

The shield of survival

As global recession looms, the focus must shift from place-shaping to place-shielding to protect local residents, says **Barry Quirk**



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These are extraordinary times. The interrelated risks and exceptional uncertainties in global financial markets have brought the system of credit to its knees, if not to a halt. The recent stock market crash was unprecedented in modern memory and has heralded unprecedented government action. What was first described as a 'crunch' seems now worthy of a much more serious term. What does this turn of events mean to those of us working in local government?

Up until now we have been pursuing a place-shaping agenda — ensuring that our localities were open to the opportunities of the world and benefited from the buoyancy of the overall economy. This approach is absolutely right. It has reminded us we are not in local government simply to deliver services, but to make our localities better and enhance quality of life and life chances.

Place-shaping is a positive agenda. It is about engendering progressive change in local economies and among diverse communities. It is a localist agenda that has given a new dynamism to ideas and practice at the local level. Each council can point to its own examples of great place-shaping.

But now we need to consider the contribution of place-shielding. Over two decades ago, at a time of fundamental economic change in the nation's industrial base, there was a strenuous argument underway about the role of local government.

In a famous speech, the then leader of the opposition Neil Kinnock said when communities faced economic change and dislocation, local government was not a weapon to be used against the then government but rather it was a "dented shield" — there to protect citizens locally from the

worst effects of external shocks and challenges.

This metaphor seems right for the current crisis. Local government needs to be a shield for its communities. As communities secretary Hazel Blears said at the recent Society of Local Government Chief Executives & Senior Managers conference, now is a time when local government needs to foster security for its communities; to ensure people do not lose their homes, jobs or businesses. However, this will be difficult to achieve. That's why she called for innovation from local leaders, both political and managerial.

But how do you innovate when the context for action is so fast-moving and when the issues that need to be addressed are so interrelated? We are in a radically different context from any that we have ever experienced before. I suspect the impact of the credit crunch on localities is unlike the shocks felt in the 1970s and 1980s. Of course there are some surface similarities, but deep down the realities are very different. Then, economic restructuring disproportionately affected the nation's industrial base. In some ways, its impact on localities was more predictable, more tangible, more geographically specific. By contrast, the impact of the credit crunch is more systemic.

Of course some localities have more jobs in banking and financial services than others. While every area has retail banks, much of the financial services sector is geographically clustered. For example, London has 15% of all the jobs in Britain, but it has only 7% of manufacturing jobs and a whopping 30% of all jobs in financial services. What's more, the potential impact on the economy of Yorkshire, with its core financial cluster around Bradford & Bingley and Halifax, did not go unnoticed by Ms Blears.

But the non-availability of credit will have an impact on everything, everywhere. Communities are mainly local, but capital is both global and fluid and the effect of it freezing will see no boundaries. No families, no communities, no businesses will be wholly untouched by this crisis.

'Place-shielding will foster immunity, it will help localities survive'



This makes the problem multi-faceted and multi-dimensional. And it means we need to be careful in deciding what strategies would best protect our localities.

In a recent speech, Spencer Dale, the Bank of England's chief economist, said: "A change in the general availability of credit would be likely to exert a similar influence on consumer spending and the demand for housing. This co-movement is akin to the similar patterns observed in the demand for turkeys and Christmas trees. One does not cause the other; rather they are both responding to a common driver."

In other words, we need to avoid false strategies which focus on the relationship between various symptoms, but instead attack the cause — the extraordinary tightening in the availability of credit. This is exactly what the government has done over the past two weeks — making £37bn available to recapitalise (and part-nationalise) three high street banks. This has had some significant success in stabilising the system, although at the time of writing the market has regained an element of volatility.

Policy instruments which are effective at the national level give us little indication of what might work at the local level. Our role locally is to help citizens overcome the



Councils need to combine place-shaping with place-shielding to help residents

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worst effects of the crunch as well as to act prudently with public money. We need to deal with a systemic problem in a systemic way. The government's national economic council will generate national approaches.

At the regional and local level we have no policy instruments that can stimulate credit availability, but that does not mean we should be fatalistic. There are many things we can do to help people, businesses and community groups overcome the worst effects. Perhaps the worst thing we could do would be to adopt a protectionist and municipalist stance.

Our role is not to close our communities to the world behind a shield. But rather we should take a leading role locally with the private and community sectors to better co-ordinate information and guidance to help people overcome the problems they face.

There are lessons we can learn from the past about how to minimise harm to communities; how to blunt the worst effects of declining business confidence; how to target those who are most vulnerable; and how to sharpen our services so they provide relevant services to people at lower cost. In a credit squeeze, our revenue base is subject to as much threat as our asset base. Lines of income melt into air as readily as do

'Councils need to stimulate positive local economic activity'

s106 agreements. And some public/private development ventures will become fragile as contributing partners begin to examine their relative debt profiles and cash flows.

Services and facilities need to be relevant to current and future needs. In some services, what is relevant today may be substantially different from what was relevant two or three years ago when we devised our strategic plans. Of course, many of our core purposes and functions remain relevant. But now is a time to alter strategic priorities.

This is a time to provide a higher profile to regulatory and advice services. Branding money advice, debt counselling, tax credits and energy efficiency initiatives within a 'beat the crunch' programme is likely to improve take-up and effectiveness. Perhaps above all we need to make sure we have a street-level understanding of the pressures and challenges our communities face.

Our strategic plans should not be altered without reason, nor without explicit risk assessment. Engagement of all local stakeholders in a co-ordinated effort to immunise our localities from the worst effects of the likely economic recession is needed. People are immunised to external economic shocks when they have easy access to the information and advice. They are open to

new opportunities and are confident and resilient in their skills and capabilities.

We need to be more acutely aware of the weaknesses of our areas and plan ways to protect their social and economic fabric.

Even in a serious downturn, there will be opportunities to take and we need to be alive to these in each of our localities.

The government has adopted a neo-Keynesian approach to stimulate economic activity by fast forwarding planned capital programmes. That is sensible — and each council needs to examine how it can best stimulate positive local economic activity. Perhaps the quickest thing we can do to help local liquidity is to pay our bills quicker. A target of 30-day payment of invoices now looks very slow in the fast pace of today's troubled times. We need to blend place-shaping with place-shielding

Place-shaping fosters vitality, it helps localities thrive; place-shielding will foster immunity, it will help localities survive.

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