

# Building a Strategic Cost Management Practice in the Public Sector

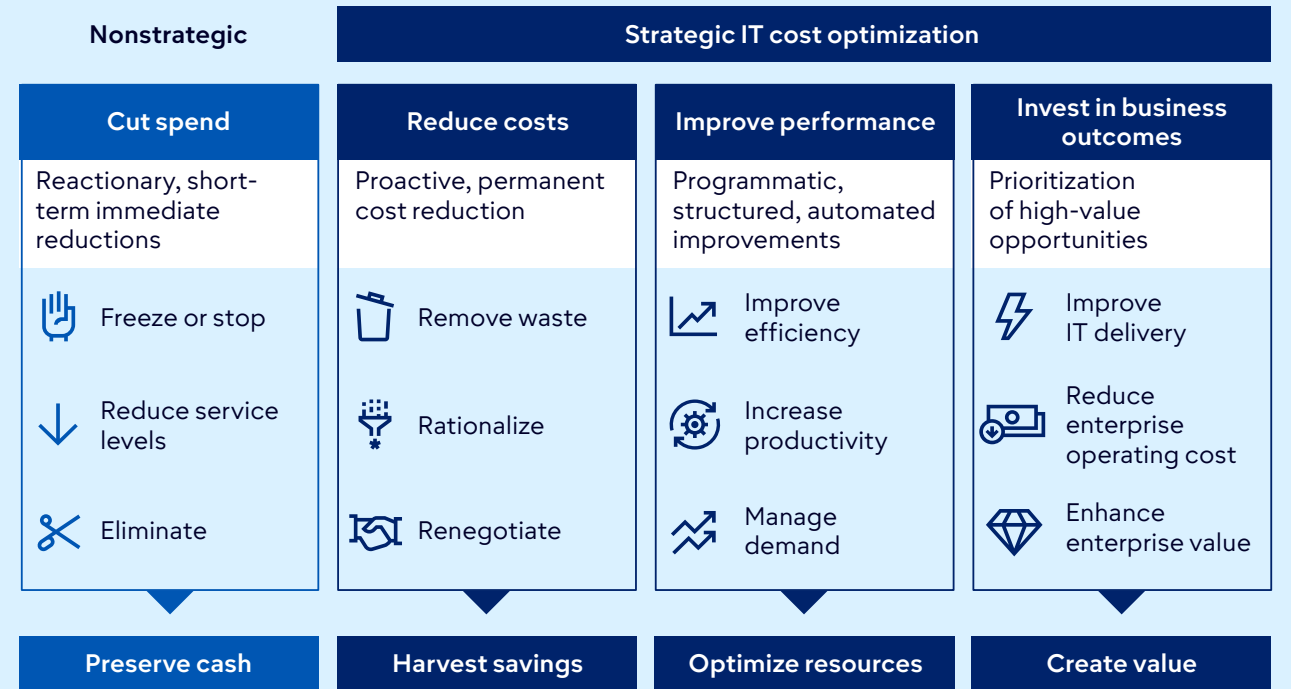


## Public sector leaders globally are under increasing pressure to reduce costs while still delivering modern, reliable digital services for citizens.

Economic headwinds — like funding cuts, higher expenses and staffing limits — are putting IT budgets under scrutiny across the organization. Meanwhile, emerging technologies, such as GenAI and AI-assisted development, demand smart investment to keep digital modernization on track.

Public sector leaders face tough choices as they juggle financial pressure, innovation and operational improvement. To balance these priorities, organizations must move beyond short-term cuts and adopt a strategic, programmatic approach to cost optimization that enables modernization and safeguards long-term value.

### The 3 disciplines of strategic cost optimization with actions



Source: Gartner

## 3 essential questions for successful strategic cost optimization initiatives in the public sector

**1** How do we begin to build a strategic, long-term approach to cost optimization?

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**2** How do we identify the highest-impact opportunities to optimize our budget?

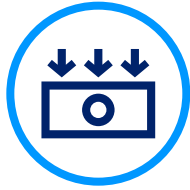
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**3** How do we ensure budget decisions align with our mission and strategic objectives?

