Leadership Centre for local government

Rising to the challenge
The Conservative local government response to the recession

Conservative Councillors' Association

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Foreword

The Right Honourable Kenneth Clarke MP

Shadow Secretary of State for Business, Enterprise and Regulatory Reform

This recession is not like others we have experienced. It is global, it is uneven in its effects and, no one can predict with any certainty how long and how deep it will be. The immediate future prospects for the economy are dismal, and especially grim for those of us who have always sought to establish sound finance and prudent public spending. One thing we can count on is that Gordon Brown is not going to leave the golden legacy that he inherited from the Conservatives in 1997.

Councils up and down the country must deal with the effect of the credit crisis, not only now, but for the foreseeable future. It is not going to be easy, not least because, under Labour, local authorities have been so heavily dependent on central government for their money. Whatever local government hoped to get from central government by way of settlement in the next few years, it is likely to be far short of what they will actually receive.

I am not a fan of the Government's more panic-stricken measures. The temporary reduction in VAT and numerous schemes announced but as yet undelivered all sound busy but, so far, they are not succeeding in bringing badly needed greater liquidity into the financial system. Everyone, in one way or another, is feeling the knock-on effect. Whilst I feel sorry that Conservative councillors must pick up the pieces, there is no point them crying into their soup. This Government's fiscal recklessness will result in public expenditure being tight for years to come, whatever political party is in power; so it is the task of elected Conservative councillors to do what they can to mitigate the worst effects of the recession on their local economies, for the benefit of their local residents.

Old-fashioned principles still work, and I encourage local authorities to think carefully about how they will respond to the present difficulties. I believe it is our duty, parliamentarians and councillors alike, to apply firm financial discipline. This means knowing your costs, ensuring you are getting the best value for money on all your contracts (whether these be services orientated or such costs as energy and transport), and making sure bureaucracy is lean. It also means focusing on what you have been elected to do, and not indulging in whimsical schemes of little public value.

These should sound obvious points but they demand personal energy, vigilance and attention to detail. To really know your true costs you must challenge assumptions and be brave enough to strip out of budgets anything unrelated to your essential role of creating the best environment for people to live in. Ask awkward questions about expenditure not related to your priorities, the willy-nilly use of consultants, or unexplained use of a contractor for a job which could be done more efficiently and cheaper in-house (or vice versa). Query whether service delivery could be achieved more cost effectively by alternative means and demand answers where obfuscation is hindering simple changes.

Foreword continued

The Right Honourable Kenneth Clarke MP

Shadow Secretary of State for Business, Enterprise and Regulatory Reform

Ensure that projects, which indulge a pet fad, are not paid for at the expense of services which the public need. I hope you agree that your role is to provide for the welfare of your electorate by creating the sort of locality which attracts businesses. Only business can produce lasting jobs that will plough money back into an area. Businesses need a fit and employable workforce which will support enterprise and innovation. They also want local amenities which will attract a good workforce. Councillors cannot afford to sideline their efforts when the need for business growth, whether it is in retail, service or manufacturing sectors is so great. Local authorities must look ahead so that when the recovery comes, which it surely will, it will be the areas that have the best infrastructure, the best schools and the best welfare system that will draw a skilled and ambitious work force.

The easy life for any politician is to accept at face value all that is presented by officials and circumstances. But that is not why you have been elected. Your job is to ensure, to the best of your ability, that what money is available is put to its best use, supporting citizens, providing services and stimulating local economies. Even the most efficient four star local authorities will not be able to beat this recession alone. But all councils have a chance to mitigate its worse effects if they adopt realistic politics and rigorous economic disciplines which will help new business creation – the surest means of pulling the economy out of this recession.


STOP

Overview

Christina Dykes
Conservative Special Adviser at the Leadership Centre for Local Government

Let's, leave it to the Chief Leader Writer at *The Times*: Daniel Finklestein,

[This country is] insolvent. Out of money. Financially embarrassed. Strapped. Cleaned out. We are skint, borassic lint, Larry Flynt, lamb and mint. We are lamentably low on loot. We are maxed out. We are indebted, encumbered, in hock, in the hole. We are broke, hearts of oak, coals and coke. It doesn't matter whether money can buy us love, because we haven't got any.

Welcome to the era of no money.[1]

The era of no money demands a different style of politics, but we have been here before. Last year I was talking to the chief executive of a Conservative-controlled London borough about what seemed then to be a lamentably tight grant settlement for the coming year. He said: "It will be all right because I am long enough in the tooth to have seen it all before in the late 70s and early 80s, but most of my staff have not – they have been used to the financial boom years."

The recession is throwing up challenges on all fronts. There will be less money to satisfy the electorate's expectations and to cope with the effect of the recession while officials in town halls up and down the country will have to learn new behaviours and adopt new ideas to work in a financially stricken economy. As the Conservative Party has a comfortable majority in local government, thanks to the Labour Government's naive handling of the national economy, the music has stopped with Conservative administrations all over the country holding the parcel of restraint.

Recessions bring as many openings as they do endings. History proves that they are watersheds. For many people this recession is a time of loss and uncertainty but for others it will present new opportunities and will lead to the birth of new ideas. And, as is always true in times of change, communities need skilled leaders to help them to navigate their way through this new world. As elected representatives, Conservative councillors have been entrusted to be those navigators. The Rt Hon Kenneth Clarke MP, Shadow Secretary for Business, Enterprise and Regularity Reform, says, "it is the task of elected Conservative councillors to do what they can to mitigate the worst effects of the recession on their on local economies….". This will "demand personal energy, vigilance and attention to detail." He stresses the importance of getting the fundamentals right to survive the recession. "Local authorities must look ahead so that when the recovery comes, which it surely will, it will be the areas that have the best infrastructure, the best schools and the best welfare system that will draw a skilled and ambitious work force".

This publication shows how Conservative leaders from different backgrounds are rising to these challenges.

In the first chapter, John Atkinson, the Managing Director of the Leadership Centre for Local Government, describes what we are facing as both a time of uncertainty and an opportunity to reshape our public services into "a new and radically more effective pattern". He goes on to warn us, however, that doing so will require great courage, an openness to new ways of thinking and the determination to succeed in the face of adversity. He writes: "Put simply, now is the moment for local political leaders to define a different way forward from a decade of centrally imposed policy, controls and measurement. Now is the moment for great local leadership".

It is left to the non-politician of the booklet's contributors to home in on the role of central government. Simon Wolfson, the chief executive of Next, a clothing retail chain, does this in chapter two. He reminds us that government's job is not to be the world's best employer and warns readers that unnecessary jobs in the public sector drain money from the private economy and destroy productive jobs elsewhere. He argues that too much government interference by inspection and regulation stifles initiative; government, both locally and nationally, should help the economy to make money – not hinder it.

