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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>29 March 2011</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN23/11/AP/LM</b>
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b>	<b>01475 712223</b>

**Subject: Responding to the Economic Downturn – Position Statement**

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to provide an update on the responding to the Economic Downturn Action Plan and to seek Committee approval to wind up the Officer Working Group.

## **2.0 SUMMARY**

- 2.1 The Policy & Resources Committee considered an initial report on the 31 March 2009 which outlined the potential risks for the Council at a Corporate Service Level of the current economic downturn.
- 2.2 An action plan was prepared and submitted to Committee on the 26 May 2009 which was developed by an Officer Working Group. This action plan also included a set of indicators to help assess the impact of the downturn on the Council.
- 2.3 There have been various reports to the Policy & Resources Committee over the intervening 2 year period and a further update on the action plan and the key statistics is shown in appendix 1 and appendix 2 to the report.
- 2.4 Officers are currently finalising the Economic Regeneration Development Strategy for the Council and its partners. It is intended to report this to the Regeneration Committee prior to the summer recess. In addition a report to the next Committee will provide an update in respect of the Financial Inclusion Champions Fund for which the time limited funding ceases on the 31 March 2011.
- 2.5 It was always the intention that this would be a time limited working group with the main risks and actions becoming embedded within other key Council documents such as the Financial Strategy, Economic Regeneration Strategy and the Councils overall Performance Management Framework.
- 2.6 It is therefore proposed that this update be the final specific update in respect of the Economic Downturn to Committee and that the key measures and actions identified in the action plan be monitored and reported to the relevant Committees via the appropriate Strategy documents.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the latest update from the Economic Downturn Officer Working Group.

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3.2 That the Committee agree in future that updates on the relevant actions and Statistics will be supplied to the relevant Committee via other Strategic documents and the Councils overall performance reporting framework.

Alan Puckrin  
Chief Financial Officer

## **4.0 BACKGROUND**

- 4.1 The Policy & Resources Committee considered an initial report on the 31 March 2009 which outlined the potential risks for the Council at a Corporate and Service level of the current economic downturn.
- 4.2 The Committee agreed that an action plan should be prepared which focused on maintaining investment programmes and services in the medium term and also to ensure that the Council effectively manages through the economic downturn and prepares for recovery.
- 4.3 Various updates have been provided to Committee since that date via an Officer Working Group.

## **5.0 CURRENT POSITION**

- 5.1 Many of the actions incorporated in the action plan have either been delivered via the recently approved 2011/13 Budget or are now embedded within the Council's reporting structure.
- 5.2 In addition the Head of Regeneration and Planning is currently finalising the Economic Regeneration Strategy which will pick up in greater detail many of the issues identified in the action plan. It is intended that the Economic Regeneration Strategy will be reported to the Regeneration Committee prior to the summer recess.
- 5.3 It should also be noted that the highly regarded Financial Inclusion Champions Project for which Inverclyde Council has been the lead is coming to an end on 31 March 2011 due to the cessation of the central funding provided via the DWP. A report to the next meeting of the Committee will detail the outcomes achieved by this exercise and highlights other actions which the Council may wish to consider to increase financial inclusion within Inverclyde.
- 5.4 All the above indicate that the specific monitoring by the Economic Downturn Working Group has run its course and the monitoring of the specific issues identified in the action plan should now proceed via specific strategies and actions identified above.

## **6.0 IMPLICATIONS**

- 6.1 There are no direct HR, legal or equalities arising from the report. Any financial implications arising will be managed within existing resources.

## **7.0 CONSULTATION**

- 7.1 Members of the Economic Downturn Working Group and other relevant Officers were consulted in the preparation of this report.

## Appendix 1

### Responding to the Economic Downturn – Action Plan Maintaining Investment Programmes and Services in the Medium Term

Potential Risk	Mitigating Action	Lead Officer/Group	Timescale	Update
Downturn has negative impact on ability of Council to deliver key investment programmes such as SEMP, Key Leisure Sites or commitments to Riverside Inverclyde.	The detailed funding models for these key investment programmes are incorporated in the Financial Strategy.	CMT/Chief Financial Officer	Six Monthly	Financial Strategy and key funding models are monitored and updated on an ongoing basis.
Downturn has a negative impact on income streams such as Council Tax, NDR, Commercial/Industrial Rents and income from Planning Fees undermining the agreed Budget and affecting service delivery.	These income streams have been recognised by the CMT as an important element of the Budget and are monitored on a monthly basis.  Any significant issues will be flagged up in the regular monitoring reports submitted to Committee.	CMT/Chief Financial Officer	Monthly	These income streams are monitored on an ongoing basis through the budget monitoring process and reviewed monthly by CMT.  Any issues are flagged up in regular monitoring reports to Committee.  Council Tax Collection 2009/10 was 93.7%, this was a 0.4% increase on 2008/09.  Planning Fee income is projected to fall short of budget by approx £130k in 20010/11.

