



Overview and Scrutiny Committee 24 March 2009

Report from the Director of Policy and Regeneration

For Information

Wards Affected:
ALL

The Local Impact of the Recession

1.0 Summary

- 1.1 This report sets out some of the issues facing us with the country now officially in recession and makes some recommendations on actions we may possibly wish to take and about further work we may want to commission if we are going to be flexible enough to deal with what may happen next.
- 1.2 It begins in Part A with an outline of the latest macro-economic trends affecting the country, and an analysis of how these national pressures may impact on the borough, particularly in terms of employment and economy. It acknowledges that different areas of the borough may be affected in different ways, and that this should inform the council's response.
- 1.3 The report, in Part B, then examines the potential effect of recession on council services, providing a summary of the day-to-day services that the council already provides in supporting residents and helping to combat recessionary pressures. It goes on to examine the possible effects on increased (or decreased) demand for council services, offering some tentative speculation with regards to what effects the council and the borough may experience in the future. It acknowledges that the full impact of the recession is yet to be seen – and whilst the council has already experienced a slight increase in demand for some services as well as some negative effects on its income, the full wider consequences are only likely to be felt over the next year.
- 1.4 It goes on to identify a number of risks posed to the council as a result of recession, in terms of business continuity and income. It then outlines where opportunities may

present themselves to the council, particularly in the area of regeneration, and briefly looks at how the council should communicate a positive and consistently reassuring message to the community.

- 1.5 It sets out a view that we have to approach this with an attitude and a philosophy similar to that with which we approach Improvement and Efficiency. That is, doing nothing is not an option and that expecting the economic landscape to revert to pre-September 2008 is not realistic. Indeed our argument is that, however difficult, we must approach this in a proactive way and seek to place the council and its residents in the best position to benefit from the upturn which will come.

2.0 Recommendations

- 2.1 That Members comment on the issues raised in the report

3.0 Context

- 3.1 The seeds of this current crisis have been well rehearsed at huge length in the press and in our own presentations and do not need repetition here. However in terms of what we need to consider it does repay us to remember that this all started in the financial sector with a lethal mix of reckless lending to purchase hugely overvalued residential property and a consequent creation of 'financial instruments' to sell the debt around the world. Though originating in the USA, the unfolding crisis has left nowhere unaffected. It has meant that the finance sector and the property sector have been hit first, with the repercussions still rolling out. Where we are now is that it seems that financial meltdown has been averted by coordinated state intervention, but the impact of this near disaster and the complete plummet in confidence over all other areas of economic activity worldwide has yet to play itself out. What we have to do now is to try and anticipate what effect these events may have on the people of the borough who we serve and our organisation's ability to react to them. After that we will have to decide what we should and can do. Given that we know some things are going to happen, but we are not quite sure what, we are in the words of Donald Rumsfeld into the world of the 'known unknowns'.

3.2 *What Now*

What we do know is that given the cataclysmic nature of the collapse in the banking and finance sector and the aftershocks rolling across the world economy, things are going to change. Not only will the post-recession world be a different one (we already know about the increase in regulation, the fall in property values, the propensity for state intervention and the levels of debt), but also what happens in the recession will not necessarily mirror past experiences. Being in uncharted waters, there is a desperate attempt to navigate by history. As things have gone from bad to worse in the markets, popular opinion has lurched from believing things will be like the early nineties recession and that the world would 'get over it and return to normal' in fairly quick time, to looking at the early eighties as a guide to currently seeing the 1929 crash and subsequent depression as possibilities with deflationary variations from Japan and Sweden in between. This is one of those occasions where Henry Ford's 'History is Bunk' probably has some attraction.

- 3.3 We cannot afford to view what is about to happen merely on the basis of past experience, nor can we start to look at services on the basis of assumptions. If we do

we may easily end up gearing ourselves up for things that are irrelevant but that suck up resources. It was AJP Taylor who famously wrote that ‘the problem with Generals is that they always plan for the last war rather than the next.’ We cannot afford to panic ourselves into that position. Indeed our great fear is that a panic response will elicit growth bids, when what we actually need is a sober reflection of what the recession will actually mean.

- 3.4 Part of this sober reflection is to consider what the overall position of local government finances will be in the light of the crisis, the pre-budget statement and the underlying assumptions on increased cashable efficiency savings. What is the best guess cash envelope from which we will have to work and will there continue to be a bias against the services that local government delivers in the eyes of the Treasury?
- 3.5 What we are arguing therefore is that we should guard against instant analysis or snap judgements. Whilst it is understandable that the council and partners want to “do something,” what really matters is that “something” is addressing the critical issues as they emerge and doing so effectively. We do not wish to produce a pre-emptive list of actions which lose focus, waste money and unnecessarily raise expectations, whilst we can in possession of the facts make interventions that are relevant and effective.

Part A – The Economy and the Borough

4.0 Macro-Economic Trends and Potential Impact

- 4.1 It is not the purpose of this section to indulge in economic forecasting; that is best left to the experts. Elected members and colleagues may find Roger Bootle at Capital Economics and the team at GLA Economics both erudite and useful, so far they have been ahead of the curve. What we want to do with this section is draw out what the experts say and its relevance to future planning the council will want to do. The key issues as we see them are as follows.
- 4.2 *The length and depth of the recession.*
All the economic commentators are predicting a deep recession but are hoping that it will be relatively short lived with an equally steep recovery beginning in the last quarter of 2009. What they fear is either this scenario but with another recession within a few months, or what is termed a ‘U’ shaped recession which continues for some considerable time and is characterised often as a depression. All the activity across the world is now designed to head off these latter two scenarios. Whilst initial influx of public money was to save the banking system from collapse, subsequent activity has been designed to restart credit flows which are essential if the economy is to begin to lift itself up.
- 4.3 *Deflation*
The key fear of all economists is that of deflation. Whilst deflation has not been present in the economy since the 1960s there is absolutely no reason why this phenomenon should not reassert itself if the conditions are right. A short period of deflation in energy and food prices might, it is agreed, be welcomed – it would boost the ‘real incomes’ of households and for the majority of the population in work would probably prompt some modest revival of consumer activity. For industry it would allow profit margins to be widened if commodity prices continue to fall. However, the concern is that propelled by lack of credit and economic activity, deflation would

become deeper and more persistent, affecting investments, savings and most cruelly of all wages. It is the deflationary spiral which presages depression and therefore all government activity is really concentrated upon preventing it.

4.4 The government has initiated credit packages for banks and some key parts of industry in a bid to get the economy moving. One very telling comment from Roger Bootle in the latest Capital Economics report was that if the current crop of initiatives failed to get credit moving, then the government would undertake 'quantitative easing' - that is buying government bonds and/or other financial securities in order to raise the quantity of money in the economy and hence boost asset prices and lower longer term interest rates. More telling still as a pointer for the immediate future, Bootle writes, 'Perhaps the best chance for recovery will come if the government swiftly nationalises the banks and forces them to lend.'

4.5 In short then we face possible deflation, continuing low interest rates, a continued lull in property and housing markets and unemployment rising and possibly peaking in 2011-12. All this will put pressure on council services, income and the ability to deliver on major programmes of renewal. At the same time, the government borrowing to defend the economy and provide fiscal stimulus will put huge pressure on public finances. Whilst it is somewhat melodramatic to talk as some commentators have of successive generations being blighted by this level of borrowing, the fact remains that any government will have to at some stage bring government finances back into balance – what is euphemistically called fiscal consolidation. It is our view that whatever political parties say in the run-up to a general election, as the economy does begin to pick up then there will be a major squeeze on public finance, and local government, perhaps the latest favoured of all the recipients, will find itself in tighter circumstances for some time. It is also our view that again, whatever politicians may say taxes will rise - direct, indirect and corporate. This may have an extent of slowing down the recovery and may make local government's own ability to collect tax and fees more difficult. Perversely then the council may find conditions even more difficult after the recession than during it.

4.6 *Improvement and Efficiency*

Operating for the next few years in more difficult economic conditions leads us inexorably to the view that the Improvement and Efficiency Strategy is the highest priority for the council if we are to deliver services that are relevant and of the highest quality whilst freeing up resources for what we will need to face in the future.

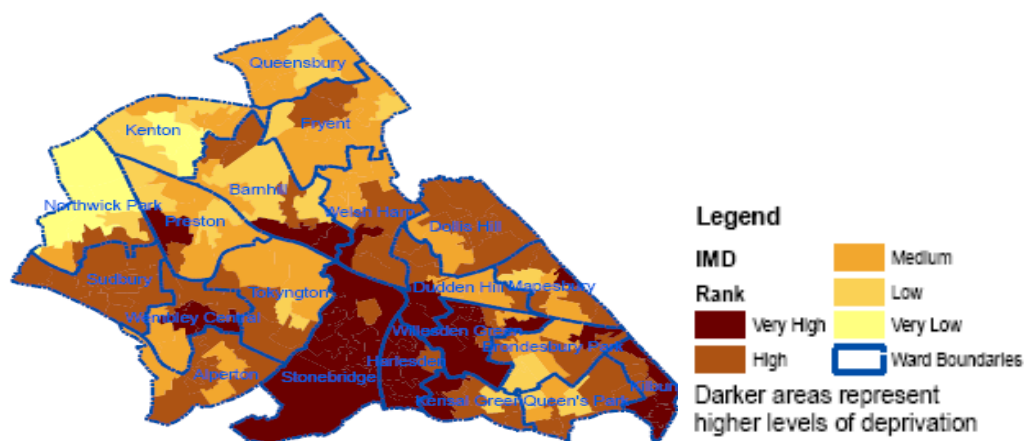
5.0 **Analysis of the borough – who and where may be affected**

5.1 Recession is likely to affect different individuals and communities in different ways. It is therefore useful to know which areas of Brent have the potential to be most affected, in order to better target resources and services.