In chapter three, Cllr Malcolm Grimston, a Conservative IDeA peer and a member of Wandsworth Council's cabinet, offers a different perspective on the challenges brought by the recession. He draws on his experience of working in many types of council to suggest that councillors have become too occupied with the "managerial nature" of politics; he hopes that the recession will provide the opportunity for politicians to review the fundamentals of political vision. Cllr Grimston also argues that the welfare state has encouraged people to look to the state for answers to their social problems rather than taking personal responsibility, which has in turn dissipated community ties.

In chapter four, Cllr Merrick Cockell, the Leader of the Royal Borough of Kensington and Chelsea, writes that the difficult economic times mean that we need to approach "familiar problems in a different way". His council has gone one step further than those that are helping residents by freezing council tax: it has decided to return £50 to each of their taxpayers. This is more than a gesture; it is part of co-coordinated plan to stimulate the local economy.

In rural Lincolnshire three councils are working together to cut costs by extending the principles of shared working into new areas, writes Cllr Gary Porter, the Leader of South Holland District Council, in chapter five. Boston Borough Council has joined forces with East Linsdey and South Holland District Councils. Together, they have established that there are real benefits in merging finance, human resources, revenue and benefits, customer services and ICT. Each authority has retained its distinctive character and the ability to respond to the need of its own citizens.

In chapter six, Cllr Mike Freer, the Leader of the London Borough of Barnet, discusses the ways in which Barnet is approaching the recession at both the micro – what he describes as "how local authorities usually respond", and more significantly at the macro level. Frugality is driving innovations such as significant reshaping to the council's structure turning it a commissioning hub while the Barnet bond develops a structural investment plan that aims to "ensure a measure of self sufficiency, greater efficiency and commerciality within the borough". Barnet's response exhibits the targeted and practical as well as the radical.

Cllr Peter Jones, the Leader of East Sussex Council argues that providing the means for business to trade is key to getting ready for an eventual recovery in the economy. As he writes in chapter seven, initiatives in his area include funding local credit unions to ensure that there is affordable credit for families "who might otherwise fall into the clutches of the loan sharks"; new approaches to investment; and, in the longer term, working with neighbouring Conservative administrations to establish a credit union or bank to serve the business sector.

In chapter eight, Cllr Stephen Greenhalgh, the Leader of Hammersmith and Fulham Council, warns councillors not to repeat the mistakes of the past by attempting to spend their way out of recession. His administration focusses on improving value for money. The results of this approach has included a four-star CPA improving strongly rating, an increase in resident satisfaction levels from 11% to 64% while achieving an annual 3 per cent cut in council tax.

Targeting support is one of the key principles of Westminster Council's answer to the economic crisis, writes Cllr Brian Connell, its Cabinet Member for Economic Development, in chapter nine. Westminster's plan is a mixture of immediate practical answers and long-term measures, developed around the themes of doing less with more and targeted support. Doing less with more means delivering greater efficiency and eliminating over spending: targeting support means making sure that key sectors of the borough such as families at risk and its business community get the creative and decisive support they need.

In his conclusion to the booklet, Bob Neill MP, the Shadow Minister for Local Government, says that a future Conservative Government will adopt just this approach. The Conservative Green Paper Control Shifts: Returning Power to Local Communities aims to boost local democracy by decentralising power, restoring incentives, giving a general power of competence and removing undemocratic regional government. Mr Neill and his team promise "to free local authorities from [central] government control, giving them the opportunity to innovate and the ability to secure the long term prosperity of their communities".

All contributors agree on one simple point: standing still is not an option. Councils that are prepared to think radically, to pull on the levers of economic good management and to innovate will be able to navigate through the stormy waters of the recession to help their electorate.

Conservatism is an essentially practical and non-doctrinal philosophy. It is instinctively hostile to the notion that one size fits all, which means that it lends itself well to a localist approach. There are many ways in which Conservative leaders are rising to the challenge of "the era of no money". Their plans differ in detail but the overall approach is the same: they are seizing the opportunity to do their best for their electorate.

[1] *The Times 11 March 2009*

Chapter 1

Leadership in difficult times

John Atkinson

Managing Director of the Leadership Centre for Local Government

The credit crunch, combined with the pattern of central government spending over the last decade, has left councils in a most difficult place; budget cuts may be worse than those experienced during the recession of the early 80s. Things will only get worse as the relatively benign spending environment of this pre-election period gives way to particularly tough choices after the next general election. The end result will be that councils will have to ask themselves some very hard questions about their priorities in the very near future.

When faced with such choices there is invariably an auction of competing demand as portfolio holders and directors fight their corner for a share of the ever-shrinking resources that are still available. This usually leads to "salami slicing"; where a series of small cuts are made as individuals sacrifice some programmes and projects to preserve others. However, this is damaging in the long term; the lesson from previous recessions is that those who can quickly and reasonably accurately assess the sort of organisation that they will need to be post-recession – and get themselves into decent shape to deliver that when upturn comes – will lead the way and survive in the new world.

If we are to do this we need to ask ourselves two hard and deeply political questions: who are we? And what do we stand for?

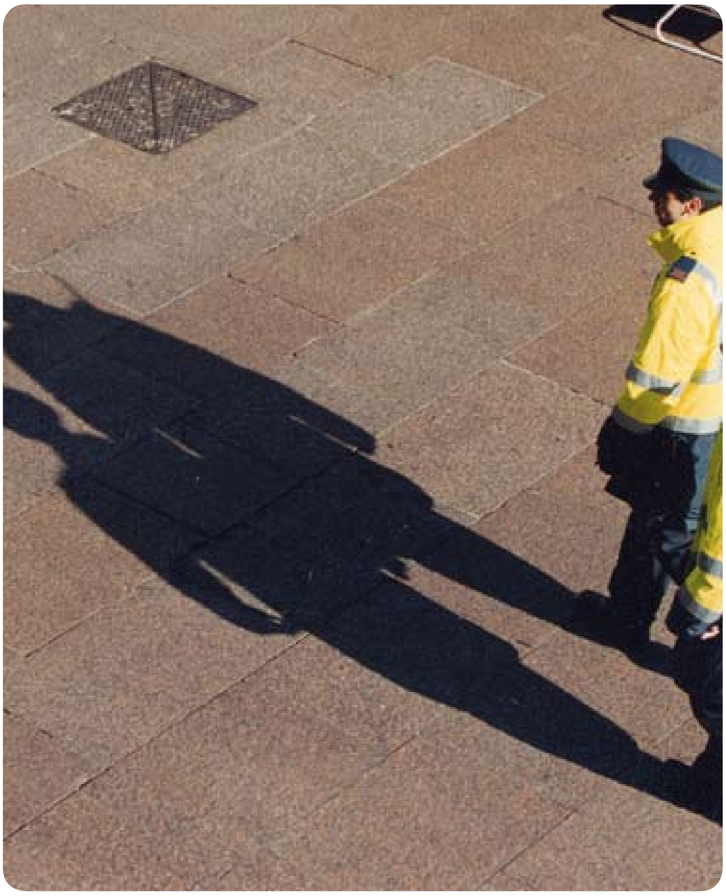
Our responses to these questions will determine the direction we take. They will allow us to assess our political values and how strongly we hold them; they will help us to decide the purpose of our councils and whether we are prepared to depart from perceived truths.

