

London Borough of Merton

Report and recommendations arising from the scrutiny task group review of the impact of the recession in Merton

**Overview and Scrutiny Commission
January 2010**

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(drawn from the Overview and Scrutiny Commission):

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Acknowledgements

The task group would like to thank all the officers and external witnesses who have taken the time to provide information and discuss ideas with us. We are particularly grateful to our voluntary sector colleagues whose evidence has given us a deeper insight into the role of the voluntary sector and the valuable contribution that it can make in helping local people cope with the impact of the recession.

All contributors are listed in Appendix 1 and Appendix 2 of this report.

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Foreword by the Review Chair

The impact of the recession in Merton has not been as severe as first feared. Many residents are employed in financial and business services, and the credit crunch was expected to impact disproportionately on this sector, making these employees especially vulnerable to job losses.

Managerial and professional unemployment has risen, but not on the scale anticipated. Instead it is those in low skilled and poorly paid jobs who have been hardest hit by the recession, and because they are close to the poverty line the social cost of unemployment is highest for this group. Even as the economy recovers (and there are encouraging signs that the increase in unemployment in Merton has stabilised in recent months) it will take time for those currently unemployed to find their way back into work. Prospects are even more demoralising for school leavers and graduates who have yet to find work. These groups will continue to need support long after the economy has moved back into growth, if the social effects of unemployment are to be mitigated.

The task group took evidence from many organisations, and was impressed with the wide range of measures adopted or proposed to counter the recession. Merton benefits from a thriving voluntary sector to work with the council through the Merton Partnership, and this is a highly cost effective combination for delivering services to those affected by recession. The voluntary sector deserves our continuing support for the key role it plays.

Many of our recommendations concern the communication of services already available and the implementation of services proposed, rather than developing new services. There can be no room for complacency while the threat of a “double dip” recession remains when quantitative easing is withdrawn, but if all the services available to help those affected by recession can be effectively co-ordinated through the Merton Partnership, we can be confident of emerging in good shape.

I would like to thank members of the task group for the hours of work they contributed to this review, and especially Julia Regan, Scrutiny Manager, for her skill in distilling all the evidence into the report before you.

Cllr Peter Southgate
Chair, Overview & Scrutiny Commission

Executive Summary

The task group was set up in order to investigate the impact of the recession on local residents and businesses.

The report is evidence based, drawing on and reflecting the wide range of written and oral evidence received. The task group heard from Jobcentre Plus, Merton Chamber of Commerce, Merton and Lambeth Citizens Advice Bureau, Wimbledon Guild and a number of other voluntary sector organisations as well as senior council officers. All contributors are listed in the report's appendices.

The task group received extensive data on local unemployment, information on the services available to help people to find work, the increase in housing benefit applications and the increase in demand for financial and other advice from statutory and voluntary organisations.

A number of the task group's recommendations are therefore aimed at helping residents to identify sources of advice and support. Other recommendations are aimed at helping residents to re-skill through adult education, training or voluntary work.

The task group recognises the valuable role that the voluntary sector has in providing early support to residents, that in many cases will prevent the need for the Council and its partners to provide more extensive intervention at a later stage. Voluntary sector organisations are experiencing an increase in demand for their services and, in many cases, reduced income during this recession.

The task group has therefore recommended that voluntary organisations continue to work together to share expertise and co-ordinate services. It has urged the Council to be mindful of the impact that any further reduction in grant funding might have on voluntary organisations and their clients.

The recommendations are listed in full overleaf.

List of task group's recommendations

	Responsible decision making body
Recommendation 1 (paragraph 23)	
We recommend that the Citizens Advice Bureau investigate Nelson Hospital and the Intergenerational Centre as possible venues for outreach work.	Citizens Advice Bureau
Recommendation 2 (paragraph 27)	
We recommend that a short information leaflet is produced as soon as possible so that councillors can use it to advise residents who attend their surgeries. The leaflet should also be sent to local voluntary and community groups and GP surgeries. This leaflet should provide a description and contact details for services and sources of support for residents experiencing financial and /or housing difficulties. It should include details of how to find the money advice section on the Council's website.	Cabinet
Recommendation 3 (paragraph 28)	
We recommend that this information is incorporated in the induction pack for new councillors following the local election in May 2010.	Cabinet
Recommendation 4 (paragraph 30)	
We recommend that when large scale leaflet drops or mailings to households are planned (for example to advertise change to refuse collection arrangements) the lead officer should contact the Corporate Communications Department to check whether this can be combined with another mailing and to identify whether other messages could be added to the planned mailshot.	Cabinet
Recommendation 5 (paragraph 32)	
We recommend that the Corporate Communications Department continue to place messages in My Merton to advertise sources of advice and help for residents and local businesses affected by the recession.	Cabinet

Recommendation 6 (paragraph 33)	
We recommend that the Corporate Communications Department work with the Council's partners to develop a joint annual communications campaign which will better market Merton during the recession as well as informing and improving awareness among residents and businesses about what help is out there for them.	Cabinet
Recommendation 7 (paragraph 41)	
We recommend that Jobcentre Plus investigate the best way of advertising the Chamber of Commerce's services to people who express an interest in self-employment.	Jobcentre Plus and Chamber of Commerce
Recommendation 8 (paragraph 47)	
We recommend that Jobcentre Plus continue to target support to the under 25's and to all people who are newly unemployed, regardless of age.	Jobcentre Plus
Recommendation 9 (paragraph 52)	
We recommend that the Council's Adult Education Service continue to offer free taster sessions and to offer concessionary rates to people in receipt of benefits.	Cabinet
Recommendation 10 (paragraph 57)	
We recommend that, in addition to the online application, a paper based version should continue to be available to applicants. We further recommend that every effort is made to simplify paper based application forms.	Cabinet
Recommendation 11 (paragraph 60)	
We recommend that all letters relating to the council tax collection process (including bailiff letters) should be reviewed and redrafted to ensure that they are clear and easy to understand. We accept that some legal phrases need to be used, but these should be supplemented with an explanation in plain English.	Cabinet
Recommendation 12 (paragraph 62)	
We recommend that extended payment arrangements should be considered as an option by the Revenues and Benefits Service for residents who are having genuine financial difficulties with paying their council tax.	Cabinet