5.2 *Deprivation*

5.2.1 Brent is ranked 53rd most deprived out of 354 boroughs in the Index of Multiple Deprivation (IMD) 2007¹, and as such is the most deprived borough out of our West London neighbours. As can be seen from the map below, the most deprived areas of Brent are in the south of the borough, particularly in areas like Stonebridge, Harlesden and Kilburn:

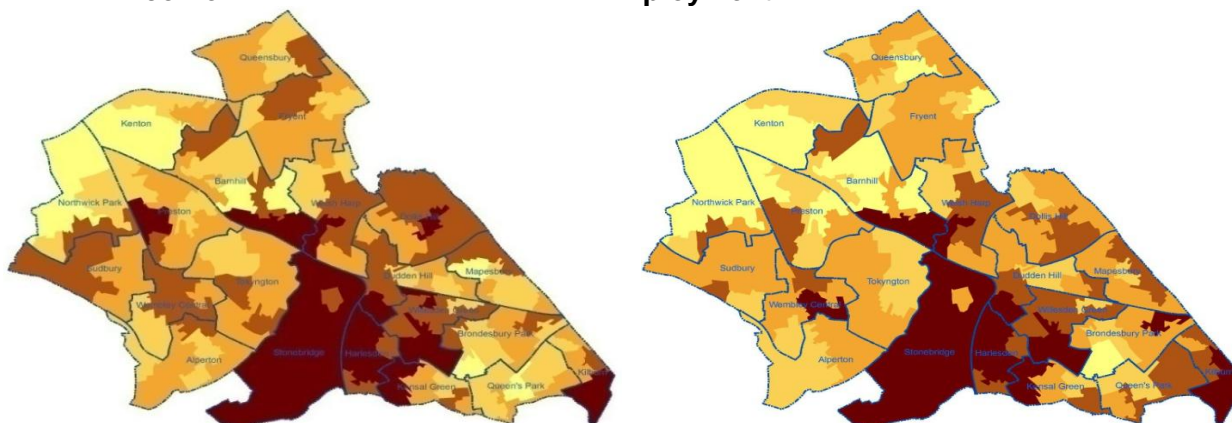
¹ IMD data is between 2 and 3 years earlier than the year it is published



5.2.2 In terms of income and employment deprivation, largely the same pattern in Brent can be seen:

Income

Employment



5.2.3 Furthermore, Brent has one of the lowest average mean incomes compared to the rest of the London boroughs, ranking only behind Newham, Barking and Dagenham, and Waltham Forest. There is a significant difference between wards within Brent in terms of average household annual income – Mapesbury is the wealthiest ward (£41,053) and Stonebridge is the poorest (£28,052). Therefore, in times of recession there is a risk that this gap between richest and poorest in Brent may increase further². This has implications for where increased demand for services such as benefits may occur (see paragraph 8.8).

5.3 *Employment levels*

5.3.1 Nationally, unemployment has been one of the areas most substantially affected by the economic downturn. Research by the LGA, based on falls during previous recessions, estimates that there will be a fall of 1.7 million jobs in England between 2008 and 2010 (6% of the total)³.

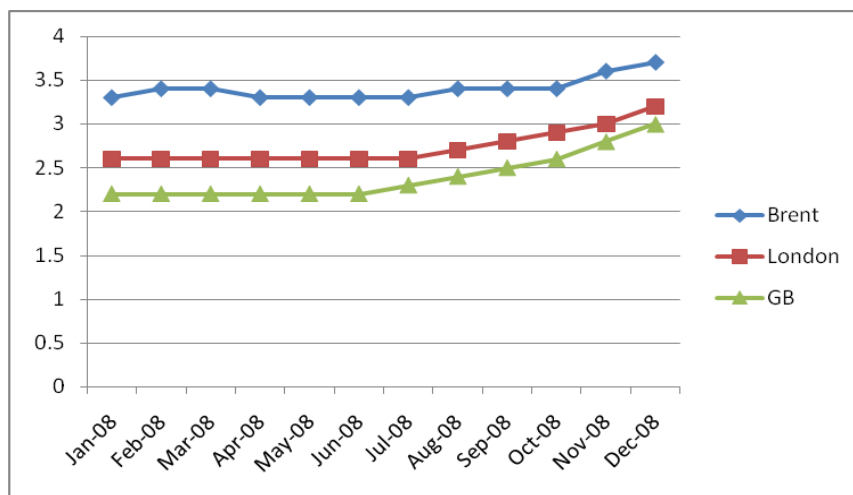
5.3.2 In Brent, this increase in unemployment has not been seen as yet. In fact, the latest employment figures actually show a marked improvement in Brent. The employment rate increased between June 2007 and June 2008, from 67% to 71.6%. This is now better than the London average which was 70.6% in June 2008 (although the statistics from the months preceding June 2008 are unavailable as yet). The

² CACI, 2007, Paycheck

³ Local Government Association, 'From Recession to Recovery: the local dimension' (2008)

unemployment rate in Brent has also improved between June 2007 and June 2008, decreasing from 8.9% to 7.4% - although this is still worse than the London average, which was at 6.3% in June 2008⁴.

- 5.3.3 This is further reflected in the numbers of Brent residents claiming Jobseekers Allowance. Brent has always had a higher JSA claimant rate than the London average. However, the rate at which it has been increasing over the last half of 2008 and the onset of the recession was slower in Brent than both London and Great Britain overall. All West London boroughs have seen an increase in JSA claimants between December 2007 and December 2008, but Brent saw the smallest increase⁵. The graph below demonstrates JSA claimant rates as a percentage of the working age resident populations:



*Nomisweb

- 5.3.4 However, in both downturns and upswings, employment is a lagging indicator, and as such the effects may not be evident for a while. Therefore, even though there has been an increase in employment and a decrease in unemployment, recession could well cause Brent to lose the progress it has made over the past year. In pockets of the borough (such as Stonebridge and Harlesden), unemployment and JSA claimant rates have remained significantly higher than both the borough and London average, and as such the council should be careful not to lose sight of these neighbourhoods to prevent their deprivation levels worsening. Anecdotally, Brent in2 Work has witnessed a noticeable increase in the number of residents walking through the doors that have recently been made redundant.
- 5.3.5 There is an element of caution in applying to Brent the national assumptions that unemployment will increase in recession. If we are, as we perceive, in uncharted waters, then the supposition that this will automatically occur may be false. In any event, the likelihood of this happening is dependent on a number of factors, including the level of employee qualifications and the employment distribution of the borough.

5.4 *Qualifications*

- 5.4.1 Brent ranks sixth from bottom within London on its overall residence-based skills and qualifications score, and is significantly (10%) below the London average for top level

⁴ www.nomisweb.co.uk

⁵ Neil Lee (2009), 'West London and the Recession' (LSE)

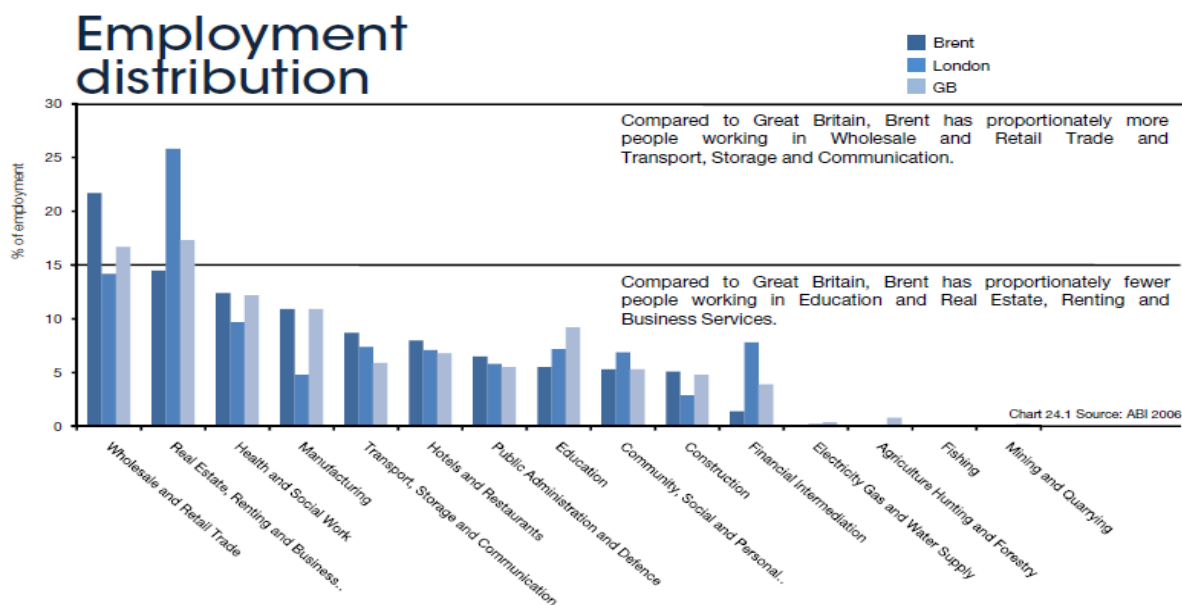
qualifications (NVQ4 and above)⁶. Higher levels are achieved for NVQ1&2, but these are also still below the London and Great Britain averages.

5.4.2 What this will mean for Brent's employment levels during recession is unclear. It is possible that those with the lowest skills levels will be laid off first, leaving Brent perhaps susceptible to greater levels of redundancies than other boroughs with higher levels of qualifications. However, it is also true that this recession has hit the financial sector more negatively than before, and figures suggest that Brent has fewer residents employed in these higher qualified areas (see below). Again, this is speculative, and the actual effect on Brent's employment levels remains to be seen and should therefore be monitored closely.

5.4.3 The borough also has a significantly higher (around a third) of residents with "other" qualifications. It is likely that these are overseas qualifications that in many cases are not applicable in Britain. Again, it is worth noting that the higher levels of those with "no qualifications" are in the most deprived neighbourhoods – this continues the justification for Brent's current approach to regeneration, focusing on those places most in need.

5.5 *Employment Distribution*

5.5.1 It is widely predicted that the industries that will be most affected by the economic downturn are the construction, manufacturing, financial and retail sectors. The employment distribution of Brent is as follows:



*ABi 2006

5.5.2 In comparison to the rest of the UK, there are six sectors that Brent has a greater proportion of people employed than the British average. The sector with the greatest relative surplus is wholesale and retail (in which Brent has 4650 more people working than would be expected, at 22% of its total working population)⁷, which therefore may be an area of concern.

