
Report To:	Policy & Resources Committee	Date:	26 May 2009
Report By:	Corporate Director Improvement and Performance	Report No:	POL/22/09/PW/
Contact Officer:	Paul Wallace	Contact No:	01475 712700
Subject:	Responding to Economic Downturn – Action Plan		

1.0 PURPOSE

- 1.1 The purpose of this Report is to outline to Committee how the Council will effectively manage the impact of the economic downturn at both a corporate and service level over the next few years.
- 1.2 An Action Plan has been developed which focuses on maintaining investment programmes and services in the medium term, reviewing governance frameworks, policies and delivery arrangements where appropriate and ensuring the Council is able to effectively manage through the economic downturn and prepare for the recovery (attached as Appendix 1).

2.0 SUMMARY

- 2.1 Policy and Resources Committee considered an initial report on 31 March 2009 which outlined the potential risks for the Council at both a corporate and service level of the current economic downturn.
- 2.2 The report identified that the latest projections for public sector expenditure from the Treasury, as well as various academic institutions and think tanks, outlined a scenario where resources continue to decline in real terms for the next 5-10 years at the same time as demand for services continues to increase annually driven by demographic change and policy pressures.
- 2.3 This scenario will have a significant negative impact on the Council – although the economic downturn itself may only last for 2-3 years the costs associated with the actions taken by the UK Government will impact on resources available to the Council for the foreseeable future.
- 2.4 It was highlighted to Committee that although the Council had agreed a two year Budget for 2009/2011 there was a significant risk that the worsening economic situation, and a real decline in public expenditure as outlined above, would mean that the current planning assumptions outlined in the Financial Strategy of an annual funding gap of around £4m from 2011/2012 will have to be revised.

Members should note that the Financial Strategy is currently being reviewed and will be submitted for approval to the Special Policy and Resources Committee on 16 June 2009

- 2.5 The report also identified a number of areas, at both a corporate and service level, where the economic downturn would have a negative impact including income streams such as Council Tax, NDR, Commercial/Industrial Rents and income from Planning Fees as well as increased costs and a reduction in the ability of the Council to dispose of assets.
- 2.6 It was also highlighted to members that the Council would need to consider the medium term impact of the economic downturn on the Council, particularly 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 mental health and addiction services.

- 2.7 It was also recognised that were potential 'positive' impacts arising from the economic downturn for the Council such as a reduction in inflationary pressures or changing expectations with regard to pay settlements and that these would be addressed through the revision of the Financial Strategy.
- 2.8 The Committee agreed that an Action Plan should be prepared which focused on; maintaining investment programmes and services in the medium term; reviewing governance frameworks, policies and delivery arrangements where appropriate; and ensuring the Council is able to effectively manage through the economic downturn and prepare for the recovery.
- 2.9 The attached Action Plan (Appendix 1) was developed by the Working Group which has collated relevant information from across the organisation.
- 2.10 The Committee also agreed that the initial report should be remitted to the Inverclyde Alliance Board on 29 April 2009 for consideration.
- 2.11 It should also be highlighted that since the initial report was considered by Committee further action has been undertaken by Economic and Social Regeneration to support local businesses – a report on Special Economic Interventions was considered by Regeneration Committee on 7 May 2009.

3.0 RECOMMENDATION

- 3.1 It is recommended that the Committee:
 - a. approve the attached Action Plan (Appendix 1);
 - b. note the further action which has been undertaken by Economic and Social Regeneration since the last meeting of the Committee to support local businesses; and
 - c. note that the revised Financial Strategy will be submitted for approval to the Special Policy and Resources Committee on 16 June 2009.

Paul Wallace
Corporate Director
Improvement and Performance

4.0 Background

- 4.1 Policy and Resources Committee considered an initial report on 31 March 2009 which outlined the potential risks for the Council at both a corporate and service level of the current economic downturn.
- 4.2 The report identified that the latest projections for public sector expenditure from the Treasury, as well as various academic institutions and think tanks, outlined a scenario where resources continue to decline in real terms for the next 5-10 years at the same time as demand for services continues to increase annually driven by demographic change and policy pressures.
- 4.3 This scenario will have a significant negative impact on the Council – although the economic downturn itself may only last for 2-3 years the costs associated with the actions taken by the UK Government will impact on resources available to the Council for the foreseeable future.
- 4.4 It was highlighted to Committee that although the Council had agreed a two year Budget for 2009/2011 there was a significant risk that the worsening economic situation, and a real decline in public expenditure as outlined above, would mean that the current planning assumptions outlined in the Financial Strategy of an annual funding gap of around £4m from 2011/2012 will have to be revised.