Recommendation 13 (paragraph 73)	
We recommend that Merton Voluntary Services Council, Merton Unity Network and other infrastructural organisations continue to work together to encourage co-ordination and imaginative partnership working to support the voluntary sector, particularly targeting smaller, less well established organisations.	Merton Voluntary Services Council and Merton Unity Network
Recommendation 14 (paragraph 76)	
We recommend that, prior to changing funding arrangements for voluntary organisations, the Council gives careful consideration to the potential consequences, including increased future demand for Council services.	Cabinet
Recommendation 15 (paragraph 80)	
We recommend that the Council consider the case for increasing funding to the Citizens Advice Bureau in order to make a contribution to the volunteer training programme. This increase would be made in recognition of the role that the effective management of volunteers plays in meeting the increased demand for CAB services and in providing valuable work experience for the volunteers.	Cabinet
Recommendation 16 (paragraph 97)	
We recommend that the Wimbledon Christmas parking initiative is evaluated and, if found to be effective in increasing business for local shops and entertainment venues, should be continued at other suitable times of the year and in other parts of the borough until we are out of recession.	Cabinet
Recommendation 17 (paragraph 100)	
We recommend that the Overview and Scrutiny Commission should receive an update on further progress made on the Capital Ambition Quick Win initiatives. This update should be included in the report responding to each of this Panel's recommendations	Cabinet

Report of the Impact of the Recession Scrutiny Task Group

Introduction

Purpose

1. The Council's Overview and Scrutiny Commission, at its meeting on 11 June 2009, agreed to establish a task group to investigate the impact of the recession on the local economy and on community cohesion.
2. The Commission appointed a small working group of councillors to carry out a short piece of work on this and report back to the Commission on 28 January 2010.
3. The task group's terms of reference were:
 - to examine what impact the current recession is likely to have on local residents and businesses
 - to examine what can be done to reduce these impacts, particularly in relation to jobs, debt, housing and health
 - to consider examples of good practice of community leadership by other Councils to counter the impact of the recession
 - to make recommendations for action

What the task group did

4. The task group has had 9 meetings at which a wide range of evidence has been considered including:
 - national and regional reports on the recession from the Audit Commission, Local Government Association and the Improvement and Development Agency
 - reports produced for Merton Council's Cabinet outlining the impact of the recession and the Council's response
 - written evidence and discussion with the External Relations Manager of Jobcentre Plus
 - discussion with Merton Voluntary Service Council and Merton Unity Network about role of voluntary sector, as well as evidence from individual organisations
 - written evidence and discussion with the Chief Executives of Merton Chamber of Commerce and Merton and Lambeth Citizens Advice Bureaux
 - evidence from the Council's Head of Sustainable Communities, the Regeneration Partnerships Manager and the Revenues and Benefits Manager
5. Appendix 1 lists the written evidence received by the task group and Appendix 2 lists the witnesses at each meeting.
6. This report sets out the task group's findings, conclusions and recommendations. The task group's recommendations run throughout the report and are set out in full at the front of this document.

The current recession – an overview

7. We heard that the current recession appears to be wider and deeper than previous recessions, having an impact on a range of industrial and service sectors. We also heard that the recession is hitting different areas of the country in different ways.
8. The industries most likely to be initially affected by the credit crunch and squeeze on disposable incomes are financial services, real estate, other business services, construction and retail and other consumer related industries. Clearly this will have a disproportionate impact in London, where there is a concentration of these industries. The region has experienced sharp rise in number of managerial and professional job losses and has seen largest increase in professionals claiming Job Seekers Allowance.
9. We are mindful that, despite the initial expectations and publicity surrounding the impact of this recession on professionals, low skilled workers have in fact been the hardest hit by this recession and remain at the greatest risk of long term unemployment. We note also that data shows that workers under 50 have been hit harder than in previous recessions.
10. We received extensive information on local unemployment data from council officers and from Jobcentre Plus. Although Merton has been less affected than other London boroughs, the number of residents claiming Job Seekers Allowance has increased by 2000 during 2009, bringing the total to around 4000 residents. We were concerned to hear that residents in the east of the borough have been more severely affected than the west and that the gap between these areas is widening (in terms of the level of unemployment).
11. The proximity of tube, train and tram services to central London is of great benefit in helping local residents find work. In terms of local jobs, we noted that 43% of jobs based in the borough are considered to be “vulnerable” during the recession. Although Merton is a net exporter of labour, we agree that there is a need to attract a wider range of businesses to Merton, including higher paid and higher skilled jobs.
12. The decline in house prices and sales appears to have bottomed out (for example, income from land searches increased between March and July 2009), though it may still be too early to be certain.
13. We received evidence that local businesses have been adversely affected, particularly small and medium sized businesses. Many are struggling to survive (LAA local indicator shows reduced survival rate in 2008/9 compared to 2007/8) and a number of larger businesses have downsized.

Impact on local residents

14. In order to find out what impact the recession is having on local residents we wrote to local voluntary and community organisations, resident associations and councillors. We also advertised in the Council's magazine (My Merton) and the local Guardian. We were particularly interested in hearing whether the recession has caused financial, housing or health difficulties and what help was provided. We also sought suggestions on what else could be done to support local people through the recession.

15. An email we received from one resident illustrates the way in which job loss can lead to financial difficulties:

"My husband, is a highly qualified teacher aged 50. He has been unable to get a permanent job since September 2008 and has only been able to get some short term supply. He has had to sign on again for the sixth time. He has applied for countless jobs (around 15 or more) and not been shortlisted for any, most likely due to his age and the fact that due to his experience, he is very expensive. We have only been able to claim council tax benefit, which has been a real problem as Job Seekers Allowance is only £63.40 a week, not enough for a single person to live on let alone a family of 4 with only one son working in a low paid job and myself on 2 low paid part-time jobs. The staff in the council tax office were extremely understanding and very helpful. However it has been very unexpected as most people believe teachers jobs are safe. We were not expecting this at all and it is very difficult to cope at times".

16. Many of the voluntary organisations that contacted us reported an increase in advice sought on debt and housing problems. These difficulties are sometimes exacerbated by financial organisations. Springfield Law Centre told us that they have come across a number of instances of action being taken on mortgage debt at a very early stage, placing extreme pressure on mortgagees. They reported that other debts are also being pursued vigorously. Delays in getting benefits can then add to these difficulties.

17. The Citizens Advice Bureau, the organisation to which many people turn for advice on financial, housing and other problems, have reported a 70% increase in the number of people seeking advice this year. They have increased their opening hours (including during the evening), recruited more volunteer staff and changed their ways of working in order to cope with this increase. They now offer advice via telephone and email, as well as the traditional face to face service at their offices. They have introduced a triage approach - all clients have an initial 10-20 minute assessment, followed by a pre-booked longer appointment where needed.