All the data with which we are presented and all the challenges we face will try to persuade us that we should hold on to our past ways of doing things. This is corporate culture at work; it is the cumulative effect of all that the council has learnt in the length of its existence, represented in the behaviour of those currently elected or employed. Any attempt to change this is met with strong resistance, sometimes overt but often subtle and pernicious. The leaders who try to make changes in the face of this inertia carry great risk and are often subjected to personal attack and vilification.

But in a time of uncertainty, when everyone is looking for something solid to cling to, there is also the opportunity to reshape and redirect our public services to a new and radically more effective pattern. But doing so will require great courage, an openness to thinking differently and the determination to succeed in the face of adversity.

Put simply, now is the moment for local political leaders to define a new way forward after a decade of centrally-imposed policy, controls and measurement.

Now is the moment for great local leadership.



Chapter 2

View from the private sector

Simon Wolfson
Chief Executive of Next

This is a strange sort of recession. It is rare for lenders to go bust before their borrowers, but that is exactly the situation that we are facing. Another interesting feature of this recession is that very few people truly understand what is happening. Despite this, we must find a way to respond. To do this we need to explore the risks.

For retailers the situation is not as dark as we might think. Admittedly, unemployment is rising and house prices are falling. However, this is likely to be partly offset by falling mortgage rates, lower energy prices and cheaper food. This means that many people, if they keep their jobs, should be better off in the year ahead.

A bigger problem may turn out be people's perceptions that the situation is worse than it is. However, there will come a moment that reality catches up with perception and the recession will be over. What we don't know is when this will happen and quite how bad things will get before it does.

The two biggest issues to be addressed are the banking collapse and the hole in central government finances.

The starting point when addressing the banking collapse is to put our anger aside. Yes, we are angry that the Government got us into this mess and yes, we are angry at Sir Fred Goodwin's extravagant pension, but being angry will not solve the problem. Whitehall needs to focus more on the billions being spent stabilising the banking sector and a little less on recovering Sir Fred's pension, however frustrating this is.

Equally, we need to recognise that the Government's response to the banking collapse has been generally sound. That politicians helped to get us into this mess is history; we shouldn't play politics as it runs the very real risk of undermining public confidence at a time when confidence is crucial. This means that we should be broadly supportive of the Government's efforts to stabilise the banks. However, we can, and must, be critical of the way in which the Treasury conducts business with the banks. The practice of leaking confidential information to the media is indicative of a lack of integrity.

The hole in public finances is large and looks likely to grow. Welfare costs are rising, tax revenue is falling and we can add to this the ever-increasing cost of the fiscal stimulus. The terrible reality is that we will be left with a fiscal drain that will undermine future attempts to rebuild the economy. We must avoid a crisis in private finance becoming a crisis in public finance.

This means that the Government must save money. It does not, however, have to mean cutting essential services; it means working smarter and providing the services that people need for less.

To make real and lasting savings we need a complete change in the attitude and culture of the public sector. This will only happen if politicians completely rethink the nanny state and return to trusting individuals to do their jobs and live their lives as they see fit.

Politicians must trust public-sector managers to make the decisions that managers should be making – who to hire, promote, reward, train, direct, dismiss. It is these decisions that define a manger's ability to build a great team, yet these are the very powers that the state endeavours to remove from the discretion of individuals. For example, managers should not have to lay a paper trail to prove that their recruitment decisions are not racist, ageist or sexist. Government's job is to provide cost-effective services, not to be a model employer.

Finally, central government must change its appalling management culture. It disempowers managers while attempting to control them with endless targets, forms and diktats. On top of this is a culture of fear that stifles initiative; if people cannot do their job then they should re-trained or moved on, not publicly shamed.

Conservative councils have an opportunity here. Through your efforts in local government you can provide the example that the country needs for the type of actions we can take nationally after the next general election. Councils that can prove – as many already are – that money can be saved without undermining the quality of essential services will give us a much-needed template for national savings in the future.

GRILL • ZINC • BAR • GRILL • ZINC

TDK

GALA
TOMATOES

Chapter 3

The political mindset

Cllr Malcolm Grimston

Cabinet Member for Environment and Leisure at the London Borough of Wandsworth

I'd like to offer a few thoughts built round two themes. The first is the thoroughly managerial nature of politics, and perhaps especially local politics, in recent years. The second theme comes in the form of a question: what precisely is the challenge of this recession?

My starting point is something that I have observed at councils across the nation: many politicians find it very difficult to tease out a real political vision. Most vision statements are all but identical: a promise to be all things to all people with, perhaps, a reference to the sea, the countryside or some other prominent piece of local geography.

All the main political parties, with the possible exceptions of the Greens and the BNP, distinguish themselves from one another purely on the grounds of managerial efficiency. They are fighting for the middle ground, obsessed with keeping things on an even keel.

To be fair, after a long period of relative comfort and prosperity there has been little public appetite for radical policies. But that may now change. The recession, the world food crisis and the energy and environmental challenges that we face mean that it's no longer enough to spread our resources thinly and avoid annoying people. What is needed now is a plan that includes low priorities and areas where spending will need to be cut.

To get this right we need to revive the ancient art of creating a political vision, a real sense of what sort of society we would like to see, coupled with policies that might create it.

But what kind of vision? To answer that we have to decide what challenges the recession has created and how we need to respond. Is it simply a matter of managing the immediate pain until the economy recovers and we can get back to business as usual? Or should we use this time as an opportunity to review what our society is about so that we can change our policies and our vision accordingly?

One idea, not popular in Conservative thinking over the last three decades but which has recently re-emerged, was expounded three years ago by Oliver Letwin. He said: "Of course it should be an aim to narrow the gap between rich and poor. We do redistribute money and we should redistribute money. But we have to find ways that empower people rather than reduce them to dependency."

The gap between rich and poor, which has widened enormously in the last decade, is closely correlated with levels of unhappiness and stress in society – far more so than absolute levels of affluence. The idea of trickle-down improvements is attractive but there is little evidence that it actually works in the UK. Enormous wealth in the face of considerable deprivation is so obviously a threat to social cohesion that we seem to have stopped noticing it.

