Item 3

Report to the Executive Advisory Group

Improvement East **12th November 2008**
Subject: Facing up to New Challenges
Report by: Secretariat

Purpose

Recommendation

It is recommended that the Executive Advisory Group

i) Considers the challenges of the economic downturn and how this impacts on the work of Improvement East

ii) Makes suggestions for new areas of work to be commissioned for the future work programme of the Partnership

iii) Agree the Chief Executive Champion to take forward this area of work.

1. Introduction

1.1 The down turn in the economy poses new challenges for local authorities across the region. This report and background papers provide a starting point for discussion for the Executive Advisory Group meeting on the 12th November to consider how the work of the Partnership needs to change to meet these challenges.

2. Background

2.1 The chart attached at Annex A poses a series of issues the Executive Advisory Group might like to consider when it discusses the impact of the economic down turn in the East of England and how the Partnership might need to review its priorities in the future to meet these new challenges.

2.2 The past few months have seen significant changes to the global economy which are impacting on local authorities in the region. A Regional Economic Forum has been set up to consider these changes and authorities are providing intelligence on the changing environment and the steps they are taking to support their local economy. A summary of this information is contained at Annex B.

2.3 Regional Improvement and Efficiency Partnerships need to respond quickly to the changing needs of local authorities in the region. The East of England is one of the net contributors to the GPD of the country and wants to remain so. The credit crunch and the impact of funding in Icelandic Banks are affecting Councils in the region and are making efficiency targets even more challenging. As well as this the East of England has three of the four major growth areas in the region and the slow down in the economy and therefore growth is already having a major impact on the provision of housing and the construction industry.

2.4 In other regions RIEPs have been active in developing responses to the economic changes, doing so in a variety of ways. A summary of these responses is contained at Annex C.

3. So what do we want to do differently?

3.1 As a result of the discussion on the economic down turn it would be helpful to:-

- Consider the Partnership's priorities in light of changed economic conditions
- Commission areas of work arising from the discussion on the economy and agree to the Chief Executive Champion for this area of work

4. Conclusions

4.1 If Improvement East is to be an effective partnership it needs to be responsive to the changing economic conditions and the needs of authorities across the region. A discussion on the economic downturn will enable the Partnership to revisit its priorities and make any changes necessary to support authorities in the future.

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Facing up to New Challenges

How can we support the local economy?

What do we need to do to support our own suppliers?

What areas do we need to move into? And out of?

What does this mean for CAA?

Is there anything we need to do to support the Regional Economic Forum?

Do we understand the social consequences of recession?

Do we need greater focus on efficiency? And if so how?

What is the long term impact of harder times ahead?

What does this mean for our own staffing levels and skills?

What help do authorities need faced with financial crisis such as the Icelandic Banks?

Are Councils and Councillors seen as able to fulfil a community leadership role in a recession?

How will new economic challenges impact on the fire and rescue service?

What is the impact for delivery of LAAs?

How can we support authorities where growth is slowing down?

What support do authorities need to deliver housing and new employment?

The Regional Economic Situation and Responses

(Summary of intelligence supplied to the Regional Minister October 2008)

Regional

A report from the Regional Intelligence Centre dated 3rd October indicates evidence of difficult economic times starting to become apparent 'on the ground' in the East of England:

- According to most surveys, business confidence is low, and future orders for services and goods are reduced. However that has yet to translate clearly into redundancies
- Every region in England and Wales experienced a decrease in average property values over the last 12 months. The East of England has had the most significant annual price fall with a reduction of 6.7% between August 07 and August 08. This has had a knock on effect with a number of national house builders closing offices in the region
- Whilst there have been notable redundancies and increases in claimants of unemployment related benefits, the labour market remains robust

Key risks facing the region and the sub-regional economies:

- Prospects of closures and redundancies – particularly affecting construction and housing related industries; and financial services
- Labour demand slows or halts – many employers are ceasing to recruit. In particular, this has an impact on youth and graduate unemployment or underemployment.
- Changing market environment for land and property – market values, risk, and available funds are changing
- Pressure on tax revenues and public expenditure – there is little room

Sub Regional

Intelligence supplied by some authorities in the region indicates a varying degree of economic difficulty and highlights significant recent announcements on the economic situation.