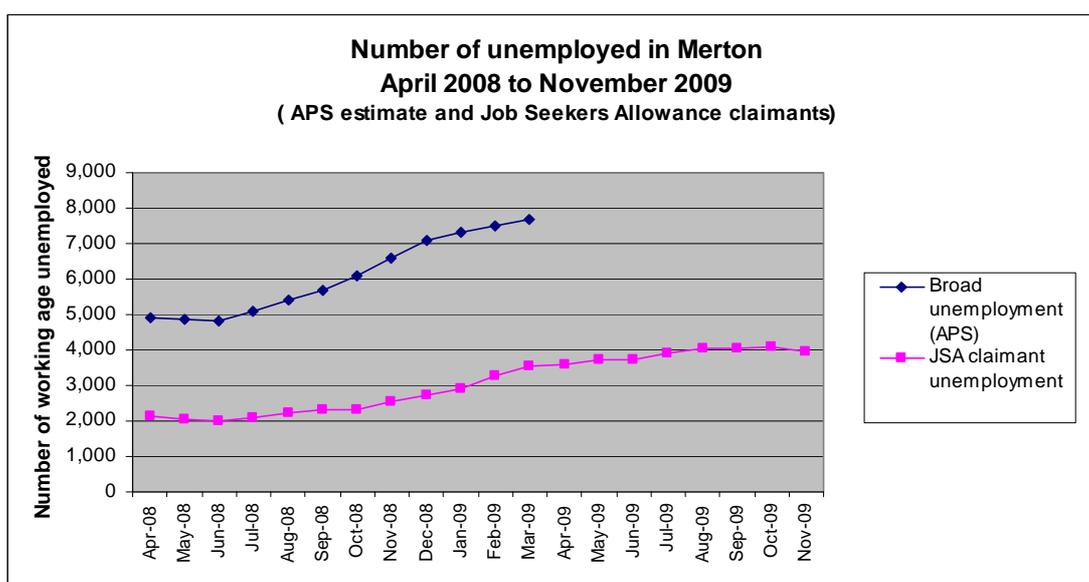
18. Debt and benefits continue to be the main issues on which advice is sought. Debt enquiries have increased faster than all other categories of advice – from 22% of all initial enquiries in 2008 to 31% in 2009. A further indication of the impact of the recession is that the average level of clients' debt has increased by 16% since January 2007.
19. The Citizens Advice Bureau's client profile has changed over the past year, with an increasing number of home owners and self employed people now seeking advice. The Chief Executive of Merton and Lambeth Citizens Advice Bureau expressed concern that people on very low incomes, who are finding it difficult to manage their debts, may be ignoring the problem rather than seeking help. Experience has shown that the longer people leave debt problems, the more entrenched the debt becomes and the more difficult it is to help.
20. The Citizens Advice Bureau is working to promote awareness of the need to seek help with debt as early as possible, including:
 - financial capability workshops to promote budgeting skills to avoid debt – have trialled this in St Helier (hosted by St Teresa's Catholic Church), planning to do more in partnership with voluntary and private sector organisations, including (hopefully) some banks.
 - Looking at the feasibility of holding extra outreach sessions to help reach the most vulnerable and those on the lowest income in the community – for example through community centres, GPs and dental surgeries.
21. We note that the Council's Environment and Regeneration Department has recently given the Citizens Advice Bureau a grant of £3000 to organise six training sessions in community centres and faith venues. These sessions are on financial advice in the context of the recession and are aimed at members of the public and CAB volunteers.
22. We welcome these initiatives and believe that encouraging GPs to make referrals to the Citizens Advice Bureau is a good idea – some patients presenting with mental health issues may have difficulties that have been caused or aggravated by financial problems.
23. **We recommend that the Citizens Advice Bureau investigate Nelson Hospital and the Intergenerational Centre as possible venues for outreach work. (recommendation 1)**
24. Staff at Victim Support have received an increase in reports of burglaries and domestic violence - many of which they believe are caused by financial problems. Victim Support provide emotional support and refer those clients that need professional counselling to Wimbledon Guild and elsewhere. If financial advice is sought they refer clients to the Citizens Advice Bureau.

25. We were contacted by two councillors who were aware of residents who have lost their jobs and subsequently had difficulty paying council tax and mortgages. One of the issues for these ward councillors was a lack of knowledge on what they could do to help, other than advise the person to go to the Citizens Advice Bureau or the Law Centres.
26. We found that there is a need for easy to access and clear information for members of the public and councillors in order to help them identify sources of advice and support in relation to job loss and financial problems. This should include information about the basic bank account (of which we had not heard previously), designed to provide banking services for people who would not be eligible for a traditional current account. The basic bank account gives limited access to banking facilities and does not allow the account holder to go overdrawn.
27. **We recommend that a short information leaflet is produced as soon as possible so that councillors can use it to advise residents who attend their surgeries. The leaflet should also be sent to local voluntary and community groups and GP surgeries. This leaflet should provide a description and contact details for services and sources of support for residents experiencing financial and /or housing difficulties. It should include details of how to find the money advice section on the Council's website. (recommendation 2)**
28. **We further recommend that this information is incorporated in the induction pack for new councillors following the local election in May 2010. (recommendation 3)**
29. It is important for the Council and its partners to take every opportunity to advise residents who are experiencing financial difficulties to seek advice as soon as possible rather than waiting till these difficulties become acute. We believe that the Council should be more imaginative in its use of opportunities to communicate such information to people affected by the recession.
30. **We therefore recommend that when large scale leaflet drops or mailings to households are planned (for example to advertise change to refuse collection arrangements) the lead officer should contact the Corporate Communications Department to check whether this can be combined with another mailing and to identify whether other messages could be added to the planned mailshot. (recommendation 4)**

31. We note that recent editions of My Merton have included articles and information aimed at supporting residents who are experiencing financial difficulties:
- February/March 2009 edition included financial tips from the BBC's "Working Lunch" business correspondent as well as an article "beating the credit crunch" giving advice on reducing financial outgoings
 - December 2009/January 2010 edition contained an article "Christmas crunch" with financial advice, including information about the basic bank account and how to save money on energy costs.
32. **We recommend that the Corporate Communications Department continue to place messages in My Merton to advertise sources of advice and help for residents and local businesses affected by the recession. (recommendation 5)**
33. **We further recommend that the Corporate Communications Department work with the Council's partners to develop a joint annual communications campaign which will better market Merton during the recession as well as informing and improving awareness among residents and businesses about what help is out there for them. (recommendation 6)**

Impact on employment

34. The number of residents claiming Job Seekers Allowance has increased each month from January to August 2009. There are indications that this may have peaked, given that the increase in July and August was smaller than usual for those months and numbers have levelled subsequently, as shown in the table below. Claimant unemployment rates in November 2009 were 2.9% of the resident working age population in Merton, 4.4% in London and 4.1% for the UK as a whole.