But socialism – which includes a huge swathe of policies introduced and supported by the Conservative governments of recent years – has no answers. The benefits culture of the welfare state was a major wrong turn, however well-intentioned. It sent the signal that people no longer have a duty to their families and those around them because the State will take ultimate responsibility.

The Conservatives are traditionally the party of the local community and of personal responsibility, although some of our policies have not always delivered in these areas. A weak and faltering economy is certainly one cause of breakdown of contentment, but it is not the only one.

One issue for a debate on political vision is the extent to which government, including local government, should concern itself with issues such as happiness, lifestyle (obesity and alcohol addiction, for example) and so on. There is an honourable train of thought that says that government should concern itself with nothing more than the efficient running of the economy and that it is for individuals to decide how to live and how happy they should be.

This is a strong and persuasive argument but taken to its extreme it implies that a society in which almost nobody is happy would still not be any business of community leaders. As community leaders it is indeed our job to keep an eye on indicators of discontent. There are no quick fixes for problems such as teenage pregnancy and alcoholism; the solution lies in building a society that removes the root causes.

Have I any bright ideas as to how we can do this? Not yet. We haven't really got going on the debate, it seems to me. Perhaps our committee papers should include comments on the social and environmental implications of policies as well as the financial – after all, if we don't know the effects of our policies we can't start discussing them.

But there is most definitely an opportunity here to take a long hard look at where recent policies have improved life and where they might be rethought. How about a "Council Olympics" every four years, in which each of our communities, however we might like to define them, can compete in a range of arenas – sporting, cultural, levels of engagement with the needy and so on?

Maybe as councils we can work with our local volunteer organisations to harness the energy of those temporarily out of work, while embedding in them a sense of belonging and a tradition of contributing to their local communities. Or perhaps we can look at planning policies to address the growing numbers of expensive flats that divide communities in such a blatant way.

Do I sound like an unreconstructed Green? Perhaps. I think it's allowed these days, and in any case the Greens really need to rethink their stance on helpful technologies such as incineration and nuclear energy if they want to be taken seriously. The words "conservative" and "conservation" come from the same stem.

What is clear, however, is that we can't simply return to our old way of doing things. The challenge of the recession is to ensure that people come out of it feeling that they had a better quality of life during it than they had beforehand and that what they lost in material goods has been more than balanced by what they gained in strengthened community ties.

Chapter 4

Innovative responses

Cllr Merrick Cockell

Chairman of the CCA and the Leader of the Royal Borough of Kensington and Chelsea

When we started planning our budget last summer we aimed to hold any council tax rise to well below inflation. Back then underlying inflation was more than 5 per cent and super inflation, particularly on fuel, seemed out of control.

By early 2009 the landscape was almost unrecognisable. I thought that the most effective way to help local residents in tough times was to keep council tax as low as possible, which meant freezing it. That meant that we would have to find even more savings and use some of the reserves that we had built up through careful financial planning over the last 10 years.

I discussed the idea with cabinet colleagues and Tom Fairhead, who leads on finance, asked a question that sounded silly at first but was in fact the complete opposite: "Why not give every taxpayer £50?" It sounded simple enough but Tom's idea generated tough questioning from fellow cabinet members. Was it legal? How would we pay it? What were the administration costs? What might be the unintended consequences?

My immediate reaction was that it would be too complicated and we probably did not have the legal powers. After all, why had no one done it before? So, thinking it would be easily resolved, I did the obvious thing and commissioned a briefing note.

Now, instead of being kicked into the long grass, Tom's brainwave will form the centrepiece of our 2009/10 budget. What sounded so simple turned out to be a highly-focused way to help local residents, particularly the most needy, local businesses and even local charities. It even meant that we found a use for the power of wellbeing that has for so long been trumpeted as an additional freedom by the Labour Government, as it provided the legal support for our proposal.

In April 2009 we paid each person or household liable for council tax £50. For many, this simply meant that we took £50 less through their direct debit or on that month's paying-in slip. Neither have any additional cost. For others, such as the 6,000 elderly people who receive council tax benefit, we sent them a cheque. Had we simply frozen or even cut council tax they would have seen no direct benefit but for many this £50 cheque may more than pay for a week's shopping. For people living in Band H homes the "efficiency dividend" – we cannot call it a rebate – equates to a council tax freeze, while for those in a Band D home it meant a 3.5 per cent cut or a 5.7 per cent cut if they live alone. Anyone who owes money had the £50 deducted from their council tax debt.

It is up to local residents what they do with their money. But if they choose to spend the dividend in April then we are asking them to spend it in local shops. Potentially this could mean a £3.7million cash injection for the local economy at the beginning of the new financial year. To back this up and to attract shoppers into Kensington and Chelsea, we are offering free parking on every Saturday in April at a cost to us of £300,000 in lost revenue and costs. We have some of the foremost shopping streets in the world – King's Road, Knightsbridge, Sloane Street, Kensington High Street and Portobello Road – but our retailers have suffered from Ken Livingstone's congestion charge and the newly-opened Westfield on our border with Hammersmith and Fulham. Free parking, combined with a promotional campaign, will be a crucial part of our retail fight back.

When we were discussing the detailed proposals at a group meeting several colleagues argued that some residents did not need the efficiency dividend. Our response is to ask people who are in that lucky position to give their £50 – more if they are inclined – to a local charity. Charities have suffered from a drop-off in income so our initiative should help them as well, particularly local ones.

What lessons can others draw from our innovative scheme? Clearly, some may wish to copy it or adapt it to their own local circumstances. But it is the thinking behind the idea that is most valuable. It is all too easy for officers and experienced councillors to believe they have been there, done that when problems arise. Approaching familiar situations in a different way is something we should all encourage.

Newly-elected councillors will bring fresh ideas and approaches and a new Conservative government will be passing powers and opportunities from the centre to locally-elected representatives. Labour may have given local government the power of wellbeing, but the Conservatives are committed to giving us a general power of competence that will allow us to carry out any lawful activity, undertake any lawful works, operate any lawful business and enter into any lawful transaction.

Only by encouraging fresh thinking and innovation will we be able to rise to that challenge. That means taking some risks and I encourage that, provided that appropriate planning and assessment is undertaken as well. A future Conservative government will be committed to taking a risk with us; we must be willing to take risks in providing services that are more in tune with the needs and aspirations of our communities and what they can afford or wish to pay.

Chapter 5

Sharing services

Cllr Gary Porter

Leader of South Holland District Council

Councils are under increasing pressure to move towards unitary status, but this approach does not suit everyone. In Lincolnshire, a group of local authorities that wanted to avoid this result entered a bid to be a pathfinder for improved two-tier working.

