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## Responding to the crunch

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The 'credit crunch' made its mark during the summer of 2007 following the collapse of the US sub-prime mortgage market – a global economic crisis that continues to reverberate throughout local and national economies. At the start of this year, head-spun by the crunch, Britain officially entered recession for the first time since 1991. In the final quarter of 2008, the economy shrank at its fastest pace for nearly 30 years. This economic spiral continued in the first quarter of 2009 when the economy contracted by a further 1.5%. Whilst more recently there has been flickers of hope and renewed optimism, there is no disguising the fact that in second quarter of 2009 the global community entered the deepest recession since World War II. As projections of economic contraction are feverishly debated, contested and refined on an ongoing basis, there is no disputing the dramatic surge in unemployment across the UK – with annual increases in job seeker allowance claimants (JSA) more than doubling in some (significant) pockets of the country.



As practitioners, policy-makers and politicians continue to operate in such fragile economic conditions, questions are being asked in relation to

responding to the crunch and planning for the upturn. Indeed, a Government colleague contacted me at work the other day in a rush to gather some intelligence on ‘what local authorities are doing to respond to the recession’. Apparently, a Minister had been getting ‘quite vocal that he isn’t hearing about what local authorities are doing and so we’re compiling evidence of what we are doing to help people at the current time’. So in addition to supplying information about what I was doing on behalf of Durham County Council and the County Durham Economic Partnership, I decided to initiate a fact finding mission of what others are doing within the North East and further afield. A summary of ‘headline’ interventions supporting *businesses* and *communities* is contained in table 1.

**Table 1:** North East Local Authority interventions

|                   | <b>Support for businesses</b>  | <b>Support for communities</b>  |
|-------------------|--|---|
| <b>Darlington</b> | <ul style="list-style-type: none"> <li>• A new Business Information Guide has been produced and is being circulated to all businesses in Darlington</li> <li>• Meet the Buyer events; some of which are exclusively for Darlington companies</li> <li>• Supporting a number of small businesses to become e-enabled, thus making it easier for them to bid for other public sector work</li> <li>• Compiling a Business Directory to be hosted online with the aim to encourage trade amongst businesses</li> </ul>                          | <ul style="list-style-type: none"> <li>• The Housing Benefits Service is investigating ways of targeting Discretionary Housing Payments (DHP) to those most in need</li> <li>• Executed a campaign to promote the availability of free school meals to eligible children</li> </ul>   |
| <b>Durham</b>     | <ul style="list-style-type: none"> <li>• Established an Economic Downturn Task Force to drive forward a locally coordinated response</li> <li>• The Strategic Account Management Programme operated by the County Durham Development Company works to flag up potential problems and assembles relevant partners quickly. This programme has helped secure rapid response funding for companies</li> <li>• Initiated a Kick-Start Programme to enable completion of stalled building projects and mothballed regeneration schemes</li> </ul> | <ul style="list-style-type: none"> <li>• Commenced 2 year pilot project for the provision of free school meals for all primary school pupils</li> <li>• Delivering an Enhanced Housing Options Scheme which provides debt, welfare rights and childcare enhancements to the housing Advice service</li> <li>• Delivering a Mortgage Rescue Scheme to enable Rented Sector Landlords to take equity share of mortgaged properties at risk of repossession</li> <li>• Homebuy Direct equity loan support for first time buyers</li> </ul> |
| <b>Gateshead</b>  | <ul style="list-style-type: none"> <li>• Creation of Employment Zones in Team Valley and East Gateshead</li> <li>• Offering up to 12 month rent free for some businesses in selected sites</li> </ul>  | <ul style="list-style-type: none"> <li>• Creation of a one-stop-shop for advice and support to residents</li> <li>• Development of a Financial Inclusion Strategy</li> </ul>  |

|                            |  |   |
|----------------------------|--|---|
|                            | <p>across the borough</p> <ul style="list-style-type: none"> <li>Freezing of rent reviews for some businesses where a sustainable economic case is made</li> <li>Introduction of a 10 day promise for payment to local businesses</li> <li>Investment in infrastructure to facilitate development by undertaking advance preparation and enabling works on sites</li> </ul>  | <ul style="list-style-type: none"> <li>Supporting the growth of 100 new social enterprise businesses</li> <li>Free leisure time scheme, with further discounts for those in receipt of benefits (and their dependants)</li> </ul>   |
| <b>Hartlepool</b>          | <ul style="list-style-type: none"> <li>Re-launch of rejuvenated Hartlepool Indoor Market with 20 disused retail spaces back in use. Two are to be used for Passions into Profit scheme; one offering a business advice drop-in service and the other will be available to pre-start-up businesses free of charge on a revolving 4-week basis, enabling them to test out their business ideas</li> <li>Hartlepool Working Solutions helps people and businesses to maximise employment and self-employment opportunities through training, pre-recruitment solutions, work trials, placements, job creation and apprenticeship subsidies, enterprise grants, and redundancy support packages</li> </ul> | <ul style="list-style-type: none"> <li>'Beat the Crunch' events, including; advice for job-seekers and those going into further education, money management guidance and healthy eating on a budget</li> </ul>  |
| <b>Middlesbrough</b>       | <ul style="list-style-type: none"> <li>Business health checks – both on-line and in person</li> <li>Supporting small businesses to improve 'pitching' and negotiating skills to enable them to convert more opportunities into contracts</li> <li>Targeted support for businesses under the VAT threshold, to support them through the first critical expansion phase</li> </ul>   | <ul style="list-style-type: none"> <li>Work with housing association partners to monitor and mitigate rise in homelessness applications</li> </ul>  |
| <b>Newcastle-upon-Tyne</b> | <ul style="list-style-type: none"> <li>Actively promoting the Small Business Rate Relief</li> <li>Making maximum use of business premises which would otherwise remain vacant</li> <li>Additional capital investment of over £21m on infrastructure and regeneration projects over the next 3 years</li> </ul>   | <ul style="list-style-type: none"> <li>Help to first time buyers through providing a range of mortgage products to local residents (e.g. shared equity, increasing equity and 'try before you buy' schemes)</li> <li>Launched a benefit take-up campaign providing information on entitlement to households that may be eligible</li> </ul>                 |
| <b>North Tyneside</b>      | <ul style="list-style-type: none"> <li>Where possible, BACS payments are made directly into suppliers' bank accounts</li> <li>Self-billing has been introduced with a number of suppliers to simplify and speed up payment, which takes the form of an electronic invoice paid on receipt of the goods/services</li> <li>Purchasing cards have been introduced as a means of payment with suppliers who generate a high</li> </ul>   | <ul style="list-style-type: none"> <li>Established a Skills and Employment Response Group</li> <li>Working with the Pension Service to cross-match data and identify residents that may be entitled to additional benefits and promoting their take-up, involving the appointment of an additional Welfare Benefits Advisor to increase capacity</li> </ul> |