35. We were keen to find out what support is provided to help unemployed people to find work; such as help with job seeking, education and training to acquire new employable skills.
36. The principal jobcentre serving Merton residents is in Mitcham, but residents also use the Kingston and Sutton jobcentres. We heard that all jobcentre premises have undergone significant modernisation making them much more customer focused. We also heard that for 2008/9 the South London region performed best in the country on a range of Jobcentre Plus's performance measures including finding work.
37. Nationally Jobcentre Plus has responded to the increase in white collar job seekers by providing specific training for its advisors so that they understand the needs of this group and by contracting out support for these jobseekers to professional and executive recruitment agencies.
38. In Merton, 302 jobseekers have received support from such agencies and Jobcentre Plus has received positive feedback from those

customers. Locally Jobcentre Plus have worked with partners, including Merton Council and the Chamber of Commerce, to provide information and support for professional job seekers. This has included a very successful Executive Plus event in September 2009.

39. One of the learning points from the Executive Plus event is that more needs to be done to co-ordinate the work of the different agencies that all deal with separate aspects of support to professional and executive job seekers. We were pleased to hear that Merton Partnership's multi-agency recession sub group has started to map and co-ordinate services. We hope that this will lead to increased partnership working and the use of shared promotion and information for jobseekers.
40. Merton Chamber of Commerce has found that there is a lack of co-ordination between agencies in relation to unemployed people who are interested in self-employment . At present these people are not routinely put in touch with the Chamber of Commerce for advice and support.
41. **We recommend that Jobcentre Plus investigate the best way of advertising the Chamber of Commerce's services to people who express an interest in self-employment. (recommendation 7)**
42. We have sought data on the impact of the recession on the employment and education of young people. We heard Merton has been successful in reducing the rate of 16-18 year olds not in education, employment or training from 7.3% of 16-18 year olds in 2005/06 to a provisional figure of 5.5% in 2008/09 (this figure will be finally validated in mid February). This is attributed to young people remaining in education due to lack of employment prospects currently.
43. We heard from the Policy, Planning and Performance Manager in the Council's Children, Schools and Families Department that he believes there has been a different impact on over 18's and that a higher proportion of these are likely to be not in education, employment or training. He is seeking local data on this but none is currently available.
44. A national survey recently commissioned by the Prince's Trust underlines the psychological and other impacts that the recession is having on the lives of the almost a million under 25's currently out of work. This includes recent graduates.
45. We were therefore pleased to hear that Jobcentre Plus have made particular efforts to target support to young jobseekers through a number of schemes including Backing Young Britain and the New Deal and are planning mentoring, work placements and internships for the near future.
46. We note that the Council, as a member of a South London Consortium, has secured funding for eight paid six month job placements in Merton for 18 - 24 year olds under the government's Future Jobs Fund and is

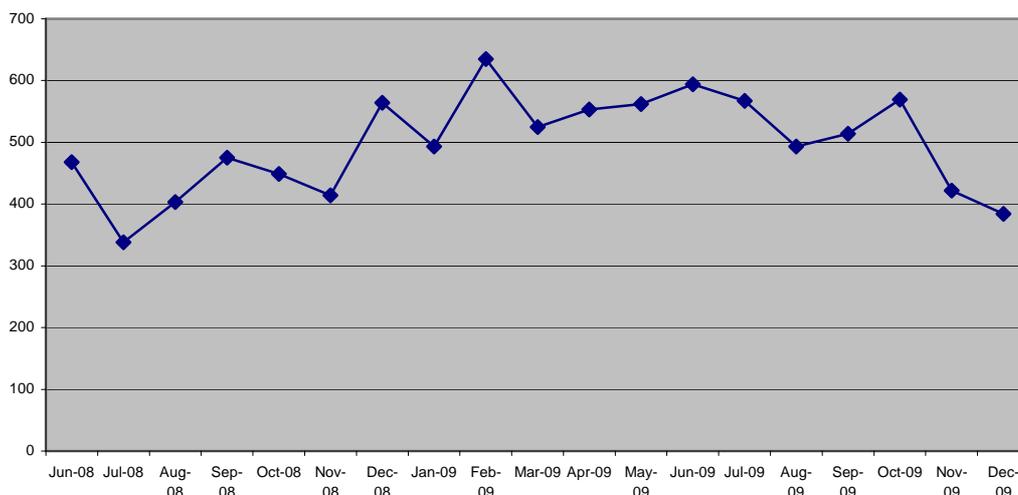
planning to bid for funding for further placements within the same consortium in the second tranche of the scheme (likely to run from April 2010 - March 2011).

47. We continue to have real concerns about the impact that a period of unemployment can have on young people and **we therefore recommend that Jobcentre Plus continue to target support to the under 25's and all people who are newly unemployed, regardless of age. (recommendation 8)**
48. Jobcentre Plus work in partnership with the Learning Skills Council to ensure that numeracy, literacy and English as an Additional Language provision is available to jobseekers that need it.
49. Training, especially on IT skills, plays a crucial part in helping residents to get jobs. Office Angels, in their written evidence, commented that *“any help/advice the council can provide to the local community with regards to re-training, career changes and interview technique would be very beneficial ”*.
50. Some of this training is provided through the Council's library and adult education services. The Adult Education Service provides free career and training advice as well as a wide range of courses. Our view is that adult education courses represent a significant financial commitment for some people and that the provision of free taster sessions might encourage take-up, particularly for people on a low income or those lacking in self-confidence.
51. We were therefore pleased to find that the Adult Education Service already provide free taster sessions during Adult Learners' Week in May. Other free taster sessions are provided throughout the year in partnership with Pollards Hill Library and a number of voluntary groups. All numeracy and literacy courses are free. Other courses are provided at concessionary rates to people who are in receipt of benefits (usually 50% of full rate but some courses are available at £15 per term). Payment can be made in instalments for courses lasting longer than 10 weeks.
52. We recognise the value to our residents of these free and subsidised sessions and therefore **we recommend that the Council's Adult Education Service continue to offer free taster sessions and to offer concessionary rates to people in receipt of benefits. (recommendation 9)**

Impact on council tax and housing benefit services

53. There has been an increase in the number of council tax benefit claims received by the Council since June 2008, peaking in February 2009. The decrease from October 2009 may be a seasonal fluctuation or it may be indicative of a continuing decline:

**Number of council tax benefit claimants,
June 2008 - December 2009**



54. We were pleased to hear that the Council has increased publicity about the benefits that are available to residents through items in local papers and the Council's magazine. The service has been working with local housing associations, voluntary organisations and the Citizens Advice Bureau to ensure that residents are aware of their entitlement. Application forms are made available through these organisations.
55. Training has been given to Citizens Advice Bureau staff so that they are able to assist clients with the completion of online claim forms. We heard that local housing associations are also keen to receive this training.
56. It is important that the benefit application process and forms are simple and easy to understand for all individuals/groups. We have heard that some people still find the application process difficult and confusing. We have also heard that that is a stigma about claiming benefits amongst certain cultures and that older people may also be less likely to claim.
- 57. We therefore recommend that, in addition to the online application, a paper based version should continue to be available to applicants. We further recommend that every effort is made to simplify paper based application forms. (recommendation 10)**