The councils had already been working together on shared services for some time. Most notably, they had saved money by delivering a shared legal service and a joint procurement service across six districts and the county council.

The programme is now breaking new ground with a cluster of three authorities – East Lindsey and South Holland District Councils and Boston Borough Council – working together to develop a merged group of back-office and transactional services in areas such as communications, internal audit, finance, ICT and property. The county council had already outsourced many of these services, so these councils decided to explore what they could achieve together by bulking up their own services.

With financial assistance from the East Midlands Regional Improvement and Efficiency Partnership, they commissioned work to gather information about the resources being used for these services. This included mapping IT applications and considering which services could be grouped together for greater efficiency.

The conclusion of this first phase was that there would be real benefit in pursuing a merged service comprising finance, HR and people development, revenue and benefits, customer service and ICT. Both outsourcing and in-house delivery would be possible; they would deliver varying savings and require different levels of investment to achieve the merger. Joint working will also bring benefits to the services not included in this recommendation.

All three authorities have now agreed to begin the appraisals and planning needed to implement this. All three cabinets have agreed a governance structure, scrutiny arrangements and a concordat to enable this to happen. Senior staff from each council have been seconded to a transitional team that will manage the change programme. The team will also commission specialist assistance.

Working together on this project has shown the councils' leaders the potential in much closer working in other areas. In common with other district councils, all three need to make significant financial savings either in the short or medium term. Making these savings can create the danger of cutting public services and reducing the capacity of organisations to contribute to the future of Lincolnshire. However, the leaders believe that closer working will help them to maintain public services and keep capacity in the organisations to innovate in their own areas.

The IDeA facilitated a successful workshop where councillors from all three authorities supported the back-office shared services project and agreed to explore joint working in other areas, such as planning, waste collection and environmental health.

Along with this, councillors agreed that the goal of such work was increased efficiency, not the creation of a new merged authority. This means that the distinctiveness of each authority and the accountability of each council to its electorate must be maintained. Merged and shared services are not to be the same as homogenous services. It is worth noting at this point that the three authorities have differing political administrations: Boston is Independent, East Lindsey is a Conservative-led coalition and South Holland is Conservative controlled.

Finally, councillors believe that further savings can be achieved through a reduction in senior management costs. The councils' chief executives have been asked to draw up a plan for a major reduction in senior management costs; this will see the number of chief executives reduced from three to one and a reduction in the number of strategic directors and heads of service. The end result will be a shared top team that is responsible for strategic and operational management at all three councils. Only at the level below will staff who are not part of a merged service focus only on the needs of their employing council.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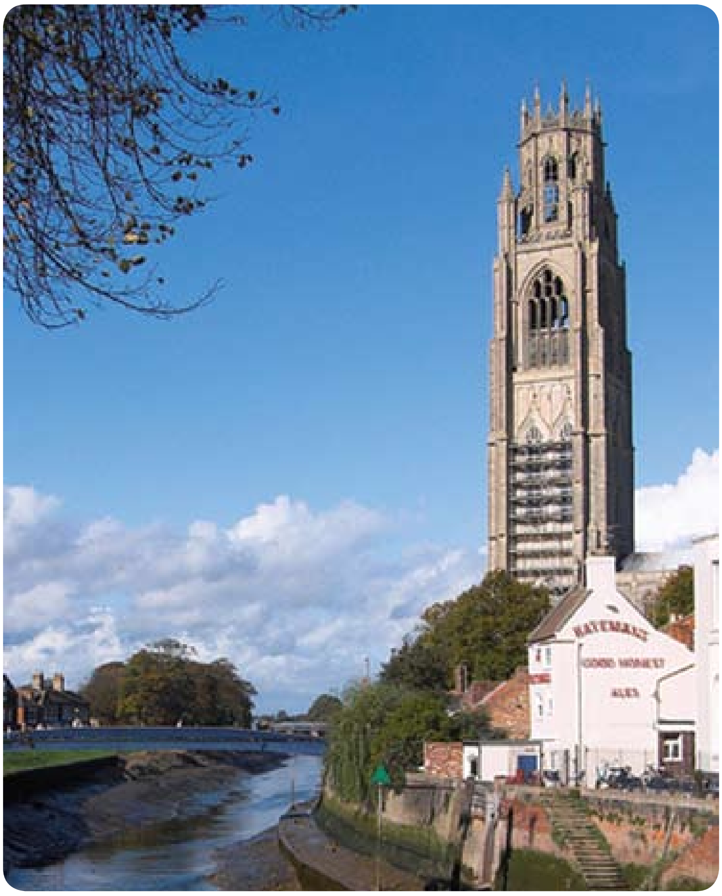


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No vehicles

Chapter 6

Finances and funding

Cllr Mike Freer

Leader of the London Borough of Barnet

This recession might be uncharted waters for some but as the leader of Barnet Council I can't help wondering: wasn't it ever thus? Barnet's consistently poor grant settlements mean that we are better versed than most, I suspect, at staring into the financial abyss and trying to figure out how we will do more for less while maintaining excellence.

On a micro level we are responding to the economic crisis in ways that many of our colleagues elsewhere in local government are also examining.

In early February we cut payment times for invoices within the borough from 30 days to 10 to support local businesses by stimulating the local economy, increasing cash flow and promoting stronger business links with the council. We also sent out targeted advice and information about small business rate relief and helped to work out payment plans for businesses in arrears with their rates. We are also working with our partners on a seminar for local businesses that will provide practical advice on issues such as how to tackle the credit crunch and how to tender for contracts.

We are helping residents through our housing and benefits take-up campaign, which is widely advertised in bus shelters and public buildings around the borough. We have also allocated £50,000 from our area-based grant to an intensive outreach programme that will help benefits claimants in the most deprived areas of the borough to find work or training. Specific programmes will be commissioned by the Skills Development Group, which is chaired by Barnet College and supported by the council.

So far so good, but in another way these responses are to be expected – it's how local authorities usually respond. Now, however, we have to ask ourselves whether this a sustainable position when we face the chilling prospect of up to 15 per cent cuts in local government funding in the next financial year. For us, this would mean having to find a further £20 million in efficiency savings.

Gordon Brown, in his recently-published *Working Together* document, seems unaware that expanded public sector spending is simply not an option. According to Cabinet Office Minister Liam Byrne MP, quoted recently in *The Municipal Journal (MJ)*, the Government intends to spend more, not less. He said: "We would accelerate public service investment, but as we do that we also believe we need to accelerate public service reforms". Local government has been reformed to death, and as for accelerating public service investment – with what? As we mortgage the country to save the banks what is left to invest in the public realm? The answer to this question lies in radically changing our approach in local government.