⁶ Local Futures, 2007, The State of the Borough Report

⁷ Gavurin, 'Insight Preliminary Review of Brent' (April 2008)

- 5.5.3 The areas of manufacturing and construction, which are most affected by the recession, are also industries that Brent does have a greater proportion of employees than London (although less than Great Britain), which again is a possible concern. However, this is potentially balanced as it appears that Brent has a lower proportion of residents working in industries like the financial sector, which have also been negatively affected by the economic downturn.
- 5.5.4 It is expected that the rise in unemployment will affect workers under 50 years of age far harder than the previous 1980s downturn, which affected older workers more⁸. This may therefore have a greater impact in Brent, which has a much younger population than many of the other London boroughs. It is also likely to affect young people who are not in education, employment or training (NEET).
- 5.5.5 Taking all factors into consideration, the LGA research concludes that, despite London having the lowest concentration of manufacturing and construction jobs (9% of its total), it will be the area most negatively affected by rising unemployment, and will lose 7.9% of its jobs between 2008 and 2010. This is in comparison to South West England, which is projected to lose 5.1% of its jobs⁹. Therefore, although Brent has not seen an increase in unemployment as yet, the effects of the recession on employment levels may only become evident in the near future.
- 5.5.7 However, again this is purely speculative, and it remains the case that the full effect of the recession on unemployment levels, in Brent and elsewhere, is as yet unknown.

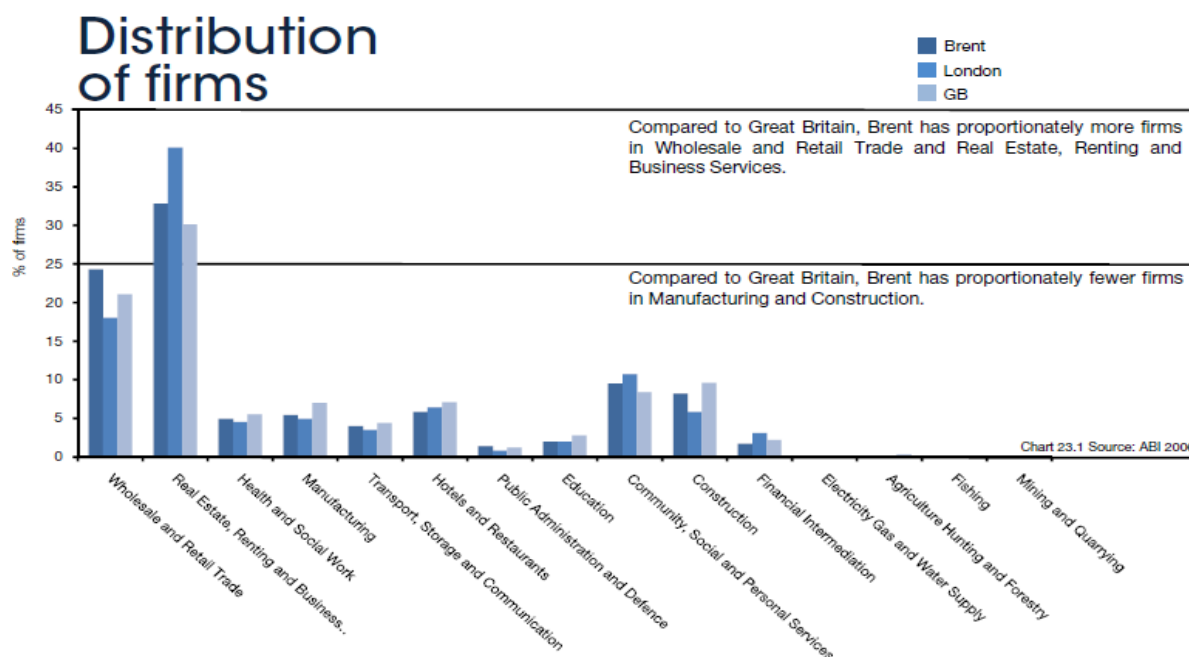
6.0 Local enterprise

- 6.1 The effect of the economic downturn on Brent's businesses remains to be seen. The IDeA and LGA survey found that 54.3% of the local authorities surveyed predicted that the slowdown will have a significant impact on local businesses over the next twelve months¹⁰.
- 6.1.1 Brent's economy appears relatively better balanced than historically:

⁸ IDeA, 'A brief guide to the Recession' (2008)

⁹ Local Government Association, 'From Recession to Recovery: the local dimension' (2008)

¹⁰ IDeA/LGA/SOLACE, 'Survey of the Impact of the Economic Slowdown on Local Authorities' (2008)



*ABI 2006

6.1.2 In comparison to the rest of the UK, there are four sectors that Brent has a greater proportion of its firms than the British average. The one with the greatest relative surplus is wholesale and retail (in which Brent has 360 more firms than would be expected)¹¹. This may be an area of concern, as the retail-related industry is predicted to be one of the sectors most severely hit by the recession.

6.1.3 In comparison to the rest of the UK, there are eleven sectors that Brent has a smaller proportion of its firms than the British average. The two with the greatest relative shortfall are two which are identified as some of the most negatively affected by the recession - manufacturing (in which Brent has 180 fewer firms than would be expected), and construction (in which Brent has 160 fewer firms than would be expected)¹².

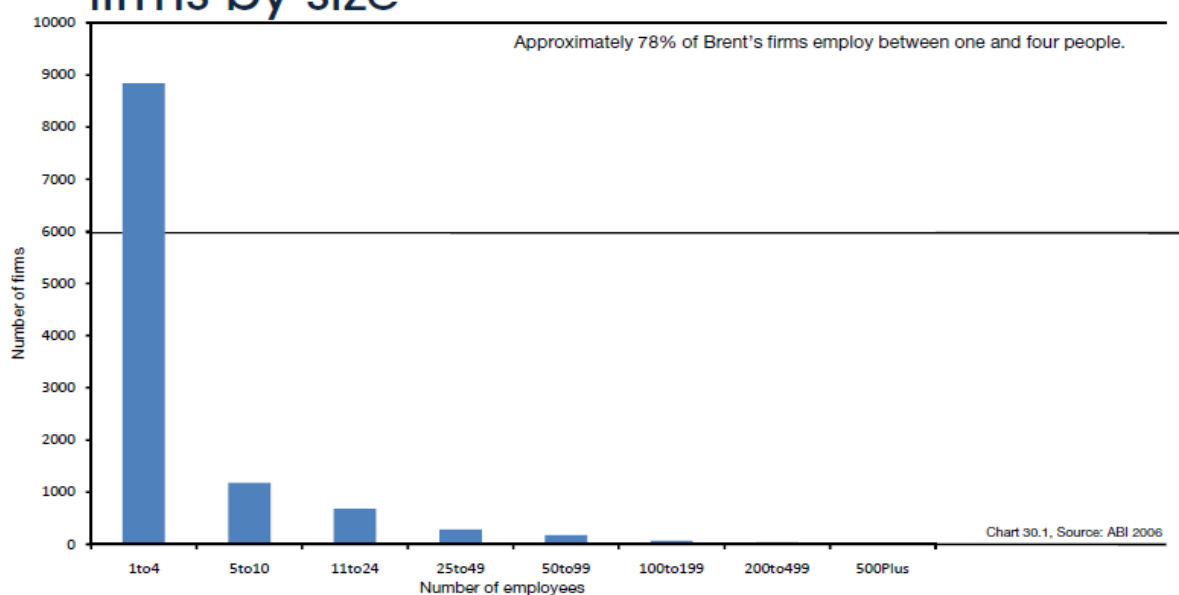
6.2 *Diversity of businesses*

6.2.1 There are many smaller businesses in Brent which may have a cultural speciality. This is demonstrated in the graph below:

¹¹ Gavurin, 'Insight Preliminary Review of Brent' (April 2008)

¹² Gavurin, 'Insight Preliminary Review of Brent' (April 2008)

Distribution of firms by size



*Gavurin IPR April 2008

- 6.2.2 Approximately 78% of Brent's firms employ between one and four people. What this will mean for Brent's businesses is as yet unclear. In many cases, these businesses are likely to be ones that are very familiar with their customer base and are therefore arguably less likely to be affected by fluctuations in the wider economy. Equally, however, the fact that many such businesses are smaller and not protected by, for example, franchise contracts or wider underlying finances, could make them more vulnerable to collapse.

Part B – The Council and its Services

- 7.0 How the council already contributes to combating the effects of the recession**
The council certainly has a role in being innovative and forward-planning in order to help residents and local businesses through the recession. Equally, however, just by the discharge of its day-to-day functions the council has a major effect on the wellbeing of residents within the borough, and its activities can be seen to already have a major role in combating the worst effects of the recession. The council delivers a mix of universal services which benefit all residents, such as refuse collection and recycling, libraries, sports and education, with more tailored and focussed personal social care services which benefit the most vulnerable and in need. This section therefore gives a brief overview of the day-to-day running of the council.
- 7.1 It is recommended that the council make a concerted effort to promote the availability of the support and services it provides, through the established routes of the One Stop Services as well as through the communications and messages that it gives to residents and businesses.
- 7.2 *Services for all Brent residents*
- 7.2.1 Brent council is responsible for the upkeep and maintenance of 485 kilometres of roads and pavements, including the removal of litter and graffiti, gritting and street lighting. It is responsible for waste collection from 107,000 households and recycling

28,000 tonnes of waste. It maintains 100 parks and open spaces, 12 libraries and four sports centres. The Environment and Culture department also provides many regulatory services for the borough, including building control consultancy, environmental health, health safety and licensing, planning service, trading standards and transportation. The council's Registration and Nationality Services records births, deaths and marriages and holds citizenship ceremonies.

- 7.2.2 The council currently maintains 14 secondary schools, 60 primary schools, 90 nurseries and 13 children's centres. In 2008, 55.8% of Brent's pupils aged 15 achieved five or more A* to C grades at GCSE and equivalent (including English and Maths), compared to a national average of 47.6%¹³. Brent's schools are supported by a School Improvement Service which provides a number of services, including the Ethnic Minority and Traveller Achievement Service, the Early Years Development and Childcare Partnership, and Home education, as well a central training programme for educational staff. Brent's schools also provide free lunchtime meals for almost 11,000 pupils. A successful education and training system become even more important to counter the long-term effects of recession, as it will allow individuals to obtain the skills and qualifications they need for employment, and will provide the borough with a capable workforce that meets local businesses' needs.
- 7.2.3 The council is responsible for much of the regeneration work that goes on in the borough, for example through physical regeneration such as the projects going on in South Kilburn and Wembley. The Housing and Community Care department work strategically to promote affordable housing for Brent residents, for example through schemes such as New Build HomeBuy, through working with Registered Social Landlords, and through overseeing the quality of many private sector homes. The council also has a central role here in housing development, and this is an identified area of opportunity for the councils' regeneration agenda (see paragraph 11.1).
- 7.2.4 The Neighbourhood Working Team holds walkabouts with councillors in order to hear directly from residents about issues and changes they want to see in their area, through which resources can then be directed. Further to this, the Consultation team and the Local Democracy team seek to gain residents' views about council services and engage them in council democracy wherever possible.
- 7.3 *Services for those who are in need*
- 7.3.1 Brent council also provides personally targeted services for those who are in need of the council's support. It manages the borough's social services, from carrying out initial needs assessments of those who require social care, to putting together those care packages to provide that support. Brent already commissions 700,000 hours of home care and 150,000 meals on wheels a year – and during times of recession, it is possible that additional pressure will be placed on such adult social care resources (see paragraph 8.4).
- 7.3.2 In terms of children's social care, Brent council assesses young people identified as potentially in need of support and has currently 363 children (October 2008) placed in care. The Children and Families department also runs a successful adoption and fostering service.

