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***THE IMPLICATIONS OF SUFFOLK COUNTY COUNCIL'S NEW STRATEGIC  
DIRECTION***

Final report prepared by

**CLES Policy Advice**

Presented to

**UNISON**

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**Disclaimer: This work was undertaken by CLES on behalf of UNISON. The findings are a reflection of the primary and secondary research work undertaken. The views expressed in this report do not necessarily reflect those of the Board of Trustees of CLES and CLES Consulting**

## EXECUTIVE SUMMARY

### Background and overview

The Comprehensive Spending Review (CSR) has outlined in more detail the severity of the cuts and what it means for local authorities – 28% cuts in local government finances over the next four years. The scale of this is particularly severe. Local Government is confronted with a need to fundamentally re-think the future for local government services.

Suffolk County Council pre-empted the CSR with a plan as to how they will address the forthcoming cuts. In their document 'Implementing the New Strategic Direction', the Council outline how they will transform their activities and become a 'strategic body' which encourages a range of provision for its services (a process of divestment). This approach will clearly have implications for the future of public service delivery, the Council's existing workforce, and the local economy.

Suffolk County Council fully recognises the significance, challenges and far reaching ramifications of these proposals. In this they highlight and detail the risks and have itemised the work still needed to be done. In particular, they acknowledge that these changes need to take place within prevailing financial constraints, as regards transition costs of moving to different types of service delivery. Within these financial constraints, difficult questions arise as to how their strategic ambitions can be realised as regard the cost involved in building community capacity and new social enterprises.

CLES was commissioned by UNISON to consider the divestment proposal, its impact upon public services and on Suffolk's population. Secondly, it was asked to develop an economic profile of Suffolk and to consider the implications of potential redundancies on the local economy.

### Impacts of divestment

Suffolk County Council's divestment plans will have an impact upon a number of areas which are explored in detail within the report and are summarised below:

#### *Issues for accountability and democracy*

A reduced local authority not directly delivering services is not always necessarily a problem. However there are a number of key issues to be wary of:

- ❑ Reduced direct delivery of services means less strategic capacity, overseeing qualities and ability to be stewards of place destiny;
- ❑ Passing on such a large scale of responsibility to the community is potentially problematic for proper democratic accountability and scrutiny;
- ❑ Accountability of services and a transparent and easy link between residents/communities and ward councillors, cabinet portfolio holders, service directorates is a fundamental and key characteristic of local democracy.

Withdrawing from the delivery role at such a scale may reduce the important function of the public sector in creating strong, safe and prosperous places.

#### *Issues on caring for the vulnerable population*

Official population projections estimate that the county's dependent population is growing rapidly. As part of the response to this challenge, there are proposals to close/sell off some or all of Suffolk's 16 residential care homes. Considering the scale of the challenge such actions will put considerable strain upon local delivery services, whether delivered by the public sector, the private or social sectors. Hasty and/or ill thought through decisions could have huge consequences in both the short and long term for many people living in Suffolk. Similarly any proposals for Social Care and Health Trusts need to be measured and considered with the Council still maintaining a lead role where required, to ensure that the highest quality provision of core services are in place.

#### *Issues for the social sector*

- ❑ A traditional, relatively strong social sector with limited current capacity – Suffolk generally has a vibrant social sector in terms of its countywide activities, but the proportion of people working within

the sector is still low compared to the national average. This increases the challenge for the Council in building capacity within the sector, especially within the challenging timeframes;

- ❑ **Multitude of small providers** – the Council wants to host a growing movement of community leaders across the county – this lends itself towards coordination issues. Third sector organisations often lack coordination in their activities. This, combined with very many local providers, could result in fragmentation and incoherent model. This could impede the development of community capacity and create a system which does not deliver the important efficiencies and added value that the Council intends;
- ❑ **Shifting risk onto new and existing third sector organisations** – by implementing such an approach across many service areas the risk will be transferred to the providers, many of whom will be third sector/social organisations. The changes will mean that they are having to become more commercial in their approach, and must be more process orientated in order to deliver services. This requires a major shift in how the sector works internally that will put large pressures upon both new and existing organisations. Despite the intended support to develop capacity, requiring a sector to be a central public service deliverer and to adapt and change over a relatively short timeframe in order to deliver results, is at best challenging at worst a gamble to take with increasingly limited public resource.
- ❑ **Challenges for new start ups in the social sector** – there are a host of potential challenges and questions to account for:
  - the required business skills, acumen and managerial skills within both new and existing social sector organisations;
  - lack of access to finance to grow: this could also mean that many remain too small to effectively deliver contracts appropriately;
  - no guarantee of value for money: moving away from the public delivery model at such a large scale represents a considerable risk in ambitions to maintaining this;
  - resources required for start ups: the resource and commitment required in the case of Suffolk should its divestment plans proceed are clearly huge;
  - council assets to transfer to new social enterprises and other community organisations – are there enough and are they in appropriate working order and condition?
  - direction of operations: are there going to be enough individuals across the county to be on the Boards of new social enterprises, who have the strategic and operational insights required for a relatively new area of operations;
  - public sector terms and conditions: how would terms and conditions be incorporated into smaller social sector (and private) organisations in a way which seems favourable to the employees concerned?;
  - lack of economies of scale: there is no doubt that many social sector organisations and their staff will have the knowledge and skills that are required but efficiencies are another consideration for local government to account for;