So, on a macro level, how is Barnet responding to the economic downturn? I have always believed that frugality drives innovation. This is one of the reasons that Barnet was recently singled out by *Local Government Chronicle (LGC)* for its work on a new plan outlined in The Future Shape of the Council. This is designed to shrink the council's direct service delivery role and focus instead on activities where it alone can add value.

If the programme goes ahead the council will be reduced to a commissioning hub. According to *LGC* it's a radical approach: "As funding starts to shrink and demands grow, we will need bigger ideas to tackle bigger problems. We need to start radical to find real sustainable solutions. And it says much that these ideas are emanating from within local government, not the traditional top-down routes. Whether Barnet's way is your way or not, it has taken policy on personalisation, commissioning and pan public sector partnerships and put them into its own entirely new framework, which, if successful, will have huge lessons for the rest of local government"[2].

Another of our innovative responses is the structured investment plan that sets out the nature and extent of the infrastructure that will be needed in the borough to 2020. This plan sits alongside a long-term economic strategy which presents a detailed analysis of the borough's projected demographic and economic growth and includes future forecasts for essential infrastructure to support this expansion, including transport, utilities and public realm improvements.


MARKS & SPENCER
Dixons

Chapter 6

Finances and funding

Cllr Mike Freer

Leader of the London Borough of Barnet

The forecast infrastructure requirements necessary to support projected growth in the borough are large and growing: the estimated cost will be in the region of £733million over 12 years.

The scale of conventional funding arrangements for housing and growth-related infrastructure means that Barnet can only cover a proportion of its projected future costs. The Barnet Financing Plan (BFP) seeks to create a new form of local growth financing to address these requirements by accessing new sources of revenue to support the raising and repayment of finance for investment. These new sources of revenue would then be leveraged to deliver more private capital.

Growth in Barnet will generate significant incremental revenues for local and national government and, in some cases, the private sector, but this growth cannot occur as quickly – or possibly at all – without forward funding. The new revenues identified in the BFP are locally-generated public sector revenues or taxes that can be kept in the borough. The council has, however, recognised that it will need to identify new revenue streams generated from its own assets and resources as well as those that could come from central government. Such an approach will increase the funding capacity of the BFP and ensure a measure of self-sufficiency, greater efficiency and commerciality with the borough. We believe that this joint approach with central government will also improve buy-in to the BFP by third-party funders.

While the changed economic climate will put pressure on the plan, it is still a workable solution to the financial challenges facing the borough, albeit one that may now take a little longer than planned. Importantly, it offers a degree of sustainability because it is largely dependent on locally-generated revenue. It also offers a more certain development environment for risk investment. Our regeneration plans support this view. Barratt Homes, for example, has just signed a development agreement that will see it develop about 200 homes in the first phase of a 999-home regeneration project. This has been made possible by the council agreeing to defer – not forgo – the majority of land payment and to change the scheme to allow the most profitable phases to start first.

Finally, the real key to unlocking resources in the public sector is a change in people's behaviour. The nation is chastened and understands that we can no longer spend beyond our needs. Equally, we can no longer pretend that the state can carry the can for those who litter our streets, who clog up our accident and emergency wards through drug and alcohol abuse and who refuse to take parental responsibility.

It's time for local authorities to start some difficult conversations about personal responsibility. Just think how much money we could save if our residents changed their behaviour in areas such as diet, exercise, littering and graffiti.

It's time for people to accept that they should do the things that they can do for themselves, leaving the state to do what only the state can do – and nothing more.


MILL HILL
VILLAGE

Chapter 7

The possibilities of thinking big

Cllr Peter Jones

Leader of East Sussex County Council

Getting Britain out of recession is largely a task for national government and business but there are a number of things that we in local government can do to help. Like most local authorities, we have tried to play our part. We have started with the obvious things such as paying invoices as quickly as possible and supporting local voluntary bodies that are providing advice and guidance to the public.

As a two-tier area, we are also working with borough and district colleagues and other public agencies to make sure that we support each others' efforts rather than duplicating them.

We have also tried, however, to go beyond the obvious. We already have a close working relationship with our chamber of commerce, Sussex Enterprise, and have provided £100,000 for their Business Link colleagues to provide health checks and advice to small and medium-sized enterprises on how to manage their way through a severe recession. Many people running businesses today will not have had any experience of a recession, so advice from old hands who have been through those of the 70s, 80s or the early 90s might just help them to avoid some of the obvious pitfalls.

We also know that a recession can undermine people's confidence. They may lose their jobs, have their hours reduced or have problems meeting mortgage payments and not know how to cope. Councils can help but often our partners in the voluntary sector are better placed to meet these needs. Like others, we are increasing the help that we offer to organisations such as Age Concern, the Citizens Advice Bureau and the Samaritans. These assistances include grants and the offer of extra resources such as people and premises: we all have libraries, children's centres and schools that can easily double up to make outreach work more effective for these partners. We will pay for this from a £1million fund that we established specifically to reduce the effect of the recession on the people and businesses of our county.

We are involved in several initiatives designed to meet the needs created by the disappearance of credit facilities. So far we have put an extra £50,000 in total into the two credit unions that operate in East Sussex to enhance their lending capacity. We have also joined them as an employer member, which means that we can offer all 14,000 county staff the opportunity to become saving members of the credit unions through payroll deduction. It is their choice but if a reasonable number do join then we may be able to ensure that affordable credit is available to many families who otherwise might fall into the clutches of loan sharks.

Other options including looking at the establishment of a credit union and/or bank to serve the business sector in our county and the broader South East. We are also considering investing about £20million from our pension fund into a new fund being established by Prudential to subscribe to new corporate bond issues by FTSE 350 companies.

We did not offer to join the Prudential fund until we had taken advice from our consulting actuarial advisors. Prudential is planning to put in £500million itself and to raise a total fund of about £2billion to subscribe for new corporate bonds, with equity warrants attached. In an age when credit facilities have been severely curtailed, this type of fund may fill a gap for companies attempting to stabilise their operations and get ready for an eventual recovery in the economy.

Establishing a business-orientated credit union or new bank free of toxic debt is a much longer shot. It will require care and clarity about what we as a local authority can and cannot do. Section 151 officers will need to be on their guard and councillors will need to heed their advice or risk getting into serious trouble. We are co-operating with colleagues from Kent and Essex County Councils and opening discussions with some London boroughs to see if we can craft a workable proposition.

At its simplest, a number of local authorities would capitalise a new bank, most properly with the portion of their pension funds that can be invested in venture capital. They could subsequently place some of their reserves on deposit with the new bank in line with their normal investment guidelines. It may well be helpful to invite major companies to join the shareholder list to help create a bank with sufficient critical mass. A capital base of several hundreds of millions would be desirable if the bank is to have a measurable impact on improving credit availability.