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- 4.7 It was also recognised that were potential 'positive' impacts arising from the economic downturn for the Council such as a reduction in inflationary pressures or changing expectations with regard to pay settlements and that these would be addressed through the revision of the Financial Strategy.
- 4.8 The Committee agreed that an Action Plan should be prepared which focused on: maintaining investment programmes and services in the medium term; reviewing governance frameworks, policies and delivery arrangements where appropriate; and ensuring the Council is able to effectively manage through the economic downturn and prepare for the recovery.
- 4.9 The attached Action Plan (Appendix 1) was developed by the Working Group which has collated relevant information from across the organisation.
- 4.10 The Committee also agreed that the initial report should be remitted to the Inverclyde Alliance Board on 29 April 2009 for consideration.
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5.0 Implications

- 5.1 There are no direct HR, Legal or Equalities issues arising from this Report - any financial implications arising from the Report will be managed from within existing resources.

6.0 Consultation

- 6.1 The CMT and members of the Working Group 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
Downturn has a negative impact on the ability of the Council to deliver key investment programmes such as SEMP, Key Leisure Sites or commitments to Riverside Inverclyde.	<p>The detailed funding models for these key investment programmes are incorporated in the Financial Strategy.</p> <p>The Financial Strategy is currently being reviewed and a revised version will be submitted for approval to the special Policy & Resources Committee on 16 June 2009.</p>	Chief Financial Officer/ Corporate Management Team	<p>16 June 2009</p> <p>Next review of Financial Strategy scheduled for Autumn 2009.</p>
Downturn has a negative impact on income streams such as Council Tax, NDR, Commercial/Industrial Rents and income from Planning Fees which undermines the agreed Budget and affects service delivery.	<p>These income streams have been recognised by the CMT as an important element of the Budget and are monitored on a monthly basis.</p> <p>Any significant issues will be flagged up in the regular monitoring reports submitted to Committee.</p>	Corporate Management Team/ Chief Financial Officer	Monthly
Downturn generates increased costs at a corporate and service level and reduces the ability of the Council to dispose of assets.	<p>Robust budget monitoring on an ongoing basis coupled with a focus on identifying and securing further efficiencies by CMT is a key element of the 2009/2011 Budget</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>Corporate Management Team/ Directorate Management Teams</p> <p>Corporate Director Regeneration and Resources/ Chief Financial Officer</p>	<p>Ongoing</p> <p>Proposals from Directorates to achieve 1% efficiency target to Committee in September 2009.</p> <p>Ongoing through work of CPIG.</p>

Appendix 1

<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 Economic and Social Regeneration</p>	<p>Ongoing – Regeneration Committee to be kept advised.</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 are being monitored on an ongoing basis and although there would appear to be a general upward trend in referrals across the board the most significant is with regard to financial and debt advice where new cases in 2007/08 were 437 and in 2008/09 479 - a 9% increase.</p>	<p>Corporate Directors/ Directorate Management Teams</p>	<p>Ongoing – potential issues will be flagged up to CMT and the relevant Committee to advise members and allow appropriate action to be taken.</p>
<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 the agreed outcomes.</p>	<p>Corporate Director Regeneration and Resources/ Chief Financial Officer</p>	<p>Agreed in 2009/11 Budget – to be in place by June 2010.</p> <p>Ongoing – should be monitored through relevant Committee.</p>

Appendix 1

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

Potential Risk	Mitigating Action	Lead Officer/Group	Timescale
Downturn could impact negatively on relationships 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.	Directorate Management Teams	September 2009
	Review approach to resolution of disputes with suppliers to ensure position of Council is protected.	Head of Legal and Administration	September 2009
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.	Head of ICT and Business Transformation	September 2009
	Fleet and plant will be addressed as part of fleet management review.	Corporate Director Environment and Community Protection	Report to Special P&R Committee 16 June 2009
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.	Directorate Management Teams	September 2009
Downturn could impact on approach adopted by Council to procurement.	Strategic Procurement Framework to P&R Committee on 26 May 2009.	Head of Performance Management and Procurement	September 2009
	Adopt new approach to advertising contacts through national portal and Council Website.		

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
Council does not manage impacts of downturn effectively.	<p>CMT will consider action plan at monthly budget meeting and identify any remedial action required.</p> <p>Working Group will continue to meet on a regular basis to consider issues and advise CMT and Members.</p>	<p>Corporate Management Team</p> <p>Working Group</p>	<p>Monthly</p> <p>Ongoing</p>
Council does not plan effectively for the recovery.	<p>Working Group to develop relevant indicators from across organisation to track impact of downturn and identify opportunities to take positive action.</p> <p>Working Group will continue to meet on a regular basis to consider issues and advise CMT and Members.</p>	<p>Working Group</p>	<p>Ongoing</p>