A key consideration therefore is that can the Council appropriately fund such up-scaling and a major increase in start ups?

- ❑ **Implications of the move towards service delivery** – there are a number of potential issues relating to service delivery, outlined below, many of which are highlighted by those in the local social sector:
  - it will take time for the sector to move away from a reliance on grant funding;
  - the different value sets between the public and social sectors may be difficult to overcome;
  - the local social sector still needs grants, as on occasion it is not appropriate to have contracts because their values do not match the onerous conditions applied – making them legally accountable may put people off;
  - social sector activity is often fragmented – it requires a joined up system within the sector to maximise service delivery opportunities, and in its present form this is not the case;
  - the third sector is not used to taking risks: in this new environment, local organisations will be provided with funding and will be commissioned to deliver services on a much wider scale than previously – a very significant step change;
  - equal status with the public sector: the sector needs to be become more involved as an equal partner to the public sector if services are to be switched;

- the need to merge organisations: there will be a need to merge a number of social sector organisations or incorporate them into newly emerging ones – this will be complex and difficult on such a large scale;
  - underperforming providers (both social and private providers): whereas delivery issues can be resolved relatively efficiently at present by public sector organisations, if they are tied into contracts with providers it will be inherently more difficult to manage and to ensure that the highest standards are maintained at all levels;
  - focus on value for money: focusing on value for money alone (a key driver in the public sector) will not build social capital and is not conducive to progressively engaging with the third sector and community groups.
- ❑ **Public sector procurement** – the Council state that funding will be made available to the third sector for the new work they will be taking on and that there will be limited tendering in the divestment process - however there still may well be an increase in procurement for a number of service areas. There are a number of disadvantages, at least in the medium term, for social enterprises and third sector organisations, as many in the private sector will already have the skills, experience and understanding of how to successfully bid for public sector work. They will be able to showcase how they are in the best position to offer value for money, unlike many existing, and especially newly emerging, social sector organisations which will have to build capacity to compete with the private sector – there is limited history of social enterprise consortia which can provide the necessary capacity and economies of scale.

### *Other issues of note for the impacts of divestment*

- ❑ **The public sector's role in shaping Big Society** – Government stated that it must play an active role in shaping its Big Society. If Suffolk County Council draws back its scale of support quickly and deeply it may endanger the ethos of Big Society and its key objective of generating greater levels of social capital. Local government must take the central lead in this process, and that means maintaining a strategic and penetrative role in public service delivery activities, even if these are reduced in some way. Funnelling most service responsibility to the community will reduce the considerable impact that the Council can have on bringing communities together;
- ❑ **Assumption that interventions will effectively build community capacity** – it is a risk to assume that all communities will be fully involved in the process, despite the presence of small working groups the Council has set in place. Where some communities do appear to be involved, will the shaping of services fully represent the views and needs of that community, or the strongest/loudest voices? Secondly there is the issue of hard to reach groups and communities across Suffolk where community engagement is more difficult. Failure to engage communities right across Suffolk could result in better services in some places rather than others and further widen existing economic and quality of life inequalities;
- ❑ **Chargeable services** – although there are those services which will remain publicly provided, others may be made chargeable and commercial. The implications of this could be greater concentration of service provision for those living in more affluent areas of the county who can afford to pay. This could result in unfair postcode lotteries and widen inequalities further;
- ❑ **Prospects of using private sector contractors** – although the Council envisages building up the third sector capacity and the private sector is not viewed as the preferred provider, there is still likely to be private sector influence - for example where Council interventions do not build up the community and social sector capacity to a required extent as quickly as it wishes. This could in some cases result in limited community involvement and private businesses will not have an incentive to deliver 'above and beyond' the stipulations of their contract. In other cases opportunities to build the capacity of the local business base may be more limited. For example, the Council also stipulates that some services (e.g. Business Services) may need to be delivered by organisations from other parts of the UK. This suggests that the Council believes that the expertise required for these elements of service delivery may not be available locally in the business base. This will make it more difficult for the Council to ensure that Suffolk businesses can fully take advantage of the supposed opportunities on offer;
- ❑ **A slimmed down council's relationship with the local business base** – there are very likely to be implications for future collaborative working with private sector partners. Will there in reality be sufficient resource for local policy makers to play a pro-active role within the business community?