Advice from the British Bankers' Association suggests that a safer and faster establishment might be achieved by partnering with an existing banking institution to provide systems and back office services in same way that supermarkets such as Tesco and Sainsbury's did several years ago. Clearly, the choice of partner would be critical. This project is high-risk and may not work but history teaches us that major recessions require not just sorting out the banks that got into trouble but new, clean banks with fresh capital to finance the recovery of the economy. It is a project worthy of a serious effort.

Chapter 8

Lower taxes and less waste

Cllr Stephen Greenhalgh

Leader of the London Borough of Hammersmith and Fulham

The Government's approach to dealing with this recession has been to replicate the mistakes of the recent past in order to solve the problems that it has created. By borrowing more and increasing public sector spending it is seeking to throw good money after bad.

The danger is that a similar expectation is therefore being placed on local authorities: that the way to help offset the recession is by increasing spending. We have seen several examples of local authorities responding to this expectation by announcing grand schemes to gain headlines and demonstrate that they are in touch with the needs of their residents.

This actually demonstrates exactly the opposite. All this extra spending is either taking more money from the pockets of hard-pressed taxpayers or it is storing up a debt-and-tax bombshell at a local level to add to that being pursued by the current national Labour Government.

More encouragingly, on the surface at least, many authorities have followed where we at Hammersmith and Fulham have gone before by reducing or freezing council tax. Unfortunately the speed with which they have decided to make this gesture means that this is inevitably being funded from balances rather than by cutting costs.

All of this behaviour runs the risk of creating a public sector boom and bust to match the one experienced in the wider economy. We have seen a similar pattern in the United States of America, where in 2008 the number of jobs in the private sector fell by 1,380,000 while an additional 200,000 jobs were created in the public sector. This is an astonishing and unsustainable imbalance. The effect of this can be seen in the financial woes of the State of California, which has been forced to make spending cuts that have lead to the loss of thousands of jobs. This is the future we risk for public services in the UK if we follow this Government's spend, spend, spend approach to tackling the recession.

Here in West London we have plotted a different course. By placing value for money at the heart of everything we do we have managed to improve services while cutting council tax by 3 per cent in each of the last three years. We have also reduced the level of general fund debt held by the council by £20million during the same period. Meanwhile we have achieved a four-star CPA rating and, more importantly, resident satisfaction levels have increased by 11 per cent to 64 per cent, the fourth-highest score in London.

Contrary to what our political opponents would have you believe, we have not achieved this by raiding balances, cutting services or raising charges. Instead we have cut costs and eradicated waste with strategies including implementing strict budgetary controls; scrutinising spending on recruitment (we have reduced the amount that we spend on agencies by more than £4million); and reducing debt, thus saving £1.5million a year in interest payments.

Access to good advice is paramount in a recession but this does not need to cost councils more money; in fact, good advisory services can cost less. H&F Advice was the result of a merger of three existing reception and referral points (housing, adult social care and children's services), thereby providing more resolution at first point of call and improved customer service. It was a significant move away from traditional channels of delivery but it allowed more choice for customers and created savings through staff efficiency, channel transfer and improved use of corporate accommodation. It will save the council more than £4million by 2011/12.

Our single-minded focus on cutting costs and improving services will not change in response to the onset of recession in the UK. We will continue to tighten our belts. Now is not the time to borrow more and spend more; there is an even greater need to spend less and to deliver more for your money. Taxpayers and public services will already bear the brunt of the worst excesses of the private sector in years to come as public spending is reduced. The worse thing that we could do now and over the next couple of years would be to create our own public sector boom – and the bust that would inevitably follow.


POLICE

Chapter 9

Local responses to a global event

Cllr Brian Connell

Cabinet Member for Communities and Economic Development at Westminster City Council

While the credit crunch and recession are playing out at an international level, there is a strong local dimension to the immediate crisis and the rebuilding of the economy for the long term. Local authorities have an opportunity to mitigate the worst effects of recession and to shape the post-recession economy.

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The 47,000 businesses based in the City of Westminster are responsible for generating 2.2 per cent of the country's GDP – more than any other local authority. Our shopping streets, entertainment and cultural economy are international landmarks. In this context, Westminster Council has an obvious and unique responsibility towards economic development. But as a bellwether for UK plc, the costs of a failing Westminster economy are immense.

The prospect of failing businesses, job losses and the other problems that are caused by a lack of opportunity are as real to Westminster as they are to any other community. And the role of local authorities in supporting the economy and encouraging those elusive green shoots of recovery are similarly comparable.

Our strategy to deal with the economic crisis is concentrated around two themes: doing more with less, and providing targeted support. The first theme acknowledges that growth in public spending is over and that councils need to deliver maximum efficiency and savings. The second emphasises that civic leaders need to think creatively and wisely about how they can use their resources and expertise to support and stimulate the local economy.

Ways that we are having an immediate impact by doing more with less include:

- Allowing staff to work flexibly. This saves accommodation costs and ensures that staff can concentrate on the front line. At Westminster, we have cleared six floors of our City Hall tower block over the past two years and given 1,320 more employees the technology to work flexibly.
- Maximising the use of technology such as electronic records management for social care staff and e-procurement for goods and services.
- Modernising reward systems for staff. We have replaced guaranteed pay rises and increments with a regime driven by results and output. Most local authorities reward their staff for length of service, which can encourage employees to coast.
- Integrating services. For example, we have amalgamated the roles of licensing enforcement, street environment inspection and wardens into one unified position.
- Saving energy, for example by using smart technology for public lighting systems.

As well as making managerial changes that promote efficiency, local government leaders also need to reassess traditional service delivery.

Looking at social care for families, for example, there is clear and unequivocal evidence that early, targeted intervention into the lives of families at risk yields better results and has the potential for major savings to the public purse. Under the current system, however, families on the border of social exclusion can be the subjects of multiple interventions from several professionals over the course of years. The results of this failure to solve problems are depressing and the cost to the taxpayer is immense.


WESTMINSTER CITY HALL
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At any time

Chapter 9

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Cabinet Member for Communities and Economic Development at Westminster City Council

Family intervention projects have demonstrated that antisocial behaviour and crime can be reduced by taking a new approach to those at risk. There are opportunities to broaden that concept to include families at risk of exclusion on a more general level. A targeted intervention on behalf of all the various services – housing, mental health, community protection and so forth – in a single referral with a single care plan and rigorous output monitoring can save hundreds of thousands of pounds when helping a single family in a single year. Westminster's new Family Recovery Project is using this model to deliver better outcomes and make long-term savings.

