspend. PwC were commissioned to set-up a National Programme Office for financial turnaround at the Department of Health. The organisations within the programme achieved significant savings in excess of £1.3bn in the financial year. The remit was to put in place measures to reduce and eventually eliminate the financial deficit while providing the 'Turnaround Task Force' (made up of Senior Civil Servants from across different Government Departments including Treasury and PMDU)

with robust information for them to make key strategic decisions. Senior civil servants, Ministers and other primary stakeholders had access to robust, quality, timely information that they could use in making key strategic decisions on the future of the NHS.

INEOS

We assisted the chemical company INEOS in reducing non-manpower fixed costs by 25%, representing c£150m of sustainable savings across all 22 global sites following the acquisition of Innovene from BP for \$8.5bn.

The process was developed and project managed by us in conjunction with cost centre management. The combination of local accountability and a requirement to justify cost and consider new ways of working from a bottom-up perspective resulted in a tangible change towards a more cost conscious culture.

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