## Appendix 1

<p>Downturn generates increased costs at a corporate and service level and reduces the ability of the Council to dispose of assets.</p>	<p>Robust budget monitoring on an ongoing basis coupled with a focus on identifying and securing further.</p> <p>Council recognised issues regarding disposal of assets and made provision in 2009/2011 Budget to sustain Capital Programme in lieu of capital receipts.</p>	<p>CMT/DMTs</p> <p>Corporate Director Regeneration and Environment/ Chief Financial Officer</p>	<p>Ongoing</p> <p>Ongoing through Asset Management EIG.</p>	<p>Ongoing</p> <p>Phasing for sale of capital assets delayed until 2012/13 at the earliest – SEMP and AMP adjusted to take account of this delay.</p>
<p>Downturn creates increased demand for services in the short term, e.g. Economic and Social Regeneration, in the short term.</p>	<p>Reports have been submitted to Regeneration Committee outlining additional activity been undertaken by Economic and Social Regeneration to support local businesses and allocating additional resources.</p>	<p>Head of Regeneration and Planning</p>	<p>Ongoing.</p>	<p>Increased demand for employability activities funded from FJF / FSF.</p> <p>Report to be submitted on current position of local labour market to Regeneration Committee in March 2011</p>
<p>Downturn impacts in the medium term on services such as Education or Social Care where, in addition to changes in demand driven by demographic change and policy pressures, there is likely to be an increase in demand for advice, mental health and addiction services.</p>	<p>Demand trends monitored on an ongoing basis.</p>	<p>Corporate Directors/DMTs</p>	<p>Ongoing – issues will be flagged up to CMT and the relevant Committee.</p>	<p>Information on demand for free school meals and debt advice has been incorporated into indicators developed by Working Group.</p>

## Appendix 1

<p>Downturn negatively impacts on funding available to the Council.</p>	<p>Develop coherent, corporate approach to charging and income generation.</p> <p>Maximise external funding from sources such as the Town Centre Regeneration Fund or the various Lottery Funds to supplement existing resources and support the delivery of agreed outcomes.</p>	<p>Chief Financial Officer</p> <p>Corporate Director Education and Communities/ External Funding Group</p>	<p>Agreed in 2009/11 Budget.</p> <p>Ongoing.</p>	<p>Completed</p> <p>Council participating in benchmarking exercise around charging set up by Clyde Valley Review.</p> <p>External Funding Group to identify opportunities to secure funding from external sources and take overview of all external funding bids.</p>
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## Appendix 1

### Responding to the Economic Downturn – Action Plan Reviewing governance frameworks, policies and delivery arrangements

Potential Risk	Mitigating Action	Lead Officer/Group	Timescale	Update
Downturn could impact negatively on relationships with key suppliers resulting in problems of supply chain sustainability, contract disputes and need to renegotiate contracts.	Services need to review position with regard to key suppliers and assess terms and conditions of contracts.  Review approach to resolution of disputes with suppliers to ensure position of Council is protected.	DMTs  Head of Legal and Democratic Services	September 2009  September 2009	Completed  Ongoing
Downturn could impact on policies or programmes currently in place to replace or upgrade plant or equipment.	ICT already reviewing existing refresh programmes to extend lifecycle of existing asset base.  Fleet and plant will be addressed as part of fleet management review.	Head of Customer Services and Business Transformation  Corporate Director Regeneration and Environment	September 2009  Report submitted to Special P&R Committee in June 2009	Revised 2010/14 Capital Programme approved in February 2010.  Report approved and most vehicles procured.
Downturn could generate need for amendment of existing, or creation of new, policies and processes on interaction with local businesses.	Review policies and processes currently in place with regard to interaction with local businesses to establish need for change.	DMTs	September 2009	No issues flagged up.  Business Employment Programme introduced July 2010.