There are also a number of creative ways in which councils can have a direct effect on their local economy. One good example is advocating for local businesses; for example, councils are well-positioned to campaign against the 5 per cent increase in business rates proposed for next year. Councils also have a powerful voice in the local media. This can be used for everything from "shop locally" campaigns to promoting tourism.

Local authorities' communications teams can also help to ensure that businesses get all the breaks to which they are entitled. A single mail shot this spring encouraged nearly 1,000 small and medium-sized businesses to apply for the rate relief to which they were entitled.

Innovation and low-cost, high-impact solutions should guide any interventionist measures. For example, we have provided seed funding for three major business improvement districts (BIDs) and are now supporting businesses to set up a further two; once established, each BID brings in its own funding from local businesses.

Westminster has also co-founded the London Apprenticeship Company, which will create more than 200 new jobs for Westminster residents thanks to an investment of £175,000 by the council and its partners. The company aims to employ more than 1,500 apprentices across London.

Targeting funds to existing providers can achieve a lot more than attempting to reinvent the wheel. Since October 2008, 360 existing businesses and 62 start-ups have received direct support from organisations that are in turn supported by the council. Westminster increased its funding to those agencies by £100,000, which is more cost-effective than attempting to create a new service.

Local authorities will be encouraged (and tempted) to become involved in a huge number of projects, ideas and associations during the recession. Most of those proposals will either cost money, present risks or – most likely – both. It would be wise, therefore, to exercise caution and to ensure that any decision is in line with the authority's principles. For us in Westminster, these include:

- No increase in council tax. It would be economically counterproductive to invent new responsibilities at the expense of sound financial management.
- Avoiding statism. It is not the council's job to manage the local economy.
- Backing winners. Local authorities will be presented with many opportunities to invest in businesses or sectors either directly or in partnership. We remain unconvinced that this is a core role for local authorities.

More important than any anything else is the need to maintain business as usual by doing the basics well. This means ensuring that the education system is preparing young people for work; providing a clean and safe business environment; paying invoices quickly; and exercising regulatory powers in areas such as licensing, planning and parking with common sense and fairness.

Conservatives in local government are stepping up to the plate to tackle this recession. We are putting our own house in order while thinking – and acting – creatively and decisively to support businesses within our communities. Central government could, and should, take heed.


ADULTS
ONLY
CAFE
ROMA

Conclusion

Bob Neill MP

Shadow Minister for Communities and Local Government

Conservatives in local government have responded robustly to the recession, successfully lightening the burden on families and businesses during these difficult times. In Parliament, we are working to ensure that any incoming Conservative government has the right policies in place to free local government from central control, giving it far greater freedom over spending decisions and rowing back the burdens that have driven up council tax under Labour.

Local authorities have a real role to play in tackling the pressures that recession brings and I am in no doubt that we are delivering. As I travel up and down the country meeting Conservative councillors I am always struck by their zeal for efficiency and innovation. Time and again I see Conservative councils focused on delivering good value services while finding millions of pounds in efficiency savings. I believe that this is the reason why so many of our councils have been able to freeze council tax or introduce below inflation rises this year – a key way of helping families through the recession.

It's vital to remember that Conservative local authorities are working under incredibly difficult circumstances because of the straitjacket of central government control. This is exemplified by the iniquities within the local government funding system, which seems to favour Labour heartlands, and the Government's disingenuous policy of loading unfunded burdens onto local authorities. For too many years this has forced council tax up.

The recession has brought this into sharp focus and highlights the need for an entirely different relationship between central and local government. We recognise that councils are determined to lessen the burden on the hard-pressed taxpayer, which is why a Conservative government would work with local authorities to freeze council tax. Any council that makes savings to keep its annual council tax increase at or below 2.5 per cent would receive additional money from central government to reduce council tax bills by a further 2.5 per cent; we're going to pay for this by reducing spending on expensive private sector consultants in central government.

This is one of a number of proposals set out in our local government Green Paper *Control Shift: Returning Power to Local Communities*. Our approach puts trust in local democracy by decentralising power and putting communities and their elected representatives in charge. This is vital in the context of the current recession because we are fully aware that any incoming Conservative government must be ready to get Britain out of recession. Our Green Paper highlights the important role that local government will play in diversifying our economy and supporting communities.

Under Labour, the rise of top-down central and regional government control has undermined local councils and allowed people too little say over decisions that directly affect them. Instead of following the localist agenda that they promised in 1997, this Government has instituted distant, ineffective, unelected and incredibly expensive regional government.

We want to devolve the enormous power that these bodies wield back to local government. This includes all regional planning and housing powers as well as the power for local authorities to establish their own local enterprise partnerships to take over the development functions of regional development agencies (RDAs).

Bureaucracy certainly doesn't come cheap. Since RDAs were created in 1999 their salary bill has trebled from £38million to more than £120million and their total running costs have risen by 159 per cent to £202million; this includes the costs of running a panoply of individual offices in a variety of foreign countries. Conservative councils across the country are finding huge efficiencies and ploughing the savings back into communities. Central government needs to follow suit: abolishing regional government will save hundreds of millions of pounds per year.

Greater financial independence is at the heart of localism, so we will also introduce a new bottom-up incentive scheme that will give local communities a share in local growth. As it stands, local authorities that acquire larger council tax bases as a result of house-building will, in many cases, find that the amount of formula grant received from central government clawed back through the equalisation process increases. A Conservative government will match the additional council tax raised by each council for each new house for six years after that house is built. This means that councils will get an automatic, six-year, 100 per cent increase in the amount of revenue derived from each new house built in their area.

A Conservative government would also give real incentives for councils to promote local economic growth by allowing them to keep the uplift in business rate revenues when new business is attracted to the area. We will also give local authorities the discretion to levy business rate discounts, which would help local firms during hard economic times.

These incentive schemes will give local authorities the freedom to create diverse vibrant local economies. In turn, such diversity would leave the wider economy far less vulnerable to global shock and the failure of a few dominant industries.

In Westminster, we are aware of the need for action now. That's why we have been calling on the Government to offer small business rate relief automatically to firms across England, rather than requiring them to complete time-consuming forms to claim it. The case for action is even more convincing when you consider that, after rent and staff, business rates are typically the next biggest cost to local firms.

My colleague Peter Luff MP introduced a Bill to make this vital relief automatic; it had the backing of numerous business organisations but the Government refused to support it. This dithering is completely unacceptable at a time when business experts predict that 32,300 businesses will fail in 2009.

Conservatives, both nationally and locally, are offering genuine practical help during the recession. In Westminster we are preparing to free local authorities from central government control, giving them the opportunity to innovate and the ability to secure the long term prosperity of their communities.

Local Government Association

The Local Government Association is the national voice for more than 450 local authorities in England and Wales. The LGA group comprises the LGA and five partner organisations which work together to support, promote and improve local government.

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