

Audit Commission report on council action on the recession

Summary

This paper reports the findings of the Audit Commission's report on council action in response to the recession and asks for comments on the report and the LGA Group's future recession support for councils.

Recommendations

Members are asked to comment on the Audit Commission report and to consider the priority areas over the coming year for LGA Group support for councils in responding to the recession and preparing for recovery.

Action

LGA Group officers to take forward the actions arising from the discussion about future priorities.

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Audit Commission report on council action on the recession

Background

1. On 12 August the Audit Commission (AC) published a report '*When it comes to the crunch: How councils are responding to the recession*', which was commissioned by the National Economic Council, the cabinet committee which focuses on the public sector response to the recession. A copy of the executive summary and recommendations are **attached** at **Annex A**. An updated review of the financial impacts of the recession on councils will be the subject of a further AC report in early 2010.
2. This research was based on:
 - a survey of local authority chief executives carried out in May and June 2009, which attracted a response rate of 55 per cent;
 - structured interviews carried out by Comprehensive Area Assessment (CAA) Leads and their teams in over half of upper tier authorities;
 - in-depth case study visits to 11 local areas, which included interviews with local partners; and
 - specially commissioned academic research.
3. The full report is available on the Audit Commission website: http://www.audit-commission.gov.uk/localgov/nationalstudies/Pages/whenitcomestothecrunch12aug2009_copy.aspx and includes a checklist for members who are reviewing or carrying out a self-assessment of a council's approach to the recession. This checklist is **attached** at **Annex B**.

Summary and recommendations

4. The report finds that local and national government have made a positive initial response to the recession, but it warns that councils should prepare for worsening social impact as unemployment rises. Demand for benefits, welfare and help with debt are growing, and social problems such as domestic violence and mental ill-health are expected to follow as the recession deepens.

The main findings are:

- The recession is affecting each area differently; areas that were already deprived have been worst affected so far;
- Most councils have taken sensible, low-risk steps to support businesses, labour markets and vulnerable households;
- Government action needs to widen from business support to tackling employment and social issues as the recession progresses;
- Many councils, including those that have escaped the worst effects to date, should be doing more to prepare for the future;

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- Councils are very uncertain and concerned about the level of future funding;
 - Councils find the plethora of national schemes confusing, and are unclear whether, or how, the schemes will address their specific, local problems. The report contains a useful list of the 50 central government schemes aimed at mitigating the recession.
5. The Board is asked for its comments on the report and its recommendations and, in particular, whether the picture given of the local government response to the recession reflects members' own experience.

LGA group support for councils

6. Over the past year the LGA Group support for councils in responding to the recession has focussed on:
- Spreading knowledge and best practice by publishing case studies of the responses being made by councils to the recession, including two case study publications (*Global Slowdown: local solutions I and II*);
 - Analysing the impacts of the recession and producing policy proposals (*From recession to recovery I and II*);
 - Working with partner organisations in the private and voluntary sectors to disseminate good practice, including reports jointly published with the British Chambers of Commerce and National Council for Voluntary Organisations;
 - Lobbying central government for the powers and funding that councils need to improve the public sector response to the recession, which has been influential in the announcement of a £1bn Future Jobs Fund, greater flexibility in dealing with planning applications and a new £3 m fund for supporting town centres; and
 - Increasingly focussing on helping councils support their areas in preparing for the recovery, including projects on re-engaging young people aged 16-24 and encouraging councils to increase the number of apprenticeships they make available.
7. The board is asked to consider the priority areas over the coming year for LGA Group support for councils in responding to the recession and preparing for recovery.

Financial Implications

8. The work programme can be accommodated within existing LGA Group budgets.

Implications for Wales

9. We will continue to liaise with WLGA to identify potential common threads.

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Executive summary and recommendations

Executive summary

The recession is affecting each area differently; areas that were already deprived have been worst affected so far.

- Councils in the West Midlands and Yorkshire and The Humber regions have reported the most impact, those in the South West and Eastern the least.
- Manufacturing, finance and distribution have seen the greatest falls in job numbers, and the NHS and education the greatest increases.
- Low-skilled jobs have been worst affected; these are often concentrated in deprived areas.

Most councils have taken sensible, low-risk steps to support businesses, labour markets and vulnerable households.

- Councils expect the impact of their initial responses to be modest.
- Some councils have been more ambitious and active, developing tailored interventions to support important local employers and other, more complex, responses.
- The more ambitious councils tend to have experience of widespread deprivation, and the capability and resources to develop responses and manage any risks involved; most councils do not.
- More than two-thirds of single-tier and county councils (ST&CC) believe current pressures are strengthening partnership working, but not all partnerships are operating as well as they might.
- A sound overall plan, understood by everybody, targeted on local issues and delivered in partnership, should make local action more effective.

Government action needs to widen from business support to tackling employment and social issues as the recession progresses.

- The country is suffering the initial economic effects of the recession, where businesses fail and jobs are lost.
- An extra 720,000 people registered unemployed in the 12 months to June 2009. Average forecasts are for 750,000 more registered unemployed by mid 2010, with unemployment not falling markedly until 2012.
- Debt problems and house repossessions are increasing, but broader social problems, such as homelessness and mental health issues, are expected to follow.
- Long-term social problems may blight whole communities that fail to see growth once the recession has ended.