58. We have discussed council tax debt collection in some detail. We were reassured to hear that bailiffs and court orders are used as a last resort to retrieve council tax and that residents who are genuinely struggling financially are given support when they contact the Council. We would like to encourage residents in that situation to payment difficulties with the Council at an early stage.
59. We have seen copies of a number of pro-forma letters used during the council tax debt collection process. We found that these were written in legal terms and official language that was difficult to understand.
- 60. We recommend that all letters relating to the council tax collection process (including bailiff letters) should be reviewed and redrafted to ensure that they are clear and easy to understand. We accept that some legal phrases need to be used, but these should be supplemented with an explanation in plain English. (recommendation 11)**
61. A number of other councils offer payment of council tax in 12 instalments rather than 10 to make it easier for residents. We understand that although the Council has the software to do this, we don't offer this facility at present. We wish to support residents who are struggling to pay their council tax bills, particularly those who are proactive in getting in touch with the Council and asking for help.
- 62. We recommend that extended payment arrangements should be considered as an option by the Revenues and Benefits Service for residents who are having genuine financial difficulties with paying their council tax. (recommendation 12)**

Impact on the voluntary sector

63. We wrote to over 30 local voluntary and community organisations inviting them to send in written evidence or to attend one of our meetings to tell us how the recession has impacted on the organisation and its clients.
64. Managers from Merton Voluntary Service Council and Merton Unity Network attended one of our meetings in order to give us an overview of the impact that the recession is having on the voluntary sector. Evidence received from individual voluntary organisations has re-enforced those messages.
65. Voluntary sector organisations have experienced an increase in demand for their services as a result of the impact of the recession on individual residents. Demand for advice services (particularly on financial issues) and for counselling has risen significantly.
66. Wimbledon Guild reported an increase in applications received from residents for grants for things such as school uniforms, school trips and white goods. Applications are received from residents across the borough, with about 70% from the Mitcham area.
67. The recession has also had an impact on voluntary sector funding, resulting in reduced income for many organisations. Even Wimbledon Guild, one of the largest voluntary organisations in Merton, has experienced financial difficulties, reporting a shortfall of £120,000 in its £2.6m budget this year. The shortfall has been caused by a reduction from a number of sources of income including property, investments, donations and Council funding.
68. Research by the National Council for Voluntary Organisations in November 2008 found that smaller or less established voluntary organisations were the most likely to suffer financial hardship. As a result, we heard from Merton Unity Network that voluntary sector organisations providing support to Black and Minority Ethnic communities have been particularly badly affected financially. In a recent research study by Race on the Agenda, 65% of such organisations in London reported reduced income as a result of the recession.
69. The South London Refugee Association wrote to tell us:

“The main impact of the recession on how it is affecting our business is from funders. The rate of positive response to funding applications has dropped. We are not getting the full amount of funding that we applied for.”
70. The Race on the Agenda research findings were discussed at Merton’s Black and Minority Ethnic Forum in July 2009. Forum members

reported similar experiences of reduced funding combined with increased demand for their services. The Forum concluded that there is a need to raise awareness of the BME sector, to ensure their voices are heard, to manage and monitor funding and to work in partnership to reduce the isolation of small groups and provide infrastructural support jointly.

71. Merton Unity Network has been working with local BME organisations to meet a range of training needs, including training on fundraising and on coping with limited funds. The network has also been working in partnership with Merton Voluntary Services Council to investigate the feasibility of sharing “back office” functions between the third sector infrastructure organisations. If this is progressed it will be important to ensure that this does not result in creating distance from local “grassroots” organisations.
72. We noted the tension between the need to provide specialised support and the preference for funders to finance large organisations. This can be offset to some extent by collaboration between small voluntary organisations so that a wider range of funding sources may be accessed.
73. **We recommend that the Council support Merton Voluntary Services Council, Merton Unity Network and other infrastructural organisations in continuing to work together to encourage co-ordination and imaginative partnership working to support the voluntary sector, particularly targeting smaller, less well established organisations. (recommendation 13)**
74. We acknowledge the responsibility that the Council has towards the voluntary sector and the benefits that result from the valuable preventative work carried out within the voluntary sector, including financial savings to the Council in the long-run.
75. We note the difficulties that withdrawal of funding sources, including grants from the Council, has on voluntary organisations. Delays in making decisions on grant funding will also have an adverse impact, making it difficult for voluntary organisations to plan ahead.
76. **We therefore recommend that, prior to changing funding arrangements for voluntary organisations, the Council gives careful consideration to the potential consequences, including increased future demand for Council services. (recommendation 14)**
77. Many voluntary sector organisations have increased their use of volunteers – partly to help in dealing with increased service demand and reduced funding but also in response to an increase in the number of people offering to volunteer.

78. Wimbledon Guild have around 250 volunteers, with duties and hours varying according to skillset and availability. The Guild has found that volunteering helps people to acquire new skills and builds their confidence and so is attractive to jobseekers, including professionals. Management of volunteers is key to co-ordination and productive use of time – this is done by a permanent paid member of staff.
79. The Citizens Advice Bureau also work with a significant number of volunteers – currently over 100 volunteers locally, many of whom put in a considerable time commitment (i.e. 100 hours plus annually). CAB has found that the profile of volunteers has changed and become more diverse, including some who are volunteering in order to acquire the skills and confidence in order to move into paid employment. This is rewarding for CAB but these volunteers do need more support, training and supervision. CAB has responded to those needs by recruiting a training and development manager to enable them to recruit and train more volunteers.
- 80. We recommend that the Council consider the case for increasing funding to the Citizens Advice Bureau in order to make a contribution to the volunteer training programme. This increase would be made in recognition of the role that the effective management of volunteers plays in meeting the increased demand for CAB services and in providing valuable work experience for the volunteers. (recommendation 15)**
81. We acknowledge that volunteering can be a useful route for people who are ultimately seeking a way back into paid employment, providing a fulfilling role and useful skills. We accept that volunteers perform useful functions but it is essential to ensure that volunteers are not used as substitutes for permanent staff.