## What are the key stages?

This roadmap outlines five actionable steps for building a successful strategic cost optimization practice for public sector organizations. It highlights essential, proven practices that leaders can use to establish a baseline, identify opportunities, implement and institutionalize changes, and continuously monitor and improve performance to maximize operational efficiency and deliver improved mission outcomes.





## Establish baseline

**Key outcome:** Establish a clear spending baseline and financial transparency across the organization.

### Actions to take:

**Build** a comprehensive view of total costs within organizational disciplines (IT, finance, HR, etc.) and establish a clear organizational baseline.

**Assess** organizational maturity, budget management practices and current spending levels.

**Review** existing cost activities to inform budget-aligned investment and resource planning.

### Sample of Gartner client resources include:

#### Insights

- [Strategically Optimize IT Cost in Government](#)

#### Analyst inquiry

- Complete the IT budget assessment by comparing results against key industry benchmarks: [IT Budget & Efficiency Benchmark](#)

#### Tool

- [IT Score for Strategic Cost Management](#)

[On-demand webinar: Enhance Government Budgeting Efficiency: A Performance-Driven Approach](#) ↗

Establish baseline



Identify opportunities



Implement



Institutionalize



Monitor and improve



## Identify opportunities

**Key outcome:** Define optimization opportunity areas, targets and tracking methods clearly.

### Actions to take:

**Set** targets and tracking methods to align budget decisions with mission and strategic objectives.

**Analyze** spending patterns to identify inefficient spend and optimization opportunities.

**Reduce** complexity and drive savings with a defined tech-rationalization plan that assesses each employee's technology needs to maximize performance and control costs.

### Sample of Gartner client resources include:

#### Tool

- [Accelerator for Building a Government CIO's Cost Management Strategy](#)

#### Analyst inquiry

- Introduction to the [Gartner BuySmart™](#) process and how it can streamline the path to more efficient technology investments

[Download our eBook on how to improve government budgeting with a performance-based approach.](#) ↗

Establish baseline



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## Implement

**Key outcome:** Capture leadership and stakeholder approval with a secure, mission-aligned implementation plan.

### Actions to take:

**Establish** a prioritization plan to thoroughly vet and rank each idea based on measurable criteria.

**Develop** a clear implementation plan with robust security and risk review.

**Present** the plan to leadership and relevant stakeholders, and refine priorities to support mission outcomes.

### Sample of Gartner client resources include:

#### Tool

- [Framework for Government Budgeting Prioritization](#)

#### Facilitated networking

- Network with a government CIO who's had to significantly reduce costs.

#### Insights

- [Use Zero-Based Portfolio Prioritization to Realign With Strategy](#)
- [Prioritize IT Cost Optimization With a Decision Framework](#)
- [2,500+ Industry-Specific Cost-Optimization Ideas Database](#)

Establish baseline



Identify opportunities



**Implement**



Institutionalize



Monitor and improve



## Institutionalize

**Key outcome:** Review optimization progress and implement necessary adjustments to initiatives.

### Actions to take:

**Revisit** cost optimization roadmap and update timelines regularly.

**Review** actions and results to maintain ongoing cost and performance improvements.

**Evaluate** initiatives where expected savings were not achieved and adjust plans.

### Sample of Gartner client resources include:

#### Insights

- [Break Down Silos for Improved Government Budget Outcomes](#)
- [AI-Driven Methods for Cost-Efficiency](#)

#### Tools

- [Top Gartner IT Cost Optimization Ideas](#)
- [Finance Score for Government](#)

Establish baseline



Identify opportunities



Implement



**Institutionalize**



Monitor and improve



## Monitor and improve

**Key outcome:** Implement an iterative process for continuous monitoring and mission-aligned improvements.

### Actions to take:

**Reassess** baseline results and track progress across key optimization areas.

**Use** analytics to improve variable costs (such as cost management of cloud-based technology investments) and ongoing performance.

**Share** progress with leadership to strengthen support for mission-driven investments.

### Sample of Gartner client resources include:

#### Insights

- [6 Tactics for Governments to Impact Mission and Cut Costs With GenAI](#)

#### Analyst inquiry

- Discuss the next steps in implementing cost optimization across the organization.