Most areas report evidence of harder economic times. Significant redundancies and higher levels of people claiming Job Seeker's allowance are common. However some areas (particularly Peterborough) seem less affected.

This information also highlights activities that are underway or have been planned to respond to the economic down-turn.

In many cases this is some form of redundancy support however there are also cases of authorities working with partners, local business and investors to stimulate/effect the economy. There are also examples of authorities speeding up payments to SMEs to offer stability and support.

Peterborough

Situation/Announcements:

- Business growth of city's 3 major employers (Perkins Engines, Thomas Cook & BGL) is still strong, aided in part by acquisitions, staffing is stable or growing. BGL announced a recruitment drive for additional 40 staff
- No significant closure or redundancy announcements
- Peterborough Workspace, the PCC supported starter units, confirm a 100% occupancy rate. An encouraging indicator of the market for small and new enterprises

Responses:

- Following some recent notifications of significant redundancies (Hotpoint and Baker Perkins) have now put in place a Redundancy Support Team which enables the city to provide a coordinated public sector response to the larger redundancy announcements. Already proving to work effectively

Suffolk County Council

Situation/Announcements:

- Copella (producers of bottled apple juice), who are based in Babergh District, are to make 40 staff redundant.
- Newmarket Racecourse reported 10% fall in numbers attending recent 3 day event.
- House builders Taylor Wimpey and Bovis have closed offices and made redundancies in the region
- Increase in people going to Ipswich & Suffolk Credit Union, and alternative to 'loan sharks'

Responses:

- Suffolk CC urgently considering its response to the credit crunch and how to provide support to individuals and businesses
- Ensure it pays small business suppliers quicker. Payment terms currently 30 days, aiming to get down to 10 days where possible and improve performance across the board

Hertfordshire

Situation/Announcements:

- April-August 2008, 40 companies notified 2696 redundancies in Hertfordshire. All district and borough councils were affected. This significantly included retail companies (14) which had not previously been a significant sector for redundancy trends
- Reported jobs 'at risk' include people not resident in Hertfordshire but employed by companies with their HQ within the county boundary
- Last year claimant of Jobseeker's Allowance count increased by 15.2% (higher than national increase of 14.1% and regional increase of 13.9%)

Responses:

- Rapid Response Service – provided by Jobcentre Plus, only works with organisations facing 'significant' redundancies, intervening when existing

provision does not meet the circumstances. Jobcentre Plus can provide support for any company where jobs are being lost, this varies from case to case

- Improving Capabilities (R2R3) – Programme operating across the region which provides practical assistance to individuals made redundant, carefully designed to dovetail with what is available through Jobcentre Plus and local redundancy services. Co-financed by EEDA and ESF, managed by ExDRA and Cranfield
- HCS Redundancy Service – Herts Careers Service (HCS) provide corporate outplacement services, redundancy support and advice to business and employees facing job loss. Can also offer access to a range of specialist redundancy services as lead partner of the Hertfordshire Response on behalf of a network of partners that support local companies.

Thurrock Council

Situation/Announcements:

- 45 jobs lost in 2 construction sector businesses
- New investments at planning application stage; possible expansion of M&S at Lakeside (30 jobs), Green Power Plant (possible 60 jobs)
- No reported closures
- Those claiming Jobseeker's Allowance September 2008 2.48%, down from February 2007 (2.68%)
- Anecdotal evidence, especially from small firms;
    - Businesses are looking at cutting costs, including moving to cheaper premises
    - Some evidence that more people are attending business start up courses

Responses:

- Thurrock Council to review the terms by which it pays invoices from small and medium sized firms
- Flexible business space provided by the council helps provide cheaper premises
- Meeting arranged with Unilever HR together with East of England International and Council to discuss support for previously notified redundancies

Bedfordshire

Situation/Announcements:

- Saxon Valley Foods announced consultation with 380 staff regarding redundancies following intent to close factory on Stratton Industrial Park
- IBC trucks at Luton on short working hours
- Bedford College is affected by over £2m of their development budget locked into Icelandic funds
- 'Meet the Buyer' event held by Luton Airport attracted significant business interest
- Data released on Jobseeker's Allowance claimants shows a significant increase back to levels not seen since 1999
- Double glazing company, Kingston Windows, announced closure – 30 jobs at risk