Many councils, including those that have escaped the worst effects to date, should be doing more to prepare for the future.

- All areas can expect to be affected by increasing unemployment, including those that have yet to be badly hit.
- There has already been greater demand for benefits, debt and welfare advice. Councils are anticipating increased demand for school places and for services for older people, children and people with mental health problems, but only a third have experienced them to date.
- The role of councils will become increasingly important as the recession spreads from businesses into communities.
- Councils should be preparing now for the social, financial and economic development challenges ahead.

Executive summary and recommendations

Councils are very uncertain and concerned about the level of future funding.

- The three-year grant settlement has meant central government funding has been stable.
- But all councils' finances have been affected by the recession; 90 per cent of districts have lost income, for example planning fees, car parks and interest.
- Almost all councils have stepped up their efficiency programmes.
- Addressing one pressure can exacerbate another; for example, over half of councils have redundancy programmes, which will increase local unemployment.

Councils find the plethora of national schemes confusing, and are unclear whether, or how, the schemes will address their specific, local problems.

- There are around 50 central government schemes mitigating the recession. Councils find it hard to keep track of them, especially when there is a delay between headline announcements and details.
- Too few national schemes utilise the local knowledge and targeting that councils can provide. Many have complex or restricted eligibility, or bureaucratic application processes.
- Local interventions can be quicker and more effective.

Recommendations

Councils should ensure they:

- avoid complacency over the recession's impact, since the most substantial pressures have yet to emerge;
- fully understand their economy, and the impact of the recession on businesses, people, capital developments and demand for services;
- work with local partners, business leaders, property developers, neighbouring authorities and regional bodies to gather intelligence and agree a strategic response; and
- implement a strategy that has clear objectives, is tailored to local issues and focuses on both the coming social impact and the future recovery.

Central government should work more effectively with councils and local strategic partners by:

- clarifying its overall strategy and the outcomes desired from each national scheme, and explicitly assessing whether local knowledge would help achieve them;
- designing simpler schemes that can quickly address emerging local problems by: devolving funding to local authorities or local strategic partners; joint commissioning; or applying flexible qualification criteria;
- explaining the rationale for involving local bodies, or not, in all national schemes;
- managing national schemes against planned outcomes, avoiding detailed, bureaucratic processes; and
- engaging now with the localities that will need support as the wider recovery begins, using mechanisms that already exist, including local and multi-area agreements.

The Audit Commission will support councils to mitigate the effects of recession.

- Further reports will track development of the recession and provide information about responses by local public bodies.
- Comprehensive Area Assessment (CAA) will challenge local strategic partnerships to operate effectively in delivering outcomes in areas.

Appendices

Appendix 3 – Checklist for members

This checklist is designed to support members and officers who are reviewing or carrying out a self-assessment of a council's approach to the recession. It is based on the components of a good decision set out in Chapter 5. The key elements covered in this checklist are:

- **Knowledge** – A sound understanding of the economy and the impact of the recession on it.
- **Partnerships** – Good partnership working.
- **Sound decision-making principles** – Setting a clear strategy and objectives, monitoring and learning.
- **Responses that are flexible, targeted and bespoke** – An approach to the recession that is informed by local circumstances and targeted at key groups.

There is also a section on planning for the recovery.

The checklist is presented as a series of questions, but these should be used as prompts for discussion rather than to elicit simple 'yes' or 'no' answers.

1. Knowledge

It is important to understand the structure of the local economy and to build a rich picture of the impact of the recession on businesses, people, capital developments and demand for local services. From April 2010, the proposed local authority economic assessment duty is expected to come into force. This would require councils and their partners to develop a shared understanding of local economic conditions to inform their interventions.

1a Does the Council understand its local economy?

Does the Council:

- have an economic assessment of the area (their own or externally commissioned);
- understand their area's role in the sub-regional economy;
- understand which are their key business sectors and biggest employers;
- know where their residents work and where their workers live (i.e. employment and commuting patterns);
- understand the reasons for unemployment / worklessness; and
- understand the relationship between the skills and knowledge of the local labour force and the needs of local employers?

1b Does the Council know how the recession has affected the area?

- Does the Council have good intelligence about how the recession is affecting its area, businesses and citizens?
- Is the Council using recent data on impacts where available, for example claimant count and notified redundancies?
- Does the Council know where its knowledge is lacking, and is it working to fill the gaps?
- Is the Council working with its partners and others to build a picture of impacts? This could include:
 - LSP partners, such as the primary care trust and the police;
 - neighbouring authorities;
 - regional bodies;
 - the business sector;
 - private-sector developers;
 - the voluntary sector;
 - Jobcentre Plus; and
 - the Learning and Skills Council.
- Does the Council know how the recession is affecting partner organisations?

- Has the Council identified different of groups that are at risk or have already been badly affected? Examples of groups could include: young people, older workers, a locally important business sector or small shops.

1c Does the Council know how the recession is affecting particular communities and individuals?