## Appendix 1

<p>Downturn could impact on approach adopted by Council to procurement.</p>	<p>Strategic Procurement Framework (SPF) to P&amp;R Committee on 26 May 2009.</p> <p>Adopt new approach to advertising contacts through national portal and Council Website.</p>	<p>Chief Financial Officer</p>	<p>September 2009</p>	<p>SPF approved and updated – June 2010.</p> <p>Being addressed through pilot project evaluating benefits of national portal and Council Website.</p> <p>Proposals with regard to Draft Standing Orders to be considered through SPF.</p>
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Appendix 1

Responding to the Economic Downturn – Action Plan  
Effectively managing through the economic downturn and prepare for the recovery

Potential Risk	Mitigating Action	Lead Officer/Group	Timescale	Update
Council does not manage impacts of downturn effectively.	CMT will consider action plan at monthly budget meeting and identify any remedial action required. Working Group will continue to meet on a regular basis to consider issues and advise CMT and Members.	Corporate Management Team  Working Group	Monthly  Ongoing	CMT addresses any relevant issues as part of monthly meeting.  Working Group has met regularly from March 09 to review progress on action plan.
Council does not plan effectively for the recovery.	Working Group to develop relevant indicators from across organisation to track impact of downturn and identify opportunities to take positive action. Working Group will continue to meet on a regular basis to consider issues and advise CMT and Members.	Working Group	Ongoing	Indicators were reported to P&R Committee in November 2009.  Position at 1/7/10 covered in Appendix 2.

## Economic Downturn – Recovery Indicators

<u>Measure</u>	<u>What it tells us about any recovery</u>	<u>Owner</u>	<u>Position as at 01/04/09</u>	<u>Position as at 01/07/09</u>	<u>Position as at 01/10/09</u>	<u>Position as at 01/01/10</u>	<u>Position as at 01/07/10</u>	<u>Position as at 31/12/10</u>
1/ Retail Price Index Inflation	Increasing RPI would indicate increasing demands for goods, housing, staffing & therefore recovery.	A Puckrin	-0.4%	-1.6%	-1.4%	+2.4%	+5.1%	+4.8%
2/ Building Inflation	Increasing TPI would indicate increasing demand in construction sector.	A Gerard	216 (-12.6)	219 (-11.0)	211 (-12.4)	211 (-5.0)	210 (-4.1)*	218 2.8%
3/ Job Seekers Allowance  • Claimant Numbers	Reduction could indicate recovery.	S Jamieson	2679	3031	2708	2269	2400	2100
4/ Households in receipt of Council Tax Benefit:- • Number • %	Links to JSA measure above Reductions indicate recovery.	F Borthwick	10322 26.4%	10633 27.1%	11197 28.4%	11052 28.1%	11429 29.05%	11347 28.79%
5/ Number of Children eligible for Free School Meals	A reduction in the number of pupils eligible for Free School Meals could mean fewer families in receipt of qualifying benefits.  Figures show number of pupils eligible to receive FSM out of total pupil population.	W Bain	1,225/ 10,900 (11.2%)	1,230/ 9,338 (13.2%)	1,473/ 10,943 (13.5%)	1,494/ 10,774 (13.9%)	1,521/ 9,124 (16.7%)	2559 10,265 (24.9%)

Appendix 2

<u>Measure</u>	<u>What it tells us about any recovery</u>	<u>Owner</u>	<u>Position as at 01/04/09</u>	<u>Position as at 01/07/09</u>	<u>Position as at 01/10/09</u>	<u>Position as at 01/01/10</u>	<u>Position as at 01/07/10</u>	<u>Position as at 31/12/10</u>
6/ Property Enquiries	Higher numbers of enquiries would indicate increased economic activity.	S Jamieson	7 in Qtr	7 in Qtr	8 in Qtr	20 in Qtr	17 in Qtr	17 in Qtr
7/ Building Warrants Processed	Increases in warrants could indicate increased economic activity.	S Jamieson	Major: 13 (£79,798) Minor: 119 (£25,164)	Major: 12 (£38,383) Minor: 142 (£30,095)	Major: 15 (£50,072) Minor: 152 (£29,606)	Major: 13 (£32,353) Minor: 117 (£29,670)	Major: 19 (£38,117) Minor: 110 (£25,543)	Major: 10 (£26,674) Minor: 76 (£18,584)
8/ Average number of Job Applications per externally advertised vacancy	Increased numbers of individuals applying for jobs indicates fewer jobs available.	A Moore	• 6 • 27 • 27	• 53 • 26 • 16	• 41 • 37 • 66	• 39 • 30 • 45	• 45 • 15 • 20	• 33 • 35 • 16
9/ Financial & Debt Advice Referrals	Total number of referrals and new cases for Money Advice and Debt Advice	R Murphy	460	510	483	300	147	242
• Numbers								