- Creative Bedfordshire launched to support development of creative industries

Responses:

- Local redundancy programme (PEBL) delivered by Bedford Training Group that works closely with Response to Redundancy (R2R) and Jobcentre Plus
- Beds CC actively supporting the improvements to Stratton Industrial Park
- Raising awareness of support and adding additional support for SMEs in Bedfordshire are being considered by Beds CC
- Priorities for use of growth area funding will be reconsidered by public partners in light of need to support housing delivery
- Preliminary discussions on how Beds might help the development of global vehicle test facility, Millbrook Proving Ground, in these challenging times
- Major US investor is being pursued by Bedfordshire County Council in supporting the development of science and innovation in Marston Vale. Investment proposal is of national significance

Cambridgeshire CC

Situation/Announcements:

- Authority acted in response to expected economic downturn and took actions that included:
    - Increase in contingency reserves to protect against inflation uncertainty
    - Increase in contingency reserves to protect against demand uncertainty
    - Creation with Horizons of a rolling fund to help pump prime growth infra-structure projects
    - More prudent approach to treasury management and investment portfolio
- Pace of house building has slowed and planning permission for new developments has almost tailed off entirely
- The slow down in house building has immediate financial impacts on the authority in relation to timing differences between incurring the costs of putting infra-structure in place and the timing of section 106 receipts

Responses:

- Authority using Cambridgeshire together mechanism to bring all partners together to identify key issues arising from the economic downturn and coordinate remedial action as necessary
- 2009-10 Integrated Plan and Budget are currently being built on the assumption of a 2-3 year economic downturn

Could we see if there is anything from Essex, Norfolk, Luton and Southend? I know that Brian was expecting to provide a briefing for the Minister today or tomorrow so may have some more intelligence.

Building capacity for economic development and in response to the economic downturn – roundup of activity in other RIEPs

Summary: All of the RIEPs have cited economic development as a key theme within their strategies. Examples of programmes to build capacity around economic development include Y&H and WM where economic development is closely linked to MAA, LAA and city region activities; the South West which is planning to invest over £1m in a programme of skills development, peer review and new ways of sub-regional working; Capital Ambition which is sponsoring a project to focus on worklessness and social housing. The neighbourhood renewal advisers will also play a key role at a local level in making progress on this agenda in all the regions.

The RIEPs are actively developing their response to the economic downturn by working with lead chief executives and members in their regions, commissioning research to better understand the impact on authorities, and working closely with partners (such as the RDA's) to alleviate the impact on authorities. The following provides a summary of the response to date in each region – however please note that this is a quickly changing agenda and the RIEPs' response is evolving all the time.

The North West: The NW RIEP is working closely with the NW RDA and other partners to develop an informed response in the wake of the economic downturn. This includes working with Neighbourhoods NW to commission research by the University of Manchester to establish effective practice in reducing worklessness at a neighbourhood level. The outcomes of this research will be available in the new year in time to inform the RIEP's delivery planning for years two and three.

The last Strategic Forum, made up of lead CEX and members, focussed entirely on the economic downturn, and was informed by intelligence from the RDA. As a follow up, Gillian Bishop, CEX of the NW RIEP, Steve Maddox (CEX Wirral and lead CEX for the RIEP in this area) and Dave Harris, NW Development Agency are meeting to agree key interventions at regional, sub-regional and local levels. The practical areas the RIEP and its partners have considered increasing support are: supporting local authorities to reduce payment run turn-around times to improve the cashflow for local SME's, working with Y&H region to look at the viability of adjusting business rates, understanding job losses by sector, and working through the RIEPs construction hub to bring forward construction and BSF contracts to stimulate the construction sector.

South west: The SW RIEP is following up its 'blue sky thinking' event earlier in the year by devoting the next Chief Executives' Management Group on 9th December to a 'grey skies event' looking at the support authorities now require amidst the economic downturn. The event will be addressing: commercial building cost inflation, uncertainties over investment returns, potential impact of income targets not being met, housing targets not being met (and developer's ability to deliver), increased burden on councils (i.e. housing benefits, worklessness), prudential borrowing. The RIEP will also be asking Chief Executives, senior management teams and elected members to supplement their current understanding of the issues by completing simple electronic survey on effects of the downturn and required support.