¹³ Source: DCSF: The 2008 Secondary School (Key Stage 4, GCSE and equivalents) Achievement and Attainment Tables - (15 January 2009)

- 7.3.3 The council also runs the Special Educational Needs and Assessment Service, which assesses pupils for statements of SEN and puts in place packages of support where necessary. The Brent Youth Service supports young people in their transition from childhood to responsible adulthood through offering informal educational programmes and projects, information, advice and support. These kinds of services may well be vital for young people who may find themselves trying to enter a diminishing employment market.
- 7.3.4 The council provides statutory services for residents who have physical and learning disabilities, including assessment and care management, transition into adulthood, employment placements and job coaching, crisis intervention, local community facilities, residential places, and respite care. These services may become crucial for such vulnerable groups during recession, particularly as in an increasingly difficult employment market, it is likely to be groups such as this who are particularly hit (see paragraph 8.9.2).
- 7.3.5 Through its Arms Length Management Organisation, Brent Housing Partnership, the council is responsible for the allocation and maintenance of 9,500 council houses. The council works to provide housing advice and support where necessary, including the provision of sheltered housing in partnership with housing associations. It currently provides temporary accommodation for 3700 families. The Supporting People services support a wide range of vulnerable adults who may be in need of housing-related support services – for example, they offer support and advice for homeless people in the borough, those with mental health issues, and those who have experienced domestic violence. With a possible rise in demand for council-provided housing, as well as a potential growth in mental health, homelessness and domestic violence cases as a result of the recession, these are services which may become more important during the economic downturn (see paragraph 8.3).
- 7.3.6 Brent council is responsible for the administration of housing and council tax benefits for 36,000 claimants within the borough, as well as for the collection of council tax and business rates. It takes a proactive approach to ensuring businesses and individuals get the benefits and tax relief that they are entitled to – for example through benefit take-up campaigns (see paragraph 8.8.6) and targeting small businesses who may be entitled to business rate relief (see paragraph 8.10.2).
- 7.3.7 It also provides a lot of training and employment opportunities, for example through the Brent Adult and Community Education Service (BACES) which offers a range of accredited training courses for adults, and through Brent in2 Work which now directly places some 1,000 unemployed Brent residents into work each year and provides a targeted recruitment service for local employers. The council supplies useful links for business advice, for example through the Employer Partnership – a service which may be of increasing importance as local businesses suffer the effects of the credit crunch (see paragraph 6).
- 7.4 *Partnership working*
- 7.4.1 The council works extensively and collaboratively with partners, such as the Metropolitan Police, fire services, primary care trust, other public and private sector groups, and the voluntary and community sector. This is achieved both through bilateral joint working and the Local Strategic Partnership (LSP), where the partners come together to align resources, strategies and activities from all sectors to improve outcomes for local people. This partnership working is also likely to be of growing significance as resources in all sectors may become increasingly scarce.

- 7.4.2 The council works with partners through the LSP to tackle the main issues that affect the borough. The Crime Prevention Strategy Group works to promote community safety (an issue which may grow in importance as the recession plays out - see paragraph 8.12); the Adult Health and Social Care Board makes recommendations for the overall strategic direction for the development of health and social care services and health improving initiatives in Brent; the Brent Children's Partnership provides strategic leadership in the design and delivery of services for children and young people; the Sports, Culture and Learning Forum works cooperatively across all sectors to develop culture, sport and learning within Brent; the Employer Partnership provides networking opportunities and support for local businesses; the Sustainability Forum works to promote sustainability initiatives and projects in the borough; and the representation of BrAVA coordinates the input, activities and objectives of the many voluntary and community groups that operate in Brent.
- 7.4.3 As evidence of the impact of the recession on the borough starts to become clearer, there is a compelling argument for the council to exercise its responsibility for community leadership and arrange a conference through the LSP for public, private and voluntary sector partners, to examine the issues and if necessary to identify ways of taking joint action to ameliorate the worst effects on local people.

8.0 Changes in demand for council and other public services

- 8.1 Nationally, the inevitable impact of a deep recession is an increase in unemployment and deprivation levels, which renders increasing numbers dependent on council support. Logic dictates that housing and council tax benefits will increase as unemployment rises, demand for social housing will rise as banks and building societies repossess homes, and demand for school places will increase from parents who can no longer afford private education. The risk of this is the stretching of councils' capacity and resources – but it also provides an opportunity to ensure that the services that the council provides are fully efficient and effective.
- 8.1.1 Brent has already seen an increase in demand for some council services – although the full effects on demand have not been seen as yet, and it is possible that more services will see an increase if local people lose their jobs as the economic downturn continues.
- 8.2 *Increased demand for housing*
- 8.2.1 With the fall in house prices and sales to a 30-year low¹⁴, there may be an increase in demand for temporary and social accommodation. Nationally, mortgage arrears and repossessions in the second quarter of 2008 were already considerably higher than in the same period in 2007¹⁵. A consequence of this could be that more people will turn to renting or seek council-owned housing. Brent already has one of the highest levels of demand for housing in the country, where we are unable to meet even a small proportion of the existing demand. It will therefore be important that we are able to give realistic options to those seeking our assistance.
- 8.2.2 There is evidence that there is currently an increased availability of private rented properties as potential sellers find they are unable to sell, and as developments which developers and housing associations had assumed would be for sale are now being offered for market rent. It will be important that the council develops both short

¹⁴ IDeA, 'A Brief guide to the recession' (2008)

¹⁵ Audit Commission, 'Crunch Time' (2008)

and medium term strategies to maximise access to these properties for those in housing need.

8.2.3 A mortgage rescue scheme organised by the Department for Communities and Local Government is currently being piloted in Brent. Early indications show that there has not been a large take-up as yet. There is concern that the scheme has too low a cap on sale price of properties eligible within the London market and there has been lobbying for the government to vary the current scheme.

8.3 *Homelessness*

8.3.1 One in four councils in England have reported an increase in homelessness¹⁶, but there is no clear evidence of this in Brent as yet. Brent still has one of the highest numbers of families in temporary accommodation, currently at 3700 families. The vast majority - 96% - are housed in private sector rented accommodation. Given the increased availability of private rented property, it is anticipated that if there was an increase in individuals and families requiring housing, this would not lead to an increase in bed and breakfast accommodation. It could, however, make the target of reducing the overall numbers in temporary accommodation by 50% by 2010 impossible to achieve.

8.3.2 A rise in homelessness could also to manifest itself in an increase in housing benefits claimants and a rise in council tax and rent arrears (see paragraph 8.8).

8.3.3 The long term housing problem in Brent can only be addressed by a combination of measures, which include increasing the income levels of residents as well as the obvious one of making more properties available. The fact that the number of new properties being built is likely to fall is addressed later in the report. There are a number of other potential measures put forward by national bodies to address these housing issues. Measures for consideration include:

- Improve access to housing by working with RSL partners, developers and HCA to promote new forms of intermediate housing tenure to reflect economic uncertainties and the reduction in mortgages available, for example 'Try before you Buy'¹⁷.
- An option may even be the provision of interest-free loans to people at risk of having their homes repossessed – although only if this income can be found elsewhere in the current economic climate.
- Continued targeting of empty properties for occupation.

8.4 *Adult social care*

8.4.1 National publications suggest that there is likely to be an increase in demand for adult social care. For example, Audit Commission research found that whilst only a quarter of the local authorities surveyed had observed additional demand for elderly social care, over half were expecting to in 2009/10¹⁸.

8.4.2 Brent council has not yet seen and is not anticipating any significant increase in demand for adult social care as a direct result of the recession. However, as has already been well documented, there will be a steady increase in demand due to

¹⁶ Jill Sherman, *Calls for council help increase as town halls start to feel the pinch* (The Times, 12.1.09)

¹⁷ Solace Members Panel, 'Stand Up to the Downturn' (2009)

¹⁸ Audit Commission, 'Crunch Time' (2008)

demographic pressures – in short, people living longer – and delivering the additional resources required as a result of this factor is likely to be even more difficult during a recession, where the council faces increased pressures in other areas.

- 8.4.3 In comparison to other London boroughs, Brent does not have a significant proportion of residents who self fund their social care, and as such the recession should not create large numbers of people who become dependent on council-provided social care for the first time. However, there is an increased expectation from central government that the council will provide a full advice service for this group, which will again put pressure on adult social care resources.
- 8.4.4 There has been a slight increase in demand for mental health services in Brent, although it has only been marginal. The recession is unlikely to affect a large number of people seriously enough in order to make them qualify for long-term help under the Mental Health Act. However, there is now evidence that where people are starting to have serious financial problems due to the recession, for example losing their jobs, this does result in an increased demand for help and assistance. This is not likely to result in a large increase in residential care, but may well put increased pressure on staff involved in the assessment and care management process.
- 8.4.5 The council's aim with vulnerable individuals such as those in receipt of mental health care is to improve quality of life through actions such as increasing access to employment. During recession when there are general employment problems, the difficulty of providing such opportunities for vulnerable individuals is intensified.
- 8.5 *School places*
- 8.5.1 Research by the Audit Commission found that there has been an increased demand for state school places, especially in London – 9% of those surveyed have seen an increase, and 19% expect it. 6.2% have been contacted by parents applying for state school places for pupils now in private education¹⁹.
- 8.5.2 In Brent there has been no discernible increase in demand for secondary school places. There were 2887 on time applications this year, which is up by 1 from last year, at 2886 applications. The deadline for applications for reception places was last week and therefore figures will be available shortly – however, there is an indication that there is likely to be a significant increase in applications over last year, and we may well have a serious shortfall in available reception places for September. There are already insufficient places in Brent schools available to meet the current demand – and although Brent has a medium term plan for building schools and increasing school places through other means, the current school system could not tolerate an additional increase in demand.
- 8.5.3 Although it is understood that many Eastern European families who live in Brent have begun migrating back to Europe, the numbers migrating into Brent has remained relatively steady, as well as an additional number from countries such as Lithuania, Afghanistan and India.
- 8.5.4 There are not many private schools in Brent. There has been a spate of private nurseries going out of business, but this is no more than the borough would normally experience leaving and entering the market. There are a number of children and young people in Brent who attend private schools outside of the borough. The council

¹⁹ Jill Sherman, *Calls for council help increase as town halls start to feel the pinch* (The Times, 12.1.09)

has seen a small number of people contacting them seeking school places who previously were in private schools, but this is not unusual and numbers do not seem out of line with previous years.