[Access our government CIO's efficiency toolkit.](#) ↗

Establish baseline



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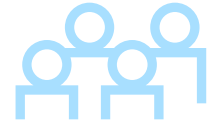
Institutionalize



Monitor and improve

## Who needs to be involved?

The most successful government organizations establish cross-functional teams for their cost optimization initiatives. We have outlined the recommended functions to involve and their roles to ensure the best success in hitting the milestones.



### **Chief Information Officer (CIO)**

Collaborates with budget and operations leaders, guides IT cost optimization efforts and provides performance updates to leadership.

### **Chief Financial Officer (CFO)**

Partners with agency leadership to align budgets to mission priorities, leads enterprise cost optimization and financial stewardship initiatives, and delivers fiscal performance insights and recommendations to leadership.

### **Application Leader and Team**

Provide input to optimization plans, integrate data across systems, deliver progress insights and design secure, efficient applications that drive mission value.

### **Chief Digital and AI Officer (CDA)**

Leads data strategy to improve transparency, uses analytics to identify savings, strengthens data governance and ensures optimization efforts support mission outcomes.

### **Infrastructure and Operations Leader and Team**

Optimize core infrastructure and data systems, automate to cut inefficiency, reduce tech debt, strengthen resilience and design secure, scalable environments.

### **Chief Information Security Officer (CISO)**

Protects government systems and data, reduces security and compliance risks, guides secure tech decisions and ensures optimization efforts uphold public-sector safeguards.

## Client Story

# Enhancing Government Services: The City of Virginia Beach's Journey With Gartner

### Mission-critical priority

The City of Virginia Beach needed to improve operational efficiency and accelerate digital transformation while navigating significant budget constraints and advancing AI initiatives.



### How Gartner helped

Gartner provided the City of Virginia Beach with a digital transformation roadmap and tailored, research-backed guidance that enabled leaders to manage budget reductions, maintain service quality and successfully advance AI initiatives.



### Results

The City of Virginia Beach advanced modernization efforts and improved operational efficiency despite budget constraints. Guidance from Gartner enabled a stronger AI strategy, higher ROI and more informed decision making, positioning the city to deliver mission-critical priorities even amid significant change.

[Watch the Full Story ↗](#)



## Client Story

# Driving Digital Health Transformation and Managing Inflation Risks in Wales

### Mission-critical priority

Digital Health and Care Wales faced the challenge of driving digital health transformation while managing rising technology costs. To address these complexities, NHS Wales partnered with Gartner to refine strategic direction, strengthen leadership and access global insights for benchmarking digital health trends.



### How Gartner helped

Gartner provided expert guidance and resources to support the organization's digital health initiatives. This included strategic guidance on electronic health records and broader digital health strategies, AI workshops to foster collaboration and align with public sector objectives, and access to insights and analyst support. Gartner also equipped the team with storytelling tools to effectively engage both technical and nontechnical stakeholders.



### Results





Through its partnership with Gartner, Digital Health and Care Wales significantly improved its ability to manage digital inflation risks, resulting in more effective cost control across licensing and infrastructure investments. It strengthened its strategic direction and leadership effectiveness, enabling teams to optimize structures and set clear priorities for digital initiatives. By leveraging Gartner insights and benchmarking tools, the leaders were empowered to make more informed decisions, stay ahead of emerging trends, and ensure their digital health strategies remained both innovative and resilient in a rapidly evolving landscape.

[Watch the Full Story ↗](#)



# Actionable, objective decision intelligence

Explore these additional complimentary resources and tools for public sector leaders:

 <p><b>eBook</b> Improve Government Efficiency and Effectiveness With AI, Data and Analytics</p> <p>Overcome modernization barriers and unlock measurable value through trusted data, analytics and AI.</p> <p><a href="#">Download Now</a></p>	 <p><b>Insights</b> A Government CIO's Efficiency Toolkit</p> <p>Learn how government CIOs can drive efficiency, modernize IT and deliver measurable outcomes.</p> <p><a href="#">Learn More</a></p>	 <p><b>Webinar</b> Enhance Government Budgeting Efficiency: A Performance-Driven Approach</p> <p>Develop and apply a framework to prioritize budget decisions for your organization.</p> <p><a href="#">Watch Now</a></p>	 <p><b>Tool</b> Accelerators for Government CIOs</p> <p>Explore our step-by-step tools and diagnostics tailored specifically for government CIOs.</p> <p><a href="#">Get Started</a></p>
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