- For example:
 - older workers
 - younger workers
 - vulnerable groups
 - deprived communities
 - migrant workers
 - long-term unemployed
 - recently unemployed

1d Does the Council know how the recession is affecting businesses?

- Is the Council in touch with its biggest employers?
- Does the Council know how the main sectors in its economy are faring in the recession?
- Is it aware of the main issues for local firms, for example cash flow or falls in consumer spending?

1e Is the Council monitoring changing demands for services?

- Is the Council looking for early warning signs of higher demand, for example new families needing social work involvement or housing enquiries that could lead to homelessness?
- Has the Council developed informed forecasts of where and when increases in demand are likely to be seen, and in which services?

- Where increases are already being experienced, for example for housing benefit claims, is it monitoring levels of demand and the impact on staffing, budgets and service standards?
- Is the Council working with partners to detect changes in demand, for example, increasing levels of mental ill-health or other social issues?

2. Partnerships

It is important to work in partnership through the LSPⁱ to maximise the impact of the recession response. Actions should be agreed through the LSP and implemented by all relevant partners. The views and experiences of a wider range of stakeholders should inform these plans.

2a Is there a jointly agreed approach for the area?

- Has the response to the recession been developed with the LSP, or
- has each partner determined their own response?

2b Are partners implementing recession plans?

- Are partners implementing recession policies to maximise impact? For example are they:
 - changing their corporate behaviour by paying invoices more quickly or trying to buy locally?
 - making their staff and users of their service (for example patients at the local hospital and users of voluntary services) aware of local initiatives such as debt advice, anti-loan shark campaigns and training opportunities?

ⁱ or other local partnerships such as multi-area agreements if relevant.

3. Decision-making principles

In deciding on a recession response, councils and partners should follow sound principles of good decision making, including setting clear objectives, developing a sound plan, appraisal of options, and monitoring.

3a Are objectives clear?

- Is the Council clear about what its role should be in the recession and what it is trying to achieve? Objectives might include:
 - To slow economic decline / promoting economic growth.
 - To deal with extra service demand and carrying on 'doing the day job' well.
 - To prevent the development of social problems / inequalities linked to recession, unemployment and increased levels of deprivation.
 - To make efficiency savings and reducing council tax.

3b How is the Council prioritising its efforts?

Just as their local economies and communities are most in need, councils' opportunities for action may be restricted by the recession's impact on their finances. Addressing one issue can have consequences for another, for example making redundancies in a council's workforce reduces costs, but exacerbates local worklessness. Councils need to be clear about how they are prioritising between these two pressures.

- Is the Council more concerned about:
 - **internal** issues – increasing service demand and pressure on finance; or
 - **external** issues – their efforts to make changes in the local economy; or
 - **both**?

3c Do actions match priorities?

- What are the issues that:
 - senior management has spent most time discussing?
 - have been the subject of new research?
 - have dominated agendas?
- Is this consistent with the priorities of the Council?

3d Have responses to the recession been well thought through?

- Why were specific interventions chosen?
 - Are they specifically targeted at addressing an issue for the local economy?
 - Were potential alternatives considered and rejected?
 - Were benefits weighed against cost and felt to represent value for money?
 - Have the risks been fully assessed?
 - Are any risks being effectively managed?

3e How will success be measured?

- Are the objectives and outcomes for each intervention clearly articulated?
- Are there metrics available and pre-determined to measure effectiveness?
- Is progress being monitored?
- If effectiveness is dependent on targeting specific groups, are the methods of identification and means of communicating with each group clear?

3f Learning and capacity building

- Is the Council aware of any skills, experience or capacity gaps that could hamper effective action?
- Is the Council taking steps to fill significant skills or capacity gaps?

- Is the Council taking steps to learn from the experience of others – particularly if it has limited experience of economic development and / or the area has not yet been badly affected?
- Are the results of monitoring being used to improve recession interventions?

4. Targeting

The Council's response needs to be matched to the extent and type of local issues, and should be an appropriate combination of universal and specific approaches.

- Is the Council using its knowledge and local intelligence (section 1) to develop an overall approach to the recession that is matched to the specific issues its economy faces?
- Is the Council using links with key employers to identify and, if appropriateⁱ, respond to the specific issues they are facing?
- Does the Council's systems and delegation arrangements allow for flexible responses, in an appropriate timescale, while still managing risks?
- Is the Council using its knowledge of its community, and of how local people are being affected, to develop responses that target specific issues, for example addressing particular training needs or preventing homelessness?

5 Planning for recovery

Even in the early stages of a recession, it is important to ensure that the area is well placed to share in economic growth once the recession is over.

- Does the Council have a clearly articulated vision for its post-recession economy?
- Does the Council have a clear view of whether its economy is well placed to benefit from the recovery when it comes? For example, which of its industries and sectors have potential for future growth?
- Have long-term capital and economic development plans been re-evaluated in the light of the recession?
- Has the Council discussed its future economy with the regional development agency and other relevant regional or sub-regional bodies (for example, if they are part of a multi-area agreement)?

ⁱ Intervention in local businesses may not be council policy.