Impact on businesses

82. We heard that the Government had recently introduced various measures in support of businesses as part of its 'Real Help Now' programme, including:
- a free business health-check undertaken via the Business Link website.
 - introduction of a 'Enterprise Finance Guarantee', an extension to the Small Firms Loan Guarantee Scheme enabling businesses with an annual turnover of up to £25m to obtain loans of up to £1m. This programme is operated through a number of high street banks.
 - the 'Capital for Enterprise Fund' enabling viable small businesses with high levels of existing debt to get help to raise long-term finance. This is operated through a number of high street banks with the Government providing £50m of the £75m value of the fund.
 - more time to pay tax bills enabling businesses to spread payments for tax liabilities over a period of time, which meet the needs of the business.
83. In addition the Government is working with UK banks and the European Investment bank to maintain existing lending and make more finance available to small and medium -sized firms.
84. A counter view was expressed to us by the Chief Executive of Merton Chamber of Commerce. She believes that there has been a "mismatch" in government support during the recession – with lots being given on the supply side (job seeking support and re-training of workers) and very little on the demand side (support to employers to enable them to retain or take on more workers).
85. The impact of the recession on local small and medium sized businesses has been mixed and is difficult to unpick, with different effects on start up, early stage and established businesses.
86. In relation to starting up new businesses, there has been an increase in interest but difficulty in accessing finance, consequently start up rates are lower than in previous years. Banks have become more cautious in their lending to businesses, the result being that some types of small businesses that would have received loans in the past are now regarded as "high risk" and not eligible for loans. Also, there are considerable hoops for start up businesses seeking funding – full business plans have to be submitted for even the smallest loans.
87. We heard that the Merton Loan Fund had previously been a useful source of start-up funding but this scheme has now been suspended because the planned credit union was considered to be a more cost effective way of providing this service. The Merton Chamber of Commerce believes that the demand would still be there if it re-started. We hope that the Croydon, Sutton and Merton Credit Union may become an alternative source of start up funding once it is up and

running. We note that the application to the Financial Services Authority to establish the credit union has recently been rejected and that a resubmission is planned in mid 2010 following an anticipated change in the legislation.

88. We hope that the planned credit union will not be further delayed. We also hope that the forthcoming Economic Development Strategy will expedite other practical proposals for financial support to small businesses.
89. In relation to early stage businesses, the first 12-18 months is critical for small business survival. The Chamber offer free membership for the first year and in this way can support such businesses but also identify and track trends. The Chamber has found that the proportion of early stage businesses dropping out of Chamber membership after one year is about the same as in previous years, indicating that the recession is having a limited impact on these and they are “holding up”.
90. There is a very mixed picture in relation to established businesses. On the one hand, the level and turnover of Chamber membership has been similar. On the other, businesses have been operating differently – reducing staff levels and spending less on training and development. Reduced staffing levels have been achieved through reducing hours, increasing the workload of remaining staff, outsourcing and contract work. The Chamber predicts that as profits fall, more businesses will start to struggle.

What can Merton Council do to help?

91. Merton's Local Strategic Partnership has been monitoring the impact and co-ordinating strategic work in response to the recession. An action plan has been agreed and a multi-agency recession sub-group has met several times to co-ordinate implementation activity.
92. In undertaking our review, we have been mindful of the valuable work that the multi-agency sub-group has been doing. We have sought to complement rather than duplicate this work. We have attended the sub-group's meetings and have noted their discussions on procurement, employment support, child poverty and public health.
93. The Council's Economic Development Strategy will be a major tool for longer term planning to support the local economy during and beyond the recession. Part 1 of the Strategy includes a variety of initiatives to support local businesses. Part 2 will focus on longer term economic planning to identify potential growth sectors and locations and to develop appropriate interventions.
94. We recognise the need to move away from the current pre-ponderance of lower paid jobs within the borough. We therefore support the intention of the Economic Development Strategy in seeking to build a higher skill base in Merton.
95. We have read a number of case studies from other councils setting out measures that they have taken to help their local residents and businesses during the recession. These measures include:
 - Help for those without work
 - Help with housing and living costs
 - "Keeping our high streets alive"
 - Advice and support for businesses
96. We note that Merton Council reduced the costs of parking in Wimbledon town centre from 30 November 2009 in order to encourage more shoppers into the borough in the run-up to Christmas and beyond.
97. **We recommend that the Wimbledon Christmas parking initiative is evaluated and, if found to be effective in increasing business for local shops and entertainment venues, should be continued at other suitable times of the year and in other parts of the borough until we are out of recession. (recommendation 16)**

98. Research by Capital Ambition has identified ten “quick wins” that most Councils have already put in place to combat the effects of the recession:

- Keeping down council tax and other charges
- Establishing corporate task forces
- Speedy payment for small & medium enterprises
- Extra resources for financial advice
- Promoting rate relief for SMEs
- Increasing procurement through SMEs
- Changing rent payment periods
- Recession leadership through LSPs
- Promoting benefit take-up
- Publicity for recession support

99. These quick wins are described in full in Appendix 3.

100. We acknowledge that the Merton Partnership has already looked at each of these quick wins in order to assess whether a similar approach would be beneficial in Merton. This has resulted in various initiatives on which progress has already been made. **We recommend that the Overview and Scrutiny Commission should receive an update on further progress made on the Capital Ambition Quick Win initiatives. This update should be included in the report responding to each of this Panel’s recommendations. (recommendation 17)**

Concluding remarks

101. We have heard that the recession has reduced the number of jobs available to Merton residents, both within the borough and elsewhere in London. Locally the expectation of wide scale job losses among professional workers does not appear to have come to pass. In fact, lower paid workers, who are actually less able to financially sustain a period of unemployment, have been the worst hit. This has resulted in increasing levels of unemployment, particularly in the east of the borough.
102. Job loss is often accompanied by financial and other difficulties. We have therefore made a number of recommendations aimed at helping residents to identify sources of advice and support.
103. The evidence we have received from voluntary sector colleagues has given us a deeper insight into the role of the voluntary sector and the contribution that it can make in helping local people cope with the impact of the recession. Voluntary organisations have a valuable role in providing early support that in many cases will save the Council from the need to provide more extensive intervention at a later stage.
104. Voluntary sector organisations have experienced an increase in demand for their services as a result of the impact of the recession on individual residents. Demand for advice services (particularly on financial issues) and for counselling has risen significantly.
105. We have heard that the recession has also had an impact on voluntary sector funding, resulting in reduced income for many organisations, and have therefore urged organisations to work together to share expertise and co-ordinate services. We have also urged the Council to be mindful of the impact that any further reduction in grant funding might have on voluntary organisations and their clients.
106. We are hopeful that the Council's Economic Development Strategy will address the need for more help for local businesses, both in terms of specific initiatives to support local businesses and a longer term approach to stimulate the local economy.
107. We also heard that it is difficult for small businesses to get start-up loans from banks. We had hoped that the planned credit union might provide such loans in future and so were disappointed to hear that its establishment has been delayed. Again, we hope that the Economic Development Strategy will lead to practical proposals to meet this need as soon as possible.
108. We were pleased to hear that Merton Partnership has been monitoring the impact and co-ordinating strategic work in response to the recession. We were also pleased to hear that it has taken action on

some of the “quick wins” identified by Capital Ambition and we have asked for a progress report on this work.