|                             |   |  |
|-----------------------------|---|--|
|                             | volume of low value invoices, so that suppliers are paid within 4 days  |  |
| <b>Northumberland</b>       | <ul style="list-style-type: none"> <li>• Helping to sustain existing local Business Forums and encouraging the establishment of the Northumberland Business Network</li> <li>• Investment in local institutions, such as Northern Rock</li> <li>• Encouraging the employment of local labour and local businesses by identifying opportunities to increase the use of the 'local labour clause' in appropriate council tenders</li> <li>• Maintaining support for the community/voluntary sector during 2009-10 to retain local capacity</li> </ul> | <ul style="list-style-type: none"> <li>• Increasing the number of apprenticeships offered by the authority, whilst also broadening the range of apprenticeships on offer</li> <li>• Implementation of a pre-apprenticeship scheme to support people from priority groups/neighbourhoods to compete for full apprenticeships</li> <li>• Continue to invest in the Warm Zone initiative to reduce the impact of fuel poverty</li> <li>• Produced a Handy Tips Guide setting out advice to individuals to minimise the impact of the recession</li> </ul> |
| <b>Redcar and Cleveland</b> | <ul style="list-style-type: none"> <li>• Established a reporting protocol called Economic Snapshots to monitor key trends</li> <li>• Held Business Support Events</li> <li>• Manage the Uplifting Town Centres grants and loan scheme, Enterprise Fund and an Accelerated Capital Programme</li> </ul>  | <ul style="list-style-type: none"> <li>• Credit Union Funding</li> <li>• Providing Beat the Credit Crunch advice</li> </ul>  |
| <b>South Tyneside</b>       | <ul style="list-style-type: none"> <li>• Established a Leaders Forum with representatives from retail, commerce and training sectors</li> <li>• Activated a Business Support Package</li> </ul>   | <ul style="list-style-type: none"> <li>• Launched a Financial Inclusion Champions Team</li> <li>• Established the Making Headway Service (until 2011) targeted in six locations to get at least 500 people a year into work</li> </ul>   |
| <b>Stockton-on-Tees</b>     | <ul style="list-style-type: none"> <li>• Seeking to reduce the number of days it takes to make invoice payments</li> <li>• Government information, materials and response packages are being promoted through business engagement visits, a regular E-Business bulletin, and as part of business workshops being arranged</li> </ul>  | <ul style="list-style-type: none"> <li>• Referral process with Stockton District Advice &amp; Information Service for help with debt advice</li> <li>• Using discretionary housing benefit payments to safeguard housing for those most in need</li> <li>• Piloting Skills Swap sessions</li> </ul>  |
| <b>Sunderland</b>           | <ul style="list-style-type: none"> <li>• Created a single point of contact for initial business support enquiries</li> <li>• Working with partners to produce a single package of business support offer</li> </ul>   | <ul style="list-style-type: none"> <li>• Aiming to double the intake of apprentices</li> <li>• Produced a comprehensive social benefits guide</li> </ul>   |

It quickly became apparent that local authorities are tweaking services and support rather than responding to the crunch head-on. Some key themes emerged from the North East audit; highlighting that business support packages are high on the agenda of local authorities, as is local procurement, capital investment, apprenticeships, promotion, awareness raising and advice activities. With the exception of a few notable examples of local innovation,

such as Essex County Council who are pioneering the 'Bank of Essex' and Transition Town in Lambeth circulating the 'Brixton Pound', responses, to date at least, by local authorities have tended to focus on things that they did before, but are perhaps doing it a little better now or with a bit more urgency and impetus. This is to be commended – the majority of local authorities are intervening in areas (both spatially and sectorally) which they 'know' they can deliver results.



Source: The B£ group

On the whole, local authorities have been pragmatic in responding to the crunch: doing what they can and working in partnership with other

organisations, such as Regional Development Agencies and Business Link. Yet, with public sector budgets expected to be significantly squeezed over the next decade, with both Labour and the Conservatives announcing that cuts will have to be made, when should we expect an economic recovery and how can we plan for it? Will QUANGO's, such as the Regional Development Agencies, be around under a Conservative-led State? And if not, what economic tools and resources will local authorities be offered beyond a duty to produce an Economic Assessment? Indeed, what use is knowledge of local economic needs and opportunities if the tools and resources are not also in place to deliver interventions?