8.6 *Free School Meals*

8.6.1 5% of councils surveyed by the LGA reported an increase in demand for free school meals, and 35.7% expect an increase in the next few months²⁰. However, in Brent the number of pupils eligible for free school meals has increased slightly. The numbers of Brent's pupils eligible for free school meals rose from 9191 in October 2007 to 9687 in October 2008²¹, and this may increase further as the recession continues and deprivation levels potentially worsen. The numbers for eligibility at January 2009 will be available shortly. Anecdotally, however, there does not seem to be much of an increase between the numbers eligible in October and the numbers eligible currently. To be eligible for free school meals, a child's family must be in receipt of income support, Jobseekers Allowance or child tax credit, which is clearly linked to unemployment. The unemployment level in the borough has not yet seen a significant increase (see paragraph 5.3), and arguably therefore eligibility for free school meals has not increased as a direct result of parents losing their job through the recession.

8.6.2 Due to the increase in food prices, the LGA estimates that the cost of providing school dinners has increased by up to 15% since October 2008. There is no unified approach to provision of school meals in Brent, but any cost increase should fall on the contractor initially, not the council.

8.7 *Childcare*

8.7.1 The council is experiencing a growing caseload of children's social care, and there has been a marked increase in the number of referrals – although there were indications of this increase before recession took hold, which suggests that it could be a reaction to the recent Baby 'P' case rather than because of the economic situation.

8.7.2 In terms of day care, increased unemployment may result in decreased demand for child day care and nurseries. Brent has seen a few isolated reports of parents needing to reduce the hours that their children attend nursery to the twelve and a half hours funded by the Nursery Education Grant, due to having been made redundant and therefore no longer needing the extended hours.

8.7.3 One area of concern is the disruptive impact that the economic downturn may have on families. Some authorities surveyed by the Audit Commission were expecting family breakdowns, more children in care, and increased drug and alcohol abuse²². In Brent, this may be reflected in the increase in domestic violence that has been seen - although this could also be explained by increased reporting, or a normal fluctuation that crime figures often show.

8.8 *Benefits*

8.8.1 Numbers of benefit claimants rose by 34 per cent nationwide in the 12 months to November 2008, topping one million for the first time since 2001²³. Brent has seen an

²⁰ Jill Sherman, *Calls for council help increase as town halls start to feel the pinch* (The Times, 12.1.09)

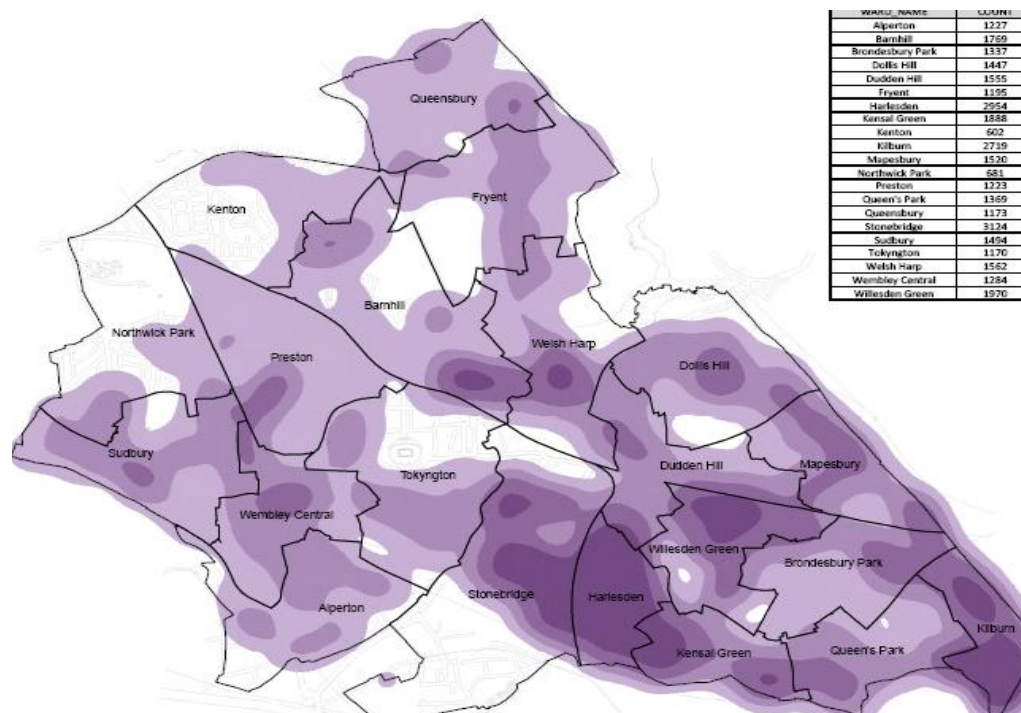
²¹ Official census data, PLASC – figures from January 2009 will be available shortly

²² Audit Commission, 'Crunch Time' (2008)

²³ IDeA, 'No Council of Despair' (2009)

increase in claimants for housing benefit and council tax benefits, and the pace at which new claimants are seeking these benefits is quickening. Between March and December 2008, there were 12909 new claims, which represents 1047 more new claims than there were in the same period in 2007. If the increase was to continue at this rate, there would be a projected cumulative increase of 9% in 2008/09, followed by 8% in 2009/10, and 8% again in 2010/11. However, the figures may be even higher as the impact of the credit crunch deepens²⁴. There is evidence that many new benefits claimants are being referred from the Job Centre, indicating that in such cases, the loss of a job is the direct cause of them seeking such benefits.

8.8.2 The distribution of housing and council tax benefits claimants across Brent's wards broadly follows the deprivation levels of the borough:



*Revenue and Benefits Database, November 2008

8.8.3 During times of recession when levels of deprivation are likely to increase, it will be those wards in the darker colour of the above map, in the south and south-east of the borough, that are more likely to see an increase in benefit claimants. It is therefore recommended that these wards are monitored and targeted where appropriate. The Neighbourhood Working Team currently works with departments across the council to ensure that the differing needs of different wards are recognised and that services are targeted effectively.

8.8.4 It is also possible that there will be an increase in council tax and rent arrears – almost three-quarters of the local authorities surveyed by the Audit Commission are anticipating a rise in arrears as recession and rising unemployment affects household incomes. Higher level of arrears reduces council income and increases the administration and legal costs associated with pursuing the arrears²⁵.

²⁴ Budget report activity data

²⁵ Audit Commission, 'Crunch Time' (2008)

- 8.8.5 This may also be exacerbated by the effects of the credit crunch on personal income. With decreasing interest rates, individual savings will be negatively affected. This is particularly problematic for pensioners, for example, who may often be dependent on the interest they earn on their savings for their living expenses. There is a possibility of deflation, and whilst a short period of decreasing energy and food prices might boost 'real incomes' of households, the impact on individual's investments, savings and wages if the deflationary cycle continued would be damaging.
- 8.8.6 Brent is already active in providing advice and support to those experiencing debt problems, for example through the income maximisation project for the LAA, a comprehensive debt advice sheet, an anti-poverty recovery policy for council tax (which allows for consolidation of debts into one affordable repayment arrangement and extended periods of time to repay arrears), and benefit take-up campaigns.
- 8.9 *Employment*
- 8.9.1 Unemployment may increase as a result of recession (see paragraph 5.3), and therefore demand for employment support and advice may increase. LGA research recommends that in response to rising unemployment, local authorities should ensure training is made available to the local workforce that matches the demands made by local industry. This solution can have a long response time, but it can be critical for softening the blow of recession and ensuring rapid recovery. This is something that the council and partners currently address through the Employer Partnership, Brent in2 Work and the College of North West London.
- 8.9.2 The council also has increasing expectations to assist with employment for vulnerable groups such as learning disability and mental health clients. It is likely that in an increasingly difficult employment market, this group will be particularly hit. There is already a greater expectation from central government of the council giving greater direct and indirect support to get those groups into employment.
- 8.9.3 It is therefore recommended that Brent council maintains the focus that it already has on ensuring that those who are most in need of support are helped into employment, for example those with learning disabilities, young people who are NEET, and the most disadvantaged living in the most deprived neighbourhoods, including the already long term unemployed and lower skilled. It would be easy to lose sight of these most disadvantaged individuals, but it is crucial that the existing levels of polarisation are not increased. Brent council is currently considering the possibility of a Council-wide apprenticeship scheme to encourage young people to work for the authority. Stimulating the employment market by bringing forward capital spending, for example through encouraging schools to spend some of the money they have been saving (see paragraph 11.8), may also ease employment pressures in the borough.
- 8.10 *Business Support*
- 8.10.1 As businesses suffer from the credit crunch (see paragraph 6), one of the potential options put forward by national bodies is to provide tailored business advice and support. According to the IDeA/LGA survey, 52% of the local authorities surveyed had already started to do this. In Brent, there are questions around how effective the existing support agencies are, and doubts about whether the council has the right expertise to provide the type of support a struggling business needs. Therefore, the council should continue to liaise with business support agencies and the London Development Agency, and to make full use of the Employer Partnership, in order to provide local businesses with the information and support they need.

8.10.2 Other solutions put forward by national bodies include paying all suppliers quickly, in order to improve their cash flow (74% of the local authorities surveyed by the IDeA and LGA have started to do this), or encouraging the take-up of small business rate relief. Brent council has recently sent out application forms to approximately 600 businesses which may be eligible for rate relief but have not applied, and more targeted phone calls to businesses are currently being tried. Providing support like this would fit with the council's current focus on business sustainability, rather than its previous focus on business start-ups – Brent has a very high start-up rate, yet the closure rate is just as high, which means the borough's business density is low. However, the extent to which short-term measures such as these suggestions will make a difference in Brent is debatable.

8.11 *Environmental Services*

There is unlikely to be any additional demand on universal environmental services such as refuse collection. One possibility is that increased unemployment could result in higher levels of graffiti, vandalism and flytipping, and (as the price of scrap metal decreases) there may be an increase in the number of abandoned or burnt out cars on Brent's currently clean streets.

