

**Meeting of the Cabinet – 11<sup>th</sup> February, 2009**

**Report of the Interim Chief Executive**

**Report on the Local Impact of the Economic Downturn and Proposals for planned service response**

**Purpose of Report**

- 1 To provide an update on how the Council and partners have so far responded to the economic downturn and offer options for a coordinated response as the recession begins to bite.

**Background**

- 2 To quote the Audit Commission in December 2008: summarise: “The worsening economy affects all sectors and local authorities have to live within their means...At the same time, the impact of the economic downturn on individuals may lead to increases in demand for Council services....Bearing in mind their local leadership role, local authorities have to consider not only how to balance their own books, they must also identify how the people and businesses in their areas will be affected and whether the local authority can take action to help during the economic downturn”.
- 3 The effect of the global economic slowdown, and projected national negative economic growth heading toward a technical recession, is being felt locally. Claimants of Jobseekers’ Allowance (JSA) has risen steadily since summer 2007, placing more households in financially difficult positions, exacerbated by higher cost of domestic fuel. The steepest increase in JSA claimants is occurring first in Dudley’s more affluent wards, indicating the peculiar nature of this economic cycle, i.e. that the financial services sector is bearing the brunt initially, followed by construction/housing. Clearly however, the more vulnerable companies within the retail sector are also at risk as consumers rein in their spending and focus on essential purchases.
- 4 Indeed, the press reporting of the economic situation in Dudley has changed recently from a balanced view on the issues, job losses and job creations to a particularly negative outlook for the borough as well as the regional, national and global issues. This is exacerbated by the impact of the demise of longstanding national retail business such as Woolworth’s and MFI. Set against that picture however are some examples of job creation, and a still-healthy local tourism activity.
- 5 Indications are that the worst effects in terms of job loss, redundancy and business failure are still to come in 2009. Already however, Council services

have detected and responded to local circumstances in a number of ways (see Appendix I)

- 6 Any support strategy the Council might develop needs to be set into the context of the pressures faced by the Council at the same time, as exemplified by a recent LGA/SOLACE survey:
  - 83% of councils seeing a drop in income from fees and charges;
  - 66% seeing a drop in the interest received on deposits;
  - 66% seeing a drop in money received from the sale of assets such as
    - land and buildings;
  - 39% seeing a drop in expected income from Section 106 agreements;
  - 24% seeing a drop in income from council tax and rent collection;
- 7 The challenge for the Council therefore is how to provide the most feasible and beneficial support for local residents and businesses from a position of a reduced income and tight resources.
- 8 Appendix I is a draft schedule of actual service response described in terms of (a) personal/household support; (b) employment related; and (c) business support. It then breaks this further into (i) as part of normal service provision and (ii) specific, new responses to the current situation. It is important that these actions are drawn together and publicised.
- 9 In addition a workshop for key agencies has been arranged to audit activities currently being undertaken in response to the economic situation and to ensure that the allocation of responsibilities is in order. The workshop will also cover any other action that might be taken by the Council and its partners.

### **Finance**

- 10 Any proposals the Council may undertake that would commit it to incur costs would have to be managed from within existing directorate budgets as there are no unallocated or earmarked financial resources available.

### **Law**

- 11 Section 2 of the Local Government Act 2000 empowers the Council to do anything, which it considers is likely to achieve the promotion or improvement of the economic, social and environmental well being of its area.

### **Equality Impact**

- 12 In responding to the economic situation the Council will continue to monitor and address its impact on equality and diversity.

### **Recommendation**

13. It is recommended that: this report be noted and that a proposed action plan be reported for a future meeting.

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**List of Background Papers**

Appendix I: draft schedule of service response from within the Council and partners.