

REGIONAL ECONOMIC COUNCIL

REF: 3.2

LOCAL GOVERNMENT PRIORITIES IN TACKLING THE RECESSION

Action:

For discussion

Summary:

The economic situation continues to be a key preoccupation for local government. Increasing numbers of people and firms are facing problems as the impact of the recession spreads, and looking to councils to support them.

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Paper prepared on behalf of the local government participants by LGA

National initiatives are addressing the causes of the slowdown in financial markets and at the macroeconomic level. They also set frameworks for direct intervention with individuals and firms through, for example, the benefits system or loan guarantees.

Councils are at the front line. They provide support to individuals, families and firms that are directly affected by the slowdown. They run major capital programmes, keep regeneration activity going, convene partnerships that bring together local agencies across all three sectors and ensure they are working together. They have better local intelligence and contacts than any other public agency, and have more flexibility to respond than national agencies which need to comply with centralised control frameworks.

It is on the record that past recessions have left a legacy of long-term worklessness, community disengagement, and disillusionment with political processes and the public sector. Macroeconomic interventions will not directly touch the people who experience that. But the human recession is the recession that touches on our democracy. Local government is the part of the state that engages most closely with it, and can do most to help ameliorate it.

Councils are continuing to respond in new and flexible ways to the economic situation, using both their own resources and their role as leaders across the range of organisations in their communities. The LGA has published a large number of case studies illustrating what councils are doing. Some typical examples include:

- St Albans is bringing local businesses together and putting funding into support for local traders
- Sandwell is bringing the CAB and Jobcentre Plus together to provide more help to people in debt
- Basildon is helping local businesses compete for public sector contracts
- Poole and Bournemouth have set up a 'Bridge to Work' programme to get long term unemployed people back in targeted groups into sustainable employment
- Leicester and Leicestershire have committed to working much more closely together through a new Multi-Area Agreement
- Harrow is taking a gentler approach to collecting council tax debts, while Essex is targeting direct financial help with paying the council tax on vulnerable households.

In particular, councils are convening and joining-up other parts of the public sector, and bringing the public and private sectors together:

- Greater Manchester's Business Leadership Council advises the Association of Greater Manchester Authorities (AGMA) executive board on key economic issues
- West Sussex County Council is collaborating with Jobcentre Plus to match up companies forced to downsize with those seeking new employees, whilst also supporting the West Sussex Credit Union and

Community Banking Partnership to focus resources on individuals most in need.

- East Sussex County Council has teamed up with Business Link Sussex (BLS) to develop an intensive programme aimed at supporting up to 300 local businesses
- The Essex Management Board represents the Essex public sector and includes the police, fire, health, skills and higher education sectors. The group has pledged to continue to invest in small, local businesses, ensuring they are supported during difficult periods. The County Council alone will spend approximately £223 million this year with over 1620 local suppliers.

But councils would like to do more. They face a number of barriers to doing so:

- their own budget situation; half of councils are implementing redundancies in order to meet efficiency objectives and balance budgets;
- rules on capital spending which limit their freedom of action
- the challenges of working with national agencies that are limited by their own national accountability frameworks;
- other rules and regulations that put a limit on what the Wellbeing Power actually means in practice (for example, councils have lost their freedom to extend the life of a planning application; or the fact that they cannot just give small businesses automatic access to business rates relief).

The Prime Minister's 29 January speech to the NLGN set out a commitment to creating greater flexibility for action at the local level. Among other things, he said

- "it is only by combining the support of national government with local government and all local partners from the PCTs to the police, the business community to the voluntary sector, that we can ensure that support is truly there on the ground and we know we will get through this faster and stronger if our communities are strong themselves"
- "the downturn is absolutely the wrong time to turn our back on the devolution that we have promised"
- "local authorities should feel a similar obligation to do all they can, making full use of the capital expenditure from our stimulus to benefit your local communities. For even as our communities are being battered by a local storm that is vast and seems far from our control, it is ever more important that local people are empowered within their own local communities to lead our response to the downturn".

Local government would wish to see measures in the Budget which progress this agenda. To this end, the LGA set out some weeks ago a number of concrete proposals, many of which are reflected in this paper. This action plan was discussed at a very constructive meeting of the Central-Local Partnership on 24 February. It has been agreed by Ministers that options will be worked up for further discussion and decision on a number of the LGA proposals and other related issues raised at the meeting. The Secretary of State for Communities and Local Government asked for a report in four weeks time which was agreed. The minutes of the CLP meeting are attached.

Although structural change is likely to have an impact only in the medium term, local government would welcome

- an announcement of measures to devolve economic decision-making to a number of cities, in line with the commitment given in the pre-Budget report;
- real progress in the delegation of RDA budgets to local authorities and groups of local authorities; in the short term, councils are keen to see better dialogue with RDAs about shared priorities;
- progress towards more flexibility in the use of capital budgets, in particular Regional Funding Allocations; in particular more ability to bring together budgets for housing and transport at sub-regional level; greater flexibility to forward-fund infrastructure;
- councils should be enabled to service prudential borrowing more easily either by changes to capping or grants.

Councils would also hope to see more scope for maintaining capital spending. In particular,

- the government should recognise that highways maintenance and home insulation programmes may offer a better chance of getting capital spending to happen quickly than options which require planning processes;
- for the same reason, oversubscribed Growth Point budgets should be boosted so that ready-to-go projects can proceed rapidly;
- work should proceed to explore the issues involved in establishing new routes for councils to pool cash balances and invest in infrastructure;
- the government should respond to the proposal for Accelerated Development Zones;
- we should explore the scope for more flexible capitalisation rules to allow the costs of planning and developing projects to be capitalised.

Councils would like to have more flexibility to help firms and individuals affected by economic conditions:

- Small Business Rate Relief should become an automatic entitlement;
- as councils commit themselves to bringing forward more apprenticeships, the government should simplify the administrative processes around apprenticeships for both public and private sector employers, and encourage the LSC to work with councils to establish local arrangements to help apprentices let go by their employers to find new apprenticeship places with continuity of training;
- there needs to be more extensive and more rapid progress with integrating employment and skills provision at the local level, including enabling data-sharing about clients between the LSC, Jobcentre Plus, and councils;
- there should be further joint initiatives between councils, JCP and HMRC to promote the take-up of benefits and tax credits
- councils, already providing and commissioning debt advice on a large scale, would like greater powers to control the activity of doorstep lenders and inform the public about the true cost of loans.

Councils also wish to do more to stimulate the housing and property market:

- councils would like to see an extension of the Home Buy Direct scheme in partnership with councils to give greater help for first time buyers;

- the government should allow Housing Revenue Account surpluses to be used to fund locally designed housing market support;
- councils should regain the power to allow developers to extend the life of planning applications and so avoid the costs involved in submitting a renewed application;
- a new Empty Property Management Order should be introduced to make it easier for councils to keep vacant shops in use.