8.12 *Crime and community safety*

It is possible that community safety may be negatively affected by recession, as if there is increased unemployment, acquisitive crime may increase. However, this does not seem to have been the case as yet, either nationally or within Brent. According to the survey by the IDeA and LGA, 81.7% of respondents reported that local community cohesion had not yet changed, with half of the remainder unable to say. Brent's crime statistics have recently improved – residential burglary has decreased by 9.4% in the current year, and personal robbery figures show a 26.1% decrease²⁶. Therefore, this is an area that has not yet been affected.

9.0 **Risks and threats**

As well as having to meet increasing demand for services, there are a number of other risks and threats that are posed to councils during times of recession. Market forces affect not only the individuals and communities which the council serves, but also the contractors it uses, the partners it works with, and the income and expenditure it manages.

9.1 ***Business Continuity***

Although it is considered highly unlikely in Brent, there is a potential risk that the decreased availability of credit and fall in demand for services may cause external contractors that the council uses to collapse. The recommendation therefore is that detailed planning is undertaken to ensure that services can be maintained if any contractor or supplier gets into difficulty, for example through investigating other ones that could take over if necessary.

9.2 *Environment and Culture*

9.2.1 Any business continuity would therefore have to be cognisant of safety issues, particularly for sports centres and swimming pools.

²⁶ Crime direction of travel statement, January 2009

9.2.2 Recession could further affect the council's contractors in varied ways. For example, the value of recyclable materials has fallen sharply which could affect waste contractors. A snapshot survey of councils conducted by the LGA found that 75% reported falling prices; 27% have increased the temporary storage of materials within existing capacity; and 23% are considering alternative disposal options if the situation does not improve²⁷. However, Brent council is only responsible for the collection of recyclable materials, and finding profitable markets to dispose of the recyclable goods is the responsibility of the contractor. Therefore, any decrease in price would fall on the contractor as the council has a fixed rate contract.

9.3 *Housing Contractors*

As can already be seen, building contractors are at the forefront of difficulties as a result of the credit crunch. However, Brent Housing Partnership spreads this risk by using multiple contractors. Moreover, with contracts like housing repairs, in times of recession traditionally reluctant companies would probably be more likely to take on this kind of regular work. Therefore, in theory contractors would be easy to find to take over.

9.4 *Social Care Providers*

The council uses external contractors for all of its homecare services and for the vast majority of its residential requirements. This is an area where the council has been trying to negotiate better terms and conditions. In addition, the Commission for Social Care Inspection has been trying to raise the standards of care homes via its star rating systems. External providers' trade bodies have nationally expressed concern that local authorities are starting to squeeze them financially. Therefore, the benefits of negotiating better contracts with external social care providers must be weighed against the risk of them collapsing. The potential collapse of isolated single home providers is arguably a bigger risk than the collapse of larger care providers, where the government would be likely to intervene due to the large number of service users who would be affected. Where providers need to upgrade their homes physically to get a higher star rating, providers will be more reluctant to do this in the current financial environment. Brent also has a shortfall in some types of residential home, for example those specialising in accommodating clients with dementia, and it is unlikely that providers are going to start large scale capital projects at this time. It is therefore recommended that care providers are monitored closely, and possible replacements investigated in case.

10.0 ***Local authority income and expenditure***

10.1 The Audit Commission carried out a survey of the impact of the credit crunch on spending and income in local authorities. 49% of authorities said they faced some cost pressures but these could be managed without the need for significant remedial action. 45% said significant measures had been taken or are planned to address financial pressure. Although the survey does not specify how authorities of different kinds responded, it is likely that district councils who depend much more than London boroughs and other unitary councils on income from land searches, planning and so on formed the majority of councils that felt the pinch and that most unitary authorities, like Brent, have experienced limited impact in 2008/09.

10.1.2 Brent council is however likely to see significant budgetary pressures in the short to medium term as reduced interest rates affect income on the council's balances, the

²⁷ LGA article, <http://www.lga.gov.uk/lga/core/page.do?pageId=1251084>

Pension Fund is affected by collapse in the value of shares, there is pressure on some kinds of spending, and income from fees and charges is increasingly affected.

10.2 *Interest rates*

The Bank of England has slashed interest rates from their peak of 5.75% at the end of 2007 to 1% now, the lowest it has been since the bank was founded in 1694²⁸. Brent has approximately £100 million invested at any one time, and over the past year has been earning almost 6% on these. The collapse to 1% will leave a substantial deficit in the budget. This is not offset by a reduction in the amount spent on loan payments because the council's borrowing is all at fixed rates over a long period of time. The council is looking at debt restructuring options which will offset the impact to some extent, but this will undoubtedly be the major direct financial impact of recession in the short term.

10.3 *Impact on the Pension fund of collapse in the value of shares.*

This poses a significant threat to Brent's Pension Fund which is due to be valued in 2010. Whilst valuation of the Pension Fund involves assessment of long term trends, losses due to reductions in value of shares mean that it is almost certain that the employer's contribution to the Pension Fund will have to be increased following the valuation, affecting budget projections from 2011/12 onwards. This will need to be factored in to the medium term financial strategy from 2011/12²⁹.

10.4 *Inflation and deflation*

10.4.1 Although the Retail Price Index is not a good measure for how local authorities' expenditure increases as councils do not buy a full basket of consumer goods, the rise in energy and fuel prices has had some effect in 2008/09 - although less than 2% of local authority expenditure is on the areas that have seen significant cost increases (such as electricity, gas and fuel). There has also been an impact on contracts linked to the Retail Price Index.

10.4.2 Inflation is already reducing and is predicted to reduce further during 2009 with the possibility of deflation. Reduced oil prices will also impact on energy and fuel prices. This should to a large extent offset the additional costs built into the base by price increases in 2008/09.

10.5 *Fall in income from fees and charges*

10.5.1 Brent council is likely to see a decrease in revenue income from fees and charges such as planning and building control fees, land search income, parking charges and commercial rents. There is also likely to be a reduction in funding for the capital programme because of lower capital and section 106 receipts.

10.5.2 There is clear evidence that in Brent income from land charges has decreased. There is an expected £446,000 deficit in income from land charges in 2008/09 as a result of the downturn in the housing market – in November 2008, Brent collected £20,000 through land charge searches, compared to £75,000 for this month in the previous year³⁰. Building control income has also seen a recent decline, matched by a reduction in applications – and there is likely to be a further time lag on this, as it is more dependent on market forces³¹.

²⁸ Hugh Pym, *Interest Rates hit all-time low* (BBC News 8.1.09)

²⁹ Budget Panel report 23.10.08, 'Review of progress on the Medium Term Financial Strategy'

³⁰ Activity monitoring for Strategic Finance Group

³¹ Effect of downturn on planning, CCW 16th Jan 09

- 10.5.3 Income from planning fees is expected to decrease nationally, with 84% of local authorities stating that they had seen planning fees fall by 3% or more³². The downturn in planning fees has not been experienced in Brent to date, however there are clear signs, with application numbers falling, that this is likely to occur in the coming financial year. Although the council has received almost double the number of major applications this year (19 so far against a total of 11 in 2007/8), there was a significant decline across 2008 – 16% from April to December, then with a reduction of 28% and 30% respectively in November and December. Fee income from major applications so far this financial year has been £555,000, representing 45% of the total income. Major application income from the previous year was only £221,000 and represented only 19.5% of the overall total. These figures reflect a reducing income from more minor applications and an increasing reliance on larger schemes that may well reduce in number in the coming months³³.
- 10.5.4 A loss of capital through section 106 agreements and a decrease in capital receipts are also expected. This decrease in receipts is a trend identified nationally. A quarter of the local authorities surveyed by the Audit Commission state that they have seen falls in Section 106 receipts of more than 5%, which is of particular concern because about half of the affordable housing supply in recent years has been provided under Section 106 agreements³⁴. In Brent this may also affect the schools building programme which depends to some extent on section 106 receipts. Opportunities to generate improvements in public sector infrastructure through regeneration projects will also be affected. According to a local authority income survey by the LGA, for the 52 local authorities that replied, capital receipts were originally budgeted to be £211m, but the authorities now anticipate generating only £93m in the current year and £70m in 2009/10³⁵.
- 10.5.5 A reduction in income from parking fees is also a possibility - 52% of the local authorities surveyed by the Audit Commission have measured a reduction of income from parking fees of 3% or more, with 24% stating a decrease of 5% or more³⁶. In the last few months greater compliance with parking controls has been identified, which has resulted in fewer parking penalties having to be issued. This may be caused by the recession, and will contribute to the already reducing income received by the Council.
- 10.5.6 There has been no measurable impact yet on council tax collection. By November 2008, the council had already collected a greater percentage of council tax than it had by November 2007 – 75.37% in 2008 compared to 74.67% in 2007. However this may change over the next few months. There have been reductions in business rate collection although this has no direct impact on the council's finances.
- 10.5.7 The council is increasing its charges by 5% across the board, based on the inflation rate as it was in September 2008, and is increasing rents by 6%, in line with government expectations. This should ease the financial pressures slightly, although pensions and benefits will rise by 5% as well.