This is in addition to the SW's existing programme of economic development which includes an event to consider consistent approach to economic assessments, a skills and capacity survey, and support for establishing employment and skills boards. Other projects under development include a focus on worklessness, skills and employment projects.

The North East: The NE RIEP is supporting authorities to address economic needs as an integral part of their support for MAA's, particularly as post local government reorganisation, all of the authorities in the NE will be a partner in either a city region or an MAA. The RIEP has invested £300K into two MAA support programmes for the Tees Valley and Tyne and Wear. In the Tees Valley, where the MAA is intended to deliver transformational projects in terms of regeneration, housing and transport as well as increasing economic growth, the RIEP is providing support and training including action learning, training and development for scrutiny committees, policy training, partnership working and maximising private sector investment.

The NE RIEP is also focussing on the theme of economic development through its regional leadership programme which will cover collaborative leadership, enhancing capacity to deliver on economic development and SNR, and its transformational procurement programme includes a focus on sustainable procurement, encouraging authorities to work with third sector and SME's.

Improvement and Efficiency South East (IESE): IESE's strategy recognises the breadth of the SE economy and the challenges this raises for councils in the region. Their focus is on supporting a better understanding of the major economic, employment challenges that councils are facing in the longer term for example by facilitating enhanced joint working between public, private and community sectors and commissioning local research to understand employment sectors and matching skills needs to demand.

IESE has recently been working with Business Link to help businesses engage with local authority contract opportunities. The RIEP has established a regional portal for suppliers to access local authorities contract opportunities which to date, has provided access to over 4590 opportunities. There are currently 61 live, 4361 suppliers and 69 local authorities are participating in the scheme.

IESE has updated an analysis of local authority spend in the South East and is working with Business Link to make the most of this information for south east businesses. In addition, the RIEP has run a series of workshops for business across the South East focussed on how to engage with authorities, what the opportunities are and how to access them. Each session has included presentations from a local authority procurement officer as well as Business Link and the perspective from a local business which has contracts with a local authority.

IESE has also held a special event on construction which included the Olympic Development Authority identifying how to access contracts for London 2012.

East Midlands: The EM RIEP's regional capacity building and support programme includes offering guidance and support to the sub-regions and to councils on SNR and the RIEP will be providing skills training on third sector commissioning with the GO and Nottingham Trent University Business School targeted at Health and Adult/Children's Services.

The Regional Empowerment Partnership supports social enterprises and will be launched on 4 December at a joint RIEP/GO conference and EM RIEP is also working closely with the GO on poverty which has included regional sounding board to inform the Regional Minister on worklessness issues held in September 08. The RIEP is in the process of planning a further event with the RDA which will focus on the economic downturn and take place in the New Year.

As the majority of the funding is devolved to sub-regional level in the East Midlands, further detail will emerge shortly as the sub-regions submit their work programmes by end of October, however EM RIEP id already considering a bid from the Sheffield City Region (£55k) for work surrounding housing growth in North Derbyshire and North Nottinghamshire, with strong connections to economic development/regeneration.
On a similar theme the Leicestershire/Rutland SRP have strategic housing as a priority project on their improvement programme; this will embrace demand, growth and affordable housing issues.
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Capital Ambition (London):

Engagement meetings: At the heart of Capital Ambition is an innovative programme which 'matches' chief executive board members to individual authorities, providing and facilitating support where necessary, building on strengths and exploring ways of sharing good practice. It has helped London become the best performing region in the UK. It focuses on economic development, impacts, progress and sharing best practice.

Through engagement meetings authorities have worked with Capital Ambition to develop individual packages of support to accelerate and consolidate improvements where they have been underperforming. This aspect of the programme has successfully contribute to three boroughs jumping from one to three stars in CPA ratings the last three years, and another rising from just one to four stars since the inception of CPA. A total of ten authorities have benefitted from this part of the programme to date.

Efficiency peer challenge: All authorities in London are involved in the engagement programme, which will soon incorporate a new 'efficiency peer challenge,' which will provide a comprehensive and rigorous way to position London authorities to operate within the tighter financial climate that will ensue from the credit crunch, identify and share good practice in resources management across the capital.