Also, bespoke business support mechanisms will be important to further develop relationships, and a strategic Council may not be able to provide this as there may not be enough expertise to understand the fine grained concerns and needs of businesses in Suffolk.

## Implications of potential cuts on the local economy

The Council has reiterated that there will not be job cuts to the scale where there are only "200-500 staff" as reported in the media, and that where they can they are going to be actively supporting employees to move into Suffolk based businesses and not for profit organisations which will be tasked with providing service delivery for the Council. Nevertheless job cuts cannot be ruled out and it is still likely that there will be many redundancies across the breadth of the organisation. The economic characteristics of Suffolk suggest the wider economy would struggle to cater for major cuts in the public sector:

- ❑ **Small local economy and not entrepreneurial** – Suffolk's economy has not experienced job creation difficulties in the past – however it is a small economy and large scale cuts would put severe pressure on the local economic base. There would be limited ability to absorb jobs from across the public sector – this combined with depressed business conditions and a new economic era of lower or sluggish growth would mean that it would be particularly difficult for job seekers.

The lack of an entrepreneurial culture suggests that it is unlikely that there will be a host of new businesses starting up which would create significant new job opportunities. A further consideration is that many people who have been in the public sector may not necessarily have the required culture of entrepreneurial endeavour;

- ❑ **Lack of large companies:** SMEs would need to fill the breach created by public sector job cuts due to the lack of large companies (which have more capacity to create new jobs);
- ❑ **Lower value jobs not high end knowledge economy** – there is a high propensity of lower value added jobs in Suffolk, as its knowledge economy is relatively small. In an era of ever increasing competitiveness, sustainable job creation will be ever more focused in those places which have higher value economies. This could potentially mean there is limited scope for new investment, attracted to high levels of skills;
- ❑ **Impact of cuts upon retail sector** – wholesale and retail, restaurants and leisure activities constitute around a quarter of Suffolk's employment and represent a large proportion of turnover (around £5.4bn). These sectors will have struggled in the slowdown and major public sector cuts would further dampen local consumer demand, making the retail sector particularly vulnerable;
- ❑ **Impacts on the wider economy** – each public sector job is estimated by Insight East<sup>1</sup> to generate between 0.3 to 0.5 jobs in the wider economy – public cuts therefore are not just confined to the sector alone;
- ❑ **Many small, self contained rural economies** – Suffolk is, in the main, made up of several small, rural economies, with a number of market towns predominating. These places are not well connected and their local economies are not conducive to agglomeration led growth and significant job creation;
- ❑ **Poor connectivity not conducive to job creation** – Suffolk is a large county not particularly well connected in terms of transport. This will have implications for former public sector workers accessing jobs and being connected to areas of opportunity. It is also a prohibiting factor on investment by external and indigenous firms, further limiting private sector job creation. Other restraining factors also include a lack of high quality business space and digital infrastructure;

## Conclusions

### A new era of service delivery is required

- ❑ There are cuts to local government, which are creating a need for a fundamental rethink;
- ❑ There is a need to recognise that markets and governments are imperfect, so there is no easy solution;

<sup>1</sup> Insight East (2010) Public Expenditure and Employment in the East of England

- ❑ Policy makers should think back to the rationale for public sector led delivery. In certain areas the market *alone* is unlikely to provide most efficient allocation of resources;
- ❑ There are un-priced benefits to public sector delivery, such as those to society, cultural and place identity and the environment.

**Impact of cuts** – It is clear that pushing ahead without accounting for the current conditions and the nature of the economy and labour market, would lead to poor economic steerage, and potentially destabilise Suffolk's economic future.

**Impact upon long term resilience of the locality** - a reduced local public economy has negative and unforeseen ripples and ramifications.

In these difficult financial times, greater place coordination and accountability is required by local government – not less. This means maintaining appropriate capacity within public sector led service delivery is vital.

We fully agree with the following facets as stated by the Council, and which are of course important in creating stronger local places and economies:

- ❑ increasing community capacity;
- ❑ working closely with those in the community and voluntary sector to increase social sector activity;
- ❑ helping to create the conditions conducive for a vibrant local business community.

But we need strategic stewardship that combines working between the public, private and social sectors, with a method which combines both top down and bottom up approaches. There is therefore a need to work closely with partners across all sectors to create synergy and ultimately increase added value to services.