³² Audit Commission, 'Crunch Time' (2008)

³³ Effect of downturn on planning, CCW 16th Jan 09

³⁴ Audit Commission, 'Crunch Time' (2008)

³⁵ LGA, 'Local authority income survey' (Jan 2009)

³⁶ Audit Commission, 'Crunch Time' (2008)

10.6 *Deterioration in public finances*

- 10.6.1 Recession is likely to have a long-term effect on local government finances, since the additional short term injection of funds, including rescue packages for the banks, will result in the need for future cuts in government spending. Formula Grant, Area Based Grant and most specific grants are fixed for three years until 2010/11. Despite the worsening of the government funding position, it is unlikely that these fixed allocations will change, although there is likely to be an impact when the new Spending Review has an effect from 2011/12.
- 10.6.2 There will remain pressures from known government funding changes including land-fill tax and the introduction of Local Housing Allowance. There are also unlikely to be additional government resources should new pressures arise. The council is now assuming in the spending review that there will not be any increase in government grant, when the previous assumption was a 1% increase.
- 10.6.3 Moreover, it is inevitable that taxes will rise in the long term, as any government will have to bring its finances back into balance. This may slow down economic recovery and may make the council's own ability to collect tax and fees more difficult.
- 10.6.4 The council's Improvement and Efficiency Programme was developed pre-recession and was based on the then identified need for the council to make efficiency savings of at least 3% each year over the foreseeable future. The impact of recession – particularly tightening government finances and the poor outlook for the Pension Fund – will mean that the council needs to increase further the ambition of its efficiency targets.
- ## 10.7 *Other means of local authority banking and lending*
- 10.7.1 One of the ideas currently being debated is the creation of England's first local authority mutual bank, championed by the New Local Government Network (NLGN). In this model, councils would collectively invest a proportion of their reserves in a local authority owned fund, where they would earn a modest but stable return. This fund could then be drawn upon by councils to fund vital public infrastructure³⁷, and any returns could be reinvested in the sector - a model attractive at both ends of the political spectrum, particularly after the Icelandic crisis. With estimates of total council reserves of between £15 and £20 billion today, it is thought by the NLGN that even a fraction of this sum invested could yield millions of pounds of capital, regardless of the state of the private financial market³⁸. Councils in favour will be meeting over the next few months for discussions.
- 10.7.2 Whilst this model could be seen as attractive as local authorities would have control over their own financial affairs, nevertheless it has been criticised on principle. The new bank would use short-term deposits from councils to fund long-term loans back to local government, while also seeking some competitive differential between the interest paid by the borrower and the interest earned by the depositor. When economic conditions improve again and base interest rates rise, councils will want to move their deposits to more profitable investments, but this new bank will presumably have already lent out a sizeable proportion of this cash as long-term loans to other parts of local government. At any rate, councils currently have no difficulty getting loans, even with the credit crunch, for example through the Public

³⁷ Kerry Lorimer (Feb 2009) 'Banking on Business' (LGC Plus)

³⁸ Chris Leslie (Jan 2009), 'A secure system for councils to bank on'

<http://www.localgov.co.uk/index.cfm?method=news.detail&id=74771&layout=2>

Works Loan Board – this mutual bank is unlikely to be able to get more competitive rates than any other banks councils can already access loans from³⁹.

- 10.7.3 A small number of councils are considering launching their own “banks” to help local small businesses who are having difficulty accessing credit. These institutions would draw on wellbeing powers and existing access to the financial markets to provide asset-based finance to businesses and potential investors⁴⁰ to provide a lifeline for businesses that have been starved of credit but are otherwise viable. For example, Birmingham is considering providing funding for ‘viable’ schemes through a ‘Bank of Birmingham’, by buying assets and then arranging lease-back as a ‘reverse PFI.’
- 10.7.4 A further idea is around councils entering the mortgage market. However, there are concerns over whether councils are experienced enough to do this, and also concerns regarding the legal uncertainty around how much local authorities can use their wellbeing powers without overstepping their remit⁴¹.
- 10.7.5 It is therefore recommended that the council considers whether to take on the role of more of a financial player through schemes and options such as these. They are not without risk, but it may be an area that the council considers expanding into.

11.0 Opportunities that present themselves

Despite the risks and threats that are posed to the council in this period of economic crisis, there are also a number of opportunities that present themselves. There is an opportunity to reconsider the role of the council and review our priorities, as well as the opportunity and added impetus to ensure that the systems and processes that the council uses are as good as they can be. In Brent, one of the most significant opportunities that presents itself is to further the council’s regeneration agenda.

11.1 *Regeneration and Development*

The construction industry has been severely hit by the squeeze on credit, and delays in development schemes have had a negative effect on the pace of Brent’s major projects, for example timetables have been put back for Wembley development. This fits with the national trend - 84% of the local authorities surveyed by the Audit Commission reported falls in development activity in 2008/09, and 92% predicted further reductions in 2009/10⁴². The lack of credit and economic recession may well both stop and delay private development, which may adversely affect our regeneration ambitions in Brent.

- 11.2 Nevertheless, it is recommended that the council use this as a period of opportunity in terms of the regeneration agenda, through undertaking detailed planning work and establishing clarity of vision, so that development projects can be kick started when the upturn occurs. There is an opportunity to seek/identify new developer partners to help with our regeneration ambitions, and the council should consider seeking out new building contractors who may be able to offer more competitive contracts at a time when prices are falling, in preparation for the economic upturn, and in order to move away from the culture of councils having a historical list of contractors.

³⁹ Sean Nolan (12.2.09), ‘This bank idea is a honey trap’ (Municipal Journal)

⁴⁰ Kerry Lorimer (Feb 2009) ‘Banking on Business’ (LGC Plus)

⁴¹ Michael Burton, ‘Our Solutions to the Credit Crunch’ – speakers from the Credit Crunch conference December 2008 <http://www.localgov.co.uk/index.cfm?method=news.detail&id=74381&layout=2>

⁴² Audit Commission, ‘Crunch Time’ (2008)

Targeting spending more strategically into local contractors and businesses can stimulate the local economy and ensure that high-priority employment locations are better placed to recover. The council should also prepare for potential government investment that may be targeted at regeneration projects. Brent council has experience of bidding for additional funding, so this is an opportunity that should be exploited.

- 11.3 The feasibility of establishing a Joint Venture vehicle to take forward the remainder of the regeneration programme in South Kilburn and perhaps wider is currently being considered by the council. This option is attractive for potential developers because it spreads the risk for them, particularly within the current economic climate, by offering them a stable partner as well as a longer-term view of profit-making. It is attractive for the council because the costs of land and construction are currently low, and it could stimulate local development as well as provide local employment opportunities. The concept of a joint venture company to develop housing, including social housing and other non housing schemes, is one which a number of authorities are now considering with a number of pathfinders about to go live. We should also be looking to evaluate whether this concept has viability outside South Kilburn, yet in a way that does not detract from the importance of establishing its viability within that area.
- 11.4 However it is important to consider that, due to the lengthy nature of organising a venture such as this, it is unlikely that any building would actually take place whilst the economy is still in recession. Nevertheless, it may contribute to easing recessionary pressures by increasing confidence and stimulating the market – therefore the opportunity, if proven viable, should be seized. It would also help to prepare Brent for being in the best position for the economic upturn when private investment increases again.
- 11.5 In a similar way, it is important that Brent council maximises the contribution of the new Civic Centre to regeneration in Wembley within the current stagnant development industry – as an exemplar building which sets the standard for Wembley development, as a provider of local employment opportunities, and for the potential purchasing power of the Council’s staff and visitors in the area.
- 11.6 There may also be an opportunity for developing an educational programme, where developers who may have been too busy during the economic boom could be encouraged to give talks in schools about, for example, careers in engineering. This would supplement the training opportunities already provided by the council through bodies such as BACES and Brent in2 Work.
- 11.7 *Housing Development*
- 11.7.1 In Brent, this will have an impact on achieving LAA housing targets. Performance as measured against NI 155, which is about increasing affordable homes, is likely to be affected – the current forecast is that Brent will struggle to achieve the LAA target to deliver 458 affordable homes annually between 2008 and 2011 by 17.4%, due to delays or terminations of development schemes. Wembley regeneration schemes were also expected to contribute to the supply targets, but some of these sites will be delayed, as developers such as Quintain concentrate on the non-housing part of their development. Performance as measured by NI 154, which is about providing additional new homes, is also likely to be affected. In 2007/08 in Brent, only 791 additional new homes were achieved, against our target of 915. Although we are likely to achieve our target in the current year, the fact that new starts will drastically slow will make future years’ targets much more difficult to achieve. New housing starts are reducing, and in some cases where construction has commenced,

developers are delaying internal fit outs that allow new homes to be habitable in the hope that the market will improve. These LAA targets are currently under review.

- 11.7.2 The government is using housing as a means of trying to kick start the economy. The Homes and Communities Agency (HCA), the primary government funder for affordable housing, is bringing forward its investment plans and making funds available to both local authorities and housing associations. The pre-Budget report announced that £775 million of housing and regeneration funding earmarked for 2010-11 would be pulled forward to 2008-09⁴³. Brent council has already taken advantage of this, and has acquired funding to enable existing properties to be procured by housing associations. It is also likely that funding for housing redevelopment of estates like Barham Park will be forthcoming. In addition, there may also be an opportunity for some advanced funding for resources to improve our own stock via BHP, and this is also being looked at. It will however be important that a strong dialogue is developed with HCA and all available opportunities for funding both direct to the council and to partners such as housing associations are developed. HCA are likely to take a very pragmatic approach to where they spend their resources, i.e. where delivery can be guaranteed. This will also include determining whether the traditional housing market, which primarily focuses on outright sale and affordable housing in its various guises, could change with greater prominence being given to market rent and rent-to-buy – and if this is the case, whether we have the organisations in the borough to exploit this.
- 11.7.3 Recession may also present the opportunity for renewed focus on providing housing according to what there is demand for, rather than what private sector developers find it cheapest or most convenient to build. As land prices correct themselves, the council may have the opportunity to build better quality housing, as private sector developers are more dependent on demand.

11.8 **Capital investment**

Many schools in the borough have capital stored which they are saving for large projects or investment opportunities. It is therefore recommended that the council encourage schools to begin investing some of this capital and commencing those projects for which they are saving, in order to help stimulate the economy.

11.9 **Recruitment**

As the private sector sheds staff, a pool of talented and experienced candidates may become available for employment. It may become possible for the council to recruit for traditionally hard-to-fill posts.

11.10 **Improvement and Efficiency**

Given the negative effects of the recession on the council's income and on an increasing demand for services, the savings that the Improvement and Efficiency Strategy are intended to create are crucial. The recessionary measures should provide added impetus for making these savings, and it is recommended that, in view of the forecast of greater financial constraints, the council considers increasing the ambition for resources obtainable for the Improvement and Efficiency programme, as well as its speed of implementation.