Regular engagement meetings help to reveal where authorities face common obstacles and where they can share key strengths, as well as identifying pan-London programmes and shared solutions that Capital Ambition can support. The programme creates an ongoing direct relationship between authorities and Capital Ambition, ensuring they are better equipped to face a tougher economic climate.

Workforce aspirations and apprenticeships: Capital Ambition and London Councils are working closely with authorities to develop a London-wide aspiration for 2000 new apprenticeship start-ups to 2012 in direct employment in public services, which includes the boroughs themselves and potentially suppliers of outsourced services. This will contribute to targets set by the London Apprenticeships Taskforce and the London Skills and Employment Board, which will also be adopted into the Workforce Strategy for London agreed by the CA board in July 2008.

We have met with the Association of London Work-Based Learning Providers to begin to identify how risk can be shared between employers and providers in times of economic uncertainty, and to access support available via the LSC for boroughs to develop sustainable and effective schemes. We will also be examining the scope for effective commissioning of appropriate programmes to ensure an efficient use of resources across London in this area.

With LAA indicators on worklessness and NEETs in the majority of boroughs, apprenticeships will form an important plank in delivering these targets. Capital Ambition will be monitoring progress via the performance office and through our networks.

A further strand of the workforce strategy is to explore how councils' recruitment practices can open up opportunities for the hardest to reach in the labour market:LB Havering is leading on this project as a pilot, and we will share their learning and associated tools with the rest of London as the results emerge.

Economic Development Work in Response to the Downturn: London specific mapping is underway, and meetings with members on various aspects of the impact of the downturn have been held. This is featuring in the business planning priorities for the London Councils work programme. Machinery is being established by Government Office for London (GoL) and by GoL and the Mayor in which London Councils is being asked to participate. This will focus on cross sectoral activity to deal with the economic situation facing London.

An initial meeting has been held to specify the Capital Ambition economic development programme. Key challenges facing London authorities will be new ways of working as a result of changes in the way the London Development Agency (LDA) and the Homes and Community Agency (HCA) will work. Possible areas to provide support have been identified as preparing for commissioning large projects, joint working between boroughs with the LDA and HCA. These will be taken forward at a meeting of Assistant Directors of Regeneration and the LDA at end of November. This will include the proposals for a new LDA commissioning framework, currently in development (with our input).

Ideas under discussion for support include negotiation with developers and sharing good practice of new models of regeneration that may be less affected (e.g. new models for social housing, joint investment vehicles etc).

London Councils is supporting boroughs to build capacity to deal with (and reduce in the long term) child poverty. There is active engagement and encouragement to sign the London child poverty pledge. This promotes consideration of service changes for families in poverty. To date, 8 boroughs have signed the pledge and developed an action plan and 5 are planning to sign the pledge. We are organising the Child Poverty Pledge Summit with the Government and GLA to help people share good practice and ideas around the pledge and how to deliver it.

West Midlands: In order to respond promptly to authorities needs amidst the downturn, the RIEP has established a regional electronic network to share ideas and thoughts on this from authorities and partnerships and is currently exploring the support for running a regional event to explore authorities' assessment of the impact of the recession to explore authorities support requirements; and how best to meet them. This is in addition to the RIEP's quickly evolving programme of support, the key elements of which are outlined below:

Learning to Deliver: In the West Midlands the approach is based on support for economic outcomes through the LAA Support Package (Learning to Deliver) and this includes additional funding from the RDA to focus on targets around worklessness.

Many of the key delivery targets chosen by authorities have a particular focus on economic development outcomes, particularly worklessness. A few examples include: Shropshire, developing a strategic framework for tackling worklessness and

delivering specific action plans around skills, support, access to jobs and training, supporting VCS; Staffordshire, developing multi-agency Partnerships within the relevant Districts to tackle this agenda at the neighbourhood level, supporting the development of an over-arching employer engagement infrastructure countywide; Herefordshire, conducting strategic risk analysis on LAA targets and proposed actions, identifying best practice options regionally and nationally in the allocation of ABG; Telford and Wrekin, working with public and retail sector employers to sign up to 'Skills Pledge' (across all skill levels - skills for life, Level 2 and 4), developing Business Mentoring Scheme (through Education Business Partnership), piloting the Worklessness Group 'personal shopper' initiative; in Wolverhampton, working with partners to address the LAA vulnerable families agenda collaboratively.

