

Open Report on behalf of the Executive Director of Finance and Public Protection

Report to:	Overview and Scrutiny Management Committee
Date:	29 January 2015
Subject:	Impact of Council Budget Reductions on the Wider Public Sector

Summary:

This report provides a discussion, as requested at the 18th December meeting of the Committee, of the issues relating to the feasibility of undertaking assessments of the financial impact of LCC budget reductions on the wider public sector within the County.

Actions Required:

That the report be noted and any comments to be passed onto the Executive Councillor for Finance for consideration when making the budget proposals for future years.

1. Background

- 1.1 The Committee considered a paper at its meeting on 18th December 2014 which reported the outcome of a wide ranging public consultation on the future service priorities of the Council. These priorities were considered in the context of an environment of ever reducing direct Government funding to local government combined with practical constraint over the level of annual council tax and business rate increases.
- 1.2 The Committee, in formulating its comments to the Executive on priorities, felt there was merit in looking at the feasibility of undertaking a wider analysis of the possible impact on the other local public sector bodies of budget proposals being considered for implementation. In particular, whether it was feasible to place a financial estimate on the cost to these bodies of potential County Council budget proposals.
- 1.3 This paper examines the potential for undertaking such activity and asks the Committee to consider whether it wishes to make any recommendations in that regard to the Executive Councillor for Finance.

- 1.4 It needs to be acknowledged at the outset that in a general climate of public sector financial constraint it is highly likely that other public sector organisations within the County will also be managing service delivery with reducing budgets and/or increasing demand for their services. Their own budget proposals may well have an adverse impact on demand and/or the cost of County Council services. In other words the issue impacts in both directions. For many public bodies in Lincolnshire good liaison arrangements already exist at officer and, often, at member level. These provide the opportunity to share key information on service developments such as potential budget options. Such information sharing does take place and is well developed with key partners such as the various health bodies, District Councils and the Police & Crime Commissioner.
- 1.5 It is also true to say that, in general terms, the extent to which public sector budget proposals are subject to public and stakeholder consultation has never been any more extensive than is presently the case. Many detailed proposals will require the conducting of an Impact Assessment prior to their final approval. Note that this would be a wider assessment than simply the legal requirement under the Equalities Act 2010 to undertake an Equalities Impact Assessment dealing solely with impacts in respect of nine protected characteristics as they are termed (age, gender, race, disability, religion or belief, sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership). In addition increasing use of the judicial review process against public sector service changes, which are themselves motivated by financial constraint, has increased materially in the recent past. This has led to more rigorous consideration of the wider aspects of these proposals. Indeed, in the current budget cycle, an impact assessment is being undertaken on the proposed increase in the council tax from April 2015. This assessment will be included in the papers on the budget to be considered by the Executive on 3rd February and Full Council on 20th February. Within the current process individual savings proposals themselves will be the subject of appropriate consultation and impact assessment as necessary given the nature and scope of the proposal. Increasingly internal legal advice is being sought on this matter on a case by case basis.
- 1.6 Within the Council's current budget process there is some scope for services to outline the wider impact and sensitivity of their budget reduction proposals. However, this is not as comprehensive as it could be and rarely finds its way into the public domain as the budget process develops. Clearly budget proposals could outline such factors as part, for example, of their consideration at the January round of Scrutiny Committees. It is suggested that for future budget cycles the inclusion of the impact on other bodies should be part of the material considered by the relevant Scrutiny Committee. This may be in general terms rather than in detailed cost impact terms as determination of the latter may be problematic as discussed below.
- 1.7 To assess the wider impacts more formally will demand a higher level of liaison and co-operation from the other public bodies involved. Indeed, the impacts will, on occasion, be wider than simply public bodies but will impact on charitable/voluntary organisations and private sector companies. There will

therefore need to be a high level of maturity in the relationships with such bodies if the exercise is to be constructive and productive.

1.8 Quantification of any wider impact will not only require insight into the extent and nature of that impact, it will also require financial expertise from both the impacted organisation and the Council. This will increasingly be in short supply as the public sector finance function is itself rationalised as part of the funding squeeze, finance being a support service and not front line service delivery. It is also inevitable that there will be significant elements of subjectivity involved in any costing exercise. This does not in itself invalidate the exercise but it will leave the integrity of the final cost implications open to question and even possible manipulation. It is suggested that identification of the nature and timing of any impact on other organisations is more important than an attempt to precisely quantify any financial impact which will necessarily involve a strong element of subjectivity/estimation. Broad financial impact estimates may well be sufficient in this regard.

1.9 Ultimately the County Council does have to make very significant financial savings over the next few years and the budgets for some services will have to reduce significantly. It would require a very clear policy steer if otherwise valid budget savings proposals were rejected on the basis of a wider impact elsewhere in the public, voluntary or private sectors. Ideally if the Council were to adopt such an approach it would look for some element of reciprocation on the part of the other body involved. This suggests there would be merit in early dialogue with potentially adversely impacted organisations to determine if there was scope for some form of co-operation or compromise which was mutually advantageous. As mentioned such activity already takes place with key public sector partners such as health, the Districts and PCC. It also forms part of ongoing dialogue with key private and voluntary sector partners.

1.10 On a positive note it is likely that giving consideration to these issues and opening up dialogues with the other parties involved may lead to the identification of opportunities for burden sharing and joint delivery of certain aspects of the services in question.

2. Conclusion

2.1 There is clear merit in fully identifying the wider impact of County Council budget proposals on other organisations whether they are in the public, private or voluntary sector. This is presently undertaken to some extent within the confines of existing liaison arrangements with partners from all sectors. However the actual quantification of such impacts in financial terms is likely to be highly problematic and require a great deal of subjectivity coupled with the allocation of increasingly scarce financial expertise. It may therefore be more practical to simply identify the nature of such impacts as a formal part of the budget setting process. Indeed, it could be seen as a practical extension of the impact assessment process to which most budget options now need to be exposed. The current County Council template for undertaking an impact assessment is attached as Appendix A for information. In this way the impacts

could form part of the issues considered at January Scrutiny Committee meetings when the Council traditionally reviews the detailed options for each service area. In any cases where it does not already happen and where feasible early discussions should be had with the parties identified as at risk of suffering a negative impact to ascertain the scope for co-operation and/or compromise.

3. Consultation

a) Policy Proofing Actions Required

n/a

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Corporate Impact Analysis Template

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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