⁴³ Andrew Jones, (2009), The Credit Crunch & Regeneration (LGIUandSTEER)

12.0 Monitoring the impact of the recession

- 12.1 As has been seen, many of the effects of the recession may not have been felt as yet, or at least have not been picked up in performance data yet. It is therefore recommended that a number of performance indicators are monitored quarterly to keep abreast of developments and to ensure that Brent is providing the appropriate support to its residents and businesses. These indicators are:
- Homelessness – NI 156 which measures number of households living in temporary accommodation. This is routinely measured in Vital Signs reports.
 - Housing development – NI 154 which measures the net additional homes provided; NI 155, which measures the number of affordable homes delivered (gross); and NI 159, which measures the supply of ready to develop housing sites. These are all monitored in Vital Signs reports.
 - Levels of graffiti and flytipping. This is measured in Vital Signs reports.
 - Adult social care – NI 136, which measures the number of adults people supported to live independently through social services; NI 142, which measures the percentage of vulnerable people who are supported to maintain independent living; NI 146, which measures the number of adults with learning disabilities in employment; and NI 150, which measures the number of adults in contact with secondary mental health services in employment. These are all measured in Vital Signs reports.
 - Free school meals – NI 52, which measures the take up of school lunches.
 - Numbers requesting and receiving childcare – this is in the activity section of the Vital Signs reports.
 - Number of Looked After Children – NI 62, which measures the stability of placements of LACs: number of placements. This is monitored in Vital Signs reports.
 - Young people – NI 117, which measures the number of 16 to 18 year olds who are not in education, employment or training (NEET). This is monitored in Vital Signs reports.
 - Local enterprise - NI 171, which measures the new business registration rate; NI 172, which measures the percentage of small businesses in an area showing employment growth; and NI 174, which measures the skills gaps in the current workforce reported by employers. It may also be useful to monitor the number of businesses taking up rate relief and requesting advice or support.
 - Employment rates – NI 151, which measures the overall employment rate (working age); and NI 152, which measures the number of working age people on out of work benefits. These are both monitored in Vital Signs reports.
 - Crime statistics – NI 16 serious acquisitive crime; NI 111, which measures the number of first time entrants into the Youth Justice System aged 10-17; and NI 45, which measures young offenders' engagement in suitable education, employment or training.
 - Benefits – the number of housing benefit and council tax benefit claimants. This is measured in Vital Signs reports.
 - Income from: planning fees, building control, land search charges, section 106 agreements, and parking fees; as well as overall revenue expenditure. This is monitored in the activity section of the quarterly report.
- 12.2 This list of indicators can be further refined in discussion with partners.
- 12.3 Further to this, it is recommended that additional work is undertaken at departmental level to evaluate the likely scenarios and potential measures that could be taken if certain impacts of the recession were to materialise, or if these performance indicators fell too below target.

12.4 It is also recommended that the council remain flexible in its approach towards potential short-term solutions that can be adopted in case performance against any of these indicators falls below a designated level. Examples of such short-term solutions that have been adopted by other councils can be found in Appendix 1 of this document.

13.0 Communicating the Message

13.1 It is vital that the message which the council seeks to present to the community about the recession is agreed on and delivered consistently. This message needs to be reassuring, and it needs to be given by council officers, managers, Members and partner organisations. It is vital that Members are fully briefed about the approach the council is taking towards the recession, so that they can disseminate this message to residents. Efforts should be taken to ensure that, as far as possible, it does not become a politically divisive issue. The council should also work with its partners in order to agree on and ensure consistency of message.

13.2 Therefore, the council should seek to acknowledge the negative impact of the recession, but also demonstrate the council's financial and operational strength. Messages that should be portrayed include:

- The council is spending money effectively and efficiently on delivering excellent services for Brent's residents;
- Awareness and acknowledgment of the problems caused by recession, and the message that it is taking action to deal with them;
- What support is available for Brent's residents and businesses.
- Simplification – the council has a role in ensuring residents understand what impact the recession can have on them, particularly in a time when there is so much happening and changing in business, finance and politics every day.
- Brent has a strong and stable senior management team, who have extensive knowledge of working within a borough with relatively high levels of deprivation, and also have experience of dealing with the previous recession.

13.3 Although the temptation might be to cut marketing and communications budgets as finances get tighter, the maintenance and enhancement of Brent council's reputation amongst the community is even more important during times of recession. These messages should continue to be reinforced across the range of mediums the council currently uses, such as The Brent Magazine, Brent council's website, and Neighbourhood bulletins, and in many different ways in order to reinforce them.

13.4 Communication between council staff and managers is also just as essential and should not be underestimated during difficult organisational or financial times. Managers need to be even more visible and accessible in order to reassure staff (particularly as many council officers are also Brent residents), and must operate as a team to present a consistent message. Staff need to see confident senior management to allow them to feel confident that organisation is in 'safe hands'. Equally, the importance of staff insight into efficiency ideas and about what the residents want needs to be acknowledged and encouraged, and it is very important to consistently acknowledge the good work that takes place.

14.0 Financial Implications

14.1 The financial implications are covered throughout this report.

15.0 Legal Implications

- 15.1 There are no legal implications directly arising out of this report; however legal input may be required if any of the recommendations are adopted and result in further actions.

16.0 Diversity Implications

- 16.1 Particular diversity implications are outlined in the body of the report. It focuses on addressing the equality and diversity issues that could arise from a national recession in Brent. Any new projects put in place in response to the recession would need to be assessed for diversity implications in the usual way.

17.0 Conclusion

- 17.1 The full impact of the recession is yet to be seen. The council has experienced a slight increase in demand for some services such as benefits and council housing, as well as some negative effects on its income. However, the full wider consequences are only likely to be felt over the next year.
- 17.2 Alongside the risks and hardships that pose themselves to the council and community in Brent, there are also a number of opportunities that present themselves, particularly in the area of the council's regeneration programme. This report has recommended that Brent council take advantage of any such opportunities and position itself to benefit local people for the upturn. This report also strongly suggests that the direction taken on Improvement and Efficiency is now absolutely critical to surviving the recession and its aftermath.
- 17.3 As we are in uncharted waters, it has been recommended that the council remain open and flexible in deciding its approach, and one of the key recommendations around this has been the arrangement of a conference with public, private and voluntary sector partners to agree on what this approach should be. The report has also recommended that the effects of the recession should be closely observed through the quarterly monitoring of a number of key indicators, and that further evaluation into the potential scenarios is undertaken. The council should focus on agreeing the message it wants to give to the community, and delivering this consistently and reassuringly.

Background Papers

Activity monitoring for Strategic Finance Group
 Audit Commission (2008), *Crunch Time*
 Budget Panel report (23.10.08), *Review of progress on the Medium Term Financial Strategy*
 Capital Economics (2009) *UK Quarterly Review: first quarter*
 Crime direction of travel statement (January 2009)
 Gavurin (April 2008), *Insight Preliminary Review of Brent*
 GLA Economics (2008), *London Economic Outlook*
 Jones, Andrew (2009), *The Credit Crunch & Regeneration* (LGIU and STEER)
 IDeA (2008), *A Brief guide to the recession*

IDeA/LGA/SOLACE (2008), *Survey of the Impact of the Economic Slowdown on Local Authorities*

Neil Lee (2009), *West London and the Recession* (London School of Economics)

Local Government Association (2008), *From Recession to Recovery: the local dimension*

Local Futures (2007), *The State of the Borough Report*

Parkinson et al (2009), *The Credit Crunch and Regeneration: Impact and Implications*

The Times (12.1.09) *Calls for council help increase as town halls start to feel the pinch* by Jill Sherman

Solace Members Panel (2009), *Stand Up to the Downturn*

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Appendix 1

London Councils Approach to Delivering in a Downturn

Recent London Government Activity

All levels of government in London have responded to the economic downturn. At borough level the most common responses to support individuals have included:

- Benefit take-up campaigns
- Provision of energy efficiency advice
- Increased provision or commissioning of debt and financial advice
- Formation and increased support for credit unions
- Seeking to minimise future increases in council tax
- Increased emphasis on training and apprenticeships.

For businesses:

- Seeking to pay bills within 10 days
- Reviewing procurement strategy
- Rescheduling business rates payments
- Encouraging take-up of small business rate relief
- Identifying opportunities to bring forward capital spending plans
- Planning improvements to business advice services
- Greater publicity for public sector contracts

The Mayor of London launched ERAP in December 2008 with initiatives on procurement, LDA spending, housing, apprenticeships and international promotion of London as a place of business.

London Councils' Chairman is involved in both the London High Level Group and the Regional Economic Council which provide connections to national government decision making. On 26th January the Executive Committee discussed a paper on the economic downturn. The purpose of the paper was to move towards a collective view of how London boroughs should respond to the recession.

The paper offered a context for forming policy and offered a long list of policies aimed at both individuals and small businesses. These policies were categorised against three criteria:

- Reducing the impact of recession
- Stabilising the position for individuals and businesses
- Intervening to increase economic demand in London Councils

The Executive decided to remit the decisions to a small sub-group led by Stuart Fraser of City of London to work up a package of proposals that would be put to the Leaders' Committee on 10th March 2009.

Current Political Judgements

From the discussion several aspects of Leaders' current thinking emerged. There is a desire to avoid taking on new risks in a period when local authorities will come under increasing pressure. However, determination was also expressed to be ambitious and to change core aspects of councils' delivery.

Some Leaders were clear in their opposition to:

- Accelerating payments, or opening procurement systems where this might increase risk to local authorities

- Any form of investment pooling that could be described as banking, or that involved any public sector judgements on business viability.

Support was expressed for:

- Delivering services differently through collaboration and sharing services
- Increasing volunteering as a way to keep people engaged with the jobs market and to maintain self-respect and confidence
- Calling on central government to fund reduced council tax, NNDR and costs of increased demand

There was agreement that London boroughs needed to co-ordinate their efforts if they were to meet the scale of the challenge. This meant that London Councils should identify a small number of issues on which it could add value by developing vehicles for joint borough action. In addition, and in response to requests from a number of Chief Executives, we plan to canvass boroughs regularly (4-6 weeks) with some high level questions to help reveal the on-going picture across boroughs. We will ask Chief Executives for this information and provide the consolidated picture back to you, as well as reporting it to Leaders' Committee and Executive.

Future Action

From these discussions it appears likely that two strands of policy will emerge. The first is a small set of pan-London initiatives that will require some central development by London Councils, but that will rely on local implementation. The second is a menu of interventions, supported by information sharing across London which individual boroughs will be able to consider.

The development and viability of these proposals is likely to be influenced by initiatives and proposals from the GLA and central government; and the pace at which the recession bites. If boroughs err towards too much risk minimisation they may encounter more tension with the aspirations of regional and central government.

Creating a menu of policy interventions - a number of which were annexed to the report to the London Councils Executive - with supporting information is the less challenging of the two tasks. However, the small number of pan-London collective interventions will need to meet several criteria which together could be challenging. These criteria include:

- Can be delivered in a timescale that reflects the urgency of the economic position
- Have an impact which rises to the ambition of Leaders, The London Mayor and Ministers.
- Do not create risks that are unacceptable to individual boroughs
- Command the support of a significant number of boroughs
- Are visible to Londoners and London business
- Are managerially deliverable

It would be helpful if CELC could provide a steer on the sort of small number of pan London action it believes would be most valuable and which can be presented to Leaders on 10th March.