The RDA has put additional funding into the Learning to Deliver programme to roll out a package of support on economic outcomes for all authorities/partnerships in the region. Key elements of this package include:

- 8 Knowledge Based products focussed on handling the economic downturn, growing businesses, NEETs, incapacity benefit claimants, practitioner experience of improving performance. These take the form of written briefings which include policy analysis and good practice case studies and web-based information.
- Network of Economic Development practitioners delivering aspects of the LAAs is being established and will be maintained; Improvement Adviser support days designed to help develop and deliver actions addressing targets set against Economic Development indicators.
- Additional Local Improvement Adviser (previously known as Neighbourhood Renewal Adviser) assignments which also be provided; development projects, 2 Problem-focused activities related to Economic Development e.g. Peer Assist, Problem Solving Workshops, web-based seminars, network support.
- 12 web based seminars involving practitioners in exchanging information relating to their practice and viewing DVDs which highlight relevant policy and practice issues; Regional events e.g. delivery Economic Development improvements, using client journeys, the new benefits regime & flexible New Deal, the role of Economic Development companies

There are also three potential MAAs in the region, all of which have a strong economic component: Birmingham City Region – employment and skills, Black Country - wide ranging focus, North Staffs – economic and skills. The RIEP is in discussion with these about providing support.

Networks: WM RIEP is keen to develop key networks around economic development and related outcomes hence the proposal on behalf of all RIEPs which has gone forward to DWP to establish regional networks on addressing worklessness.

The WM's Regional Children's Forum, developed with GOWM/ADCS/SHA will drive key outcomes for children (approach is considered to be good practice by DCSF) many of which relate to the economic climate. These include addressing child poverty and pathways to success.

The NRAs (Locality Improvement Advisers): the devolution of these will provide a significant additional capacity that we will be able to feed in to our WM approach

Supporting the Development of Economic Capacity in the Context of SNR and the new Economic Duty: Under the auspices of the new developing regional Forum of Leaders, we have commissioned an initial piece of work on the readiness of authorities to undertake the new responsibilities that SNR will demand and on skills and capacity needs for the future. - that study is now being finalised**.** WM RIEP is working with the LGA, IDeA and CLG on the development of the diagnostic to support readiness for the new duty to undertake and economic assessment and is committed to ensuring a joined up, co-ordinated approach to the agenda across the region.

Yorkshire and Humber: The Y&H RIEP strategy puts place shaping and economic growth at its core, closely linked to MAA, LAA and city region activities. A substantial element of the Y&H RIEP funding will be devoted to economic development though the RIEP will be ensuring effective delivery by using existing networks and groupings, which will be commissioned to deliver relevant elements. These networks include Yorkshire Cities and the North Yorkshire and York Economic Partnership.

A major regional event on worklessness was undertaken in July which set out the issues for further development, and the RIEP is developing a full programme to support this area including; leadership and member development, infrastructure connectivity, peer support, learning exchange activities, partnership development programme, and a regional/ virtual Knowledge Hub with an evidence base of effective practice, research and intelligence.

Local Government Yorkshire and Humber (LGYH) has commissioned research by the European Business Economic Development Unit to analyse the skills and capacity within local authorities to deliver economic development and support in the wake of the downturn.

The region is hosting a major event on 5th December in South Yorkshire about addressing the issues raised by the economic downturn, which we believe John Healey MP plans to attend. The RIEP is planning a questionnaire ahead of this event to better understand authorities immediate needs in relation to the economic crisis.

In addition, each of the nine city regions have had support from the RIEP to determine how their LAA's will help them respond to challenges raised by the downturn. LGYH has worked with partners; the GO, Yorkshire Forward and Yorkshire Futures, to assess the impact of rising fuel and energy prices in the region including how this impacts on service delivery (home to school transport etc). Issues identified include impact on community services, and developing innovative ideas to reduce repossession of homes etc.

LGYH's board is focussing on 'place shielding' at their next meeting, 10th November, to ensure the regional response to the economic downturn is robust and to assess the impact recent events have on the RIEP's prioritisation of programme spend.