What happens next?

109. This task group was established by the Council’s Overview and Scrutiny Commission and so this report will be presented to its meeting on 28 January 2010 for the Commission’s approval.
110. The Commission will then send the report to the Council’s Cabinet on 15 March 2010 for initial discussion.
111. The Cabinet will be asked to provide a formal response to the Commission within two months.
112. The Cabinet will be asked to respond to each of the working group’s recommendations, setting out whether the recommendation is accepted and how and when it will be implemented. If the Cabinet is unable to support and implement some of the recommendations, then it is expected that clearly stated reasons will be provided for each.
113. The lead Cabinet Member (or officer to whom this work is delegated) should ensure that other organisations to whom recommendations have been directed are contacted and that their response to those recommendations is included in the report.
114. A further report will be sought by the Commission six months after the Cabinet response has been received, giving an update on progress with implementation of the recommendations.

Appendices

Appendix 1: written evidence

Author	Title	Date
Merton Council Cabinet report	The Economic Recession – Update	22 June 2009
Merton Council Cabinet report	The Economic Recession and Merton Response - update	9 Nov 2009
Improvement and Development Agency	A brief guide to the recession,	2009
Improvement and Development Agency	Recession, the local impact	2009
Local Government Association	Press release – Regional Recession, research in May and June 2009	2009
Office of National Statistics	Unemployment report	Aug 2009
Audit Commission	When it comes to the crunch, executive summary	Aug 2009
Capital Ambition, London Councils	Responding to recession, an innovation and good practice guide	Aug 2009
Office of National Statistics	Small business data	Sep 2009
Merton Council	Notes from meetings of Merton Partnership Multi-agency Recession Group	26.08.09 and 29.09.09
Improvement and Development Agency website	IDeA and LGA recession case studies and further information from Barnet and Sutton Councils	2009
Race on the Agenda	The economic downturn and the Black, Asian and minority ethnic third sector	June 2009
Merton Unity Network	BME Strategic Plan for Merton 2006-9, a summary	2006
Citizens Advice Bureau	Local authorities and the recession – solutions from the Citizens Advice service	Jan 2009
Citizens Advice Bureau	Developing local solutions in partnership with local government	June 2009
Citizens Advice Bureau	70 Years of advice in Merton and Lambeth and Annual Review 2008-9	2009

Springfield Law Centre – report of discussion with Cllr Sheila Knight	
Email from Margaret Jones, Borough Manager, Victim Support	
Email from resident whose husband is currently unemployed	
Email from Office Angels	
Email from Michael Belford, Admin Officer, South London Refugee Association	
Emails from Councillors Henry Nelles and David Chung regarding enquiries from constituents	

Appendix 2: list of oral evidence

Speakers:

Sue Tanton, Regeneration Partnerships Team Manager, 9 September 2009

Rod Lyons, Interim Head of Sustainable Communities, 9 September 2009

Fergus Grant, External Relations Manager, Jobcentre Plus, 15 October 2009

David Keppler, Revenues and Benefits Manager, 15 October 2009

Chris Johnson, Head of Audit & Support and Customer Services, 15 Oct 2009

Dave Hobday, Head of Community Engagement and Partnerships, Merton Voluntary Service Council, 2 November 2009

Patricia Anderson, Director, Merton Unity Network, 2 November 2009

Russell Humphreys, Chief Executive, Wimbledon Guild of Social Welfare, 2 November 2009

Fosuah Poku, Chief Executive, Steve Cox, Operations Manager, Merton and Lambeth Citizens Advice Bureaux, 17 November 2009

Diana Sterck, Chief Executive, Merton Chamber of Commerce, 17 Nov 2009

Councillor Diane Neil Mills Cabinet Member for Finance and Regeneration, 13 January 2010

Caroline Holland, Director of Corporate Services, 13 January 2010

Chris Lee, Director of Environment and Regeneration, 13 January 2010

James McGinlay, Head of Sustainable Communities, 13 January 2010

Appendix 3

10 Quick Wins – text from Capital Ambition’s “responding to recession – an innovation and good practice guide”

1 Keeping down council tax and other charges

Londoners are expected to receive one of the lowest council tax rises across England. Nearly half London’s local authorities have announced a total freeze on increases (with a corresponding freeze on precept charges announced by the Greater London Authority). Kensington & Chelsea, using its wellbeing powers, has paid a one-off £50 efficiency dividend to all resident council taxpayers. Hammersmith & Fulham has reduced its charges for the third consecutive year, making residents £175 better off at a time when many are struggling with the cost of living. London councils are also keeping down the costs of access to leisure facilities with nearly 80 per cent setting leisure charges below or in-line with inflation.

2 Establishing corporate task forces

Sutton’s approach illustrates the way many London councils are recognising the need to both monitor and manage effective responses to the downturn. Sutton has established an Economic Support Task Force with a remit of generating ideas and pushing forward appropriate responses as the local situation develops. It comprises various local partners, including business and voluntary sector members, the two local MPs and is chaired by the leader of the council. Waltham Forest has similarly established an ‘Economic Downturn Group’, meeting monthly and reporting directly to their leadership team. Barnet’s cabinet resources committee are monitoring recession tracking indicators every quarter, and the leader is running a series of ‘Leader Listens’ events with local business aimed at increasing understanding of the needs and concerns of the business community during the recession. Barnet has also sent out a survey to 1,000 residents who sit on its Citizens Panel to find out what impact the recession is having on individuals and communities. Results are expected in August 2009 and will be reported to the Local Strategic Partnership (LSP).

3 Speedy payment for small & medium enterprises (SMEs)

Recognising the increased pressures on cash flow during the recession, especially for smaller firms, several councils have moved quickly to speed up invoice payments to their local suppliers, usually from 30 to 10 days. Lambeth, who are implementing this approach for SMEs with whom the council has an annual spend of up to £25,000, estimate the total value of contracts that will benefit to be £7 million. Some boroughs, such as Croydon, are also promoting this approach among its public sector partners through the Local Strategic Partnership (LSP). In Hillingdon, 230 local SMEs will receive invoice payments immediately, rather than the default 30 days.

