

The outcome of the Spending Review is now only two weeks away, and so a long summer of indecision, uncertainty and general air of not very much happening is about to come to an end.

Summer is always a quiet time in UK politics and the public sector but this year has been especially moribund. There have been a few announcements of new policies and an even larger raft of consultations about policies, but very little else is happening because no-one yet knows how much money will be available come April 2011.

This in turn has led to a general sense of paralysis everywhere else. Investment activity has been unsurprisingly low, with the normal summer slow down exacerbated by understandable uncertainty about the future prospects of companies trading with the public sector. Many of these companies will be little affected by the outcome of the Spending Review – and some will undoubtedly thrive, of which more below – but there is no doubt that this summer has not been a good time to sell. The first question for any management team which has looked to sell has been, why now? And there have certainly been a few Information Memoranda around in the last few months which have been long on past performance and stories of record historic growth in public spending, but short on analysis of future prospects in what is likely to be a less benevolent climate.

In addition, investors have been understandably cautious about the intentions of a government which has summarily scrapped Building Schools for the Future and has been busy demanding a haircut from its biggest suppliers. Indeed a consistent theme of the summer has been a wholesale squeeze on margins - ranging from the now famous meetings between Francis Maude and the fifteen largest suppliers to government, to more modest but still significant discussions between contract managers across the public

sector and their main suppliers, all of which have been asked to review their margins.

Meanwhile public sector managers have been hanging fire on much bigger and longer term decisions. Many of them have been talking seriously to providers about how they might save a lot of money through outsourcing and strategic partnerships, but have yet to launch procurement processes because they do not yet know how much money they need to save. Like sensible people who understand risk (and in many cases have seen it all before) they do not want to launch a competition to save 20% if they find in two weeks' time that they need to save 30%.

So everything will get a whole lot clearer in a couple of weeks time, and everyone can at least start to plan with some confidence. We will be doing our best, in our very modest way, to analyse the outcome of the Spending Review and assess its implications for investors.

One thing we can predict with confidence (among many areas of uncertainty) is that not all the news will be bad. Those informal discussions that public sector managers have been having with providers will in many cases turn into major new opportunities. And there are likely to be radical proposals from central government which are designed to save large sums and entail heavy involvement and support from the private sector.

In the meantime, we can expect the mood music of the whole summer to continue – namely a procession of spokespeople for a vast array of causes seeking to pre-empt the Spending Review and make the case for being protected from the impact of “the cuts”. These range from the mightiest in the land, such as former Chiefs of Defence Staff, to less exalted but none the

less impassioned defenders of a wide variety of policies and programmes.

This mood music will of course continue right up to the Spending Review and reach a crescendo beyond it, as the (relative) winners and losers from the Review become clearer. But remember that this process could take some time, since we will not get anything like all the details of planned spending on individual programmes on 20 October – Departments could take weeks or even months to set specific programme budgets.

So while we wait patiently for the main event please find below our somewhat light-hearted cut-out-and-keep guide to spending review lobbying, which seeks to assess how valid the main arguments might be in particular cases – especially to a Treasury mandarin

In putting this forward we do not in any way seek to cast aspersions on any individual argument or position, but simply to point out that not all arguments have equal weight, and some are relatively easy to refute. You can bet that the Treasury has spent much time and effort this summer doing little else.

Watch out for our analysis of the Spending Review in a couple of weeks time.....

What a lobbyist might say	How the Treasury might respond
<i>This programme has real value and has helped many people</i>	Unless a government has been totally incompetent, any programme of expenditure will have a positive impact. But its worth must be measured against competing priorities.
<i>This programme is only worth [insert small number] so cuts won't make much difference</i>	As the Scots have it, "many a mickle makes a muckle". A programme with a small budget should not be exempt from scrutiny simply because it is small (nor should a large programme automatically be targeted)
<i>In my expert opinion, cuts in [name of programme] would be catastrophic</i>	Opinion, expert or otherwise, is no substitute for evidence. Note this argument is particularly beloved of academics and especially scientists, who normally stand or fall by facts and hard evidence.
<i>Of course cuts are necessary, but this programme must be protected</i>	Clearly some programmes have higher priority than others, but not all programmes can be protected and the level of protection the government has already provided (for health, and overseas aid) makes it all the harder to protect other things.
<i>This change will be regressive and hit the poor hardest</i>	The terms "progressive" and "regressive" are technical terms in the context of taxation (and, by extension, welfare benefits). They are not really appropriate, and are becoming much overused, in the context of spending cuts, That said it is undeniable (and could not be otherwise) that public services which might be cut back are disproportionately used by those with least means
<i>Lives will be put at risk/ people will die etc</i>	A powerful argument if cause and effect can be proved, but evidence to support such contentions is often hard to find. A particular favourite of the police, security services and others responsible for public safety and wellbeing.

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