4 Extra resources for financial advice

As both providers and commissioners of advice services, many councils have increased resources for these services as part of their response to the recession. Camden has provided some £300,000 additional funding for debt and advice services, including CAB outreaching provision to accessible

venues like supermarkets. Following discussion with their LSP, Hillingdon set aside £150,000 to help local advice agencies support clients during the downturn, supported by an additional £75,000 from a local charitable funder. Sutton, as part of a 10-point economic recovery plan, has seconded a council officer to its local CAB to help with administrative tasks and free-up the time of advisers. The secondment will also aid information sharing on the impact of the downturn locally. Sutton has also agreed to pay their third sector organisations in advance rather than in arrears.

5 Promoting rate relief for SMEs

Across the capital local authorities are encouraging small businesses to claim the rate relief they are entitled to (a national scheme). Westminster wrote to its small businesses encouraging them to apply and has seen 1,000 additional firms benefiting from the scheme with a total reduction in bills of over £265,000. Kingston also promoted the scheme in conjunction with its Chamber of Commerce and has seen an 18 per cent increase as a result. Southwark is taking similar action, tying letters in with reminder notices, and is also planning to increase refunds of overpaid credits on business rate accounts, either off-setting credits against existing rate liabilities or refunding them to businesses. Southwark is also keen to offer support to businesses facing enforcement action on non-payment of rates, contacting them before the instruction of bailiffs.

6 Increasing procurement through SMEs

Also widespread across London are efforts to encourage SME involvement in the delivery of council contracts, either directly or with prime contractors through the supply chain. Sutton, for example, provides comprehensive information to potential contractors on its website and, in common with many other boroughs, holds 'Meet the Buyer' events to help smaller contractors build relationships with larger companies. Sutton's approach is particularly interesting because the event focuses on a live contract and the main contractors who are shortlisted are mandated to attend as part of the tendering process. Points in the tendering process are awarded for sustainability, which equates to the employment of local products, services and labour.

Merton has set a local procurement target of double the current level (from a baseline of 5 per cent) and is encouraging partners through the LSP to introduce similar targets. Partners are also invited to participate in the local procurement seminars which are being planned by the council over the next two years.

The City of London sees support for local purchasing as critical to its responsibilities for promoting the economies of the boroughs which surround it. It has developed a 'Local Procurement Project' to encourage competitive procurement from SMEs from the boroughs immediately adjacent to the 'Square Mile', both through its own contracting arrangements and by encouraging city firms to adopt local procurement as part of their social responsibility and business competitiveness objectives.

7 Changing rent payment periods

Southwark is implementing a temporary concession arrangement for tenants of all properties which are within the voluntary sector portfolio and for tenants of low and medium value shops within the commercial portfolio. It will allow rent that is normally billed quarterly in advance to be paid calendar monthly in advance instead. Hounslow is also allowing monthly rather than quarterly payments and, in common with several other London authorities, is allowing rent and council tax payments for their commercial tenants to be spread over 12 months instead of 10 for those that pay by direct debit. In Hillingdon, proposed rent increases for local authority tenants have been halved from 6.2 per cent to 3.1 per cent.

8 Recession leadership through LSPs

Lambeth is one of several authorities to have championed its leadership responsibilities for recession through coordinated work with its LSP, starting with commissioned analysis through a Credit Crunch Taskforce. The resultant Economic Recovery Plan proposes a wide range of initiatives, including the reallocation of resources from the Working Neighbourhoods Fund to target support to existing local businesses and promote employment services to their most vulnerable citizens. Richmond has similarly worked on the development of its recession response through the LSP, intending to update the Community Plan with an additional chapter specifically on the local economy. Hounslow has established an LSP Recession Task Force with multiple partner involvement which is working to a list of recession performance indicators to help identify refocused, high impact initiatives across the partnership. Merton's LSP is developing an action plan in response to the recession, aiming to mitigate the impact for the local community and prepare for recovery by working to a specific range of indicators to monitor progress.

9 Promoting benefit take-up

Lambeth is working in partnership with NHS Lambeth and local advice agencies to deliver the 'Every Pound Counts' campaign, running outreach services (for example in GP surgeries) to reach key target groups. This programme has already delivered some impressive results: on average each Lambeth resident that has been assisted through the programme (some 2,000 people to date) has received an additional £3,500 of income. Lambeth is also committed, through its Debt Collection Charter, to working with debt/money advice services to support people through financial difficulties and ensure all benefits available are being utilised. Further work is underway around debt mapping to increase preventative approaches to help residents avoid financial crises.

The extent and effectiveness of partnership in developing appropriate responses to the impacts of the economic slowdown on local areas will be a key issue within the new Comprehensive Area Assessment arrangements. Haringey has been involved in a joint initiative with the Haringey CAB, using the council's Geographic Information Service to map child poverty, identify

areas where it is high, and then implement additional services into these areas. This analysis of data is important in capturing areas of deprivation that are within relatively affluent wards.

Islington is operating a credit crunch helpline - a free 'phone line for residents to check on eligibility for benefits and tax credits and get help with personal finances, debt, housing costs and job seeking. Islington has also held a series of road shows in various locations, including the borough's street markets. These have brought together a range of council and voluntary providers to provide on the spot advice and support for residents, and make referrals for more detailed advice where necessary.

Bromley has produced a Debt and Money Advice booklet, which is widely available across the borough and on the website, and operates free drop-in advice events at various locations, including the civic centre.

10 Publicity for recession support

Many authorities have taken immediate steps to ensure that their websites can effectively signpost key information and support services to both residents and local businesses. A good example is Westminster's dedicated web-page ('Beat the Recession'), which signposts sources of support for businesses, individuals and families. Rather than organising the page around themes or organisations, it is structured around questions directed at the reader; making it more accessible and avoiding the need for users to search extensively to find the service they need. Another comprehensive website signposting vital information on the recession for both local residents and local businesses has been developed by Croydon – see www.croydoncrunch.org

A webpage, 'Bright Ideas', has been set up on Barnet council's website to offer residents practical tips and help to confront the economic downturn. It includes signposting to benefits and legal advice, help with jobs and careers as well as tips and information on how residents can save money. Residents are also encouraged to share ideas and suggestions about how to beat the downturn via the council's Facebook and Twitter pages.

Most councils are also making use of their magazines and newsletters, running special double-page spreads and other articles to provide specific advice to local people and signposting where to go for further information. For example, Redbridge council's magazine has featured major coverage on the recession (linked to dedicated web pages) and Harrow issued a 'Recession Survival Guide' to every householder in the borough.

Lambeth is one of many boroughs where there are major concerns about the activities of loan sharks. A new report from the New Local Government Network has estimated that some 200,000 people could be tempted to approach illegal money lenders as the economy gets worse. They ran a front page article on this in Lambeth Life, publicising safe local alternative lending sources, including the Lambeth Savings and Credit Union.