## 1 INTRODUCTION

### 1.1 Background to the research

In recent years there has been considerable pressure on the public sector to achieve greater levels of efficiency within its services and this has led to both cuts in provision and an increase in redundancies across local authorities. However the worst is yet to come in the aftermath of the Comprehensive Spending Review (CSR), which has outlined in more detail the severity of the cuts and what it means for local authorities – there is to be a 7.1% cut in local government finances each year over the next four years. Local Government is confronted with a need to fundamentally re-think the future for local government services.

Suffolk County Council pre-empted the CSR with a plan as to how they will address the forthcoming cuts. In their document *'Implementing the New Strategic Direction'*, the Council outline how they will transform their activities and become a strategic body which uses a variety of mechanisms for its public service provision activities. This approach will clearly have major implications for both the future of public service delivery and communities within Suffolk, but also for its 27,000 strong workforce and the local economy.

Following discussions between CLES and UNISON, CLES was commissioned to develop an economic profile of Suffolk and to consider the implications of potential redundancies in the County Council workforce. CLES was also asked to critique the divestment proposal and its impact upon public services.

### 1.2 Research aims

The research has two main aims:

- 1) Assess the divestment strategy and the implications for the future role of service provision
- 2) Understand the economic structure of Suffolk's economy, labour market and critical infrastructure to consider the potential implications of large scale redundancies on individuals, the economy and labour market

### 1.3 Structure of this report

This report is split into three inter-related components:

1. Policy review, which explores the drivers of public sector cuts in the (wider) public sector, determines the key details and reasoning behind Suffolk County Council's proposed *'New Strategic Direction'*; and explores the value of the public sector in terms of employment and delivery;
2. Analysis of the divestment of Suffolk's services and the implications across the County;
3. Economic profile of Suffolk, analysis of:
  - the labour market: occupational profiling, local skills assessment, economic inclusion;
  - demographic characteristics: determination of changing trends;
  - business base: strengths and weaknesses of the industrial structure to determine competitiveness in Suffolk;
4. Address potential impacts of job losses in Suffolk, directly linking into the economic analysis

## 2 POLICY OVERVIEW

This section provides an outline of the following:

- ❑ national policy context as to the key drivers behind public sector redundancies;
- ❑ understanding the Suffolk context: reasoning behind the proposed changes in the Council and what these changes will be;
- ❑ assessment of the value of the public economy for communities and local economies.

### 2.1 New government new approaches

It was inevitable, given the perilous state of public finances, that whichever political party came into power in May 2010, they would have to begin a process of short term (within the timeframe of this Parliament) public spending cuts in order to avoid the UK's credit rating being lowered, and to ensure that investor confidence is maintained to a sufficient degree. Across the political spectrum, leaders were talking of the need to make public sector cuts in order for local government to survive post recession. These cuts will include reducing capital grants and loans, putting a halt on projects from road and rail infrastructure, to housing and schools.

However the scale of the proposed cuts by the Coalition Government are particularly severe, with many commentators questioning whether the policy choices made with regards to their suddenness and severity may actually hinder the economic recovery more than help it. Such cuts will inhibit economic development and areas will miss out on the new jobs that such projects would have generated. The inevitability of this new era of public sector austerity will be the rise of public sector redundancies as local authorities try to adapt to the reality of these changes.

The details of the Government's plan for cuts are as follows:<sup>2</sup>

- ❑ eliminate most of the budget deficit, currently at £149 billion by the end of 2015/16 – plans are to reduce the deficit by £128 billion over five years;
- ❑ the reduction will be made up of spending reductions (£99 billion) and net tax increases (£29 billion);
- ❑ public expenditure to be £83 billion a year lower in total by 2014/15;
- ❑ this constitutes public sector net borrowing being lowered from 11.0% of GDP in 2009/10 to 1.1% in 2015/16 (Figure 1);
- ❑ as plans to deliver these cuts, Whitehall departments will on average need to cut their budgets by at least 25% between 2010/11 and 2014/15;
- ❑ local government will have to cut their budgets by 7.1% over four years as part of the CSR;<sup>3</sup>
- ❑ £52 billion of these spending reductions were already implied in projections that the Government inherited, but the 2010 Budget announced additional reductions in current spending totals by an additional £32 billion per annum by 2014/15;
- ❑ there would be no further cuts in capital spending totals beyond those announced as part of the £6.2 billion of savings in 2010/11, in order to protect the most productive public sector investment.

As a result of this the Office of Budget Responsibility (OBR) produced a Budget forecast which incorporates the effects of all measures. The forecast is for GDP to grow by 1.2% in 2010 and 2.3% in 2011, rising to 2.7% to 2.9% in the later years of the forecast (Figure 2). A key factor behind the rationale for this is that business investment strengthens as *'resources released from the public sector flow into the private sector'* (i.e. the private sector as it recovers from recession is able to absorb the cuts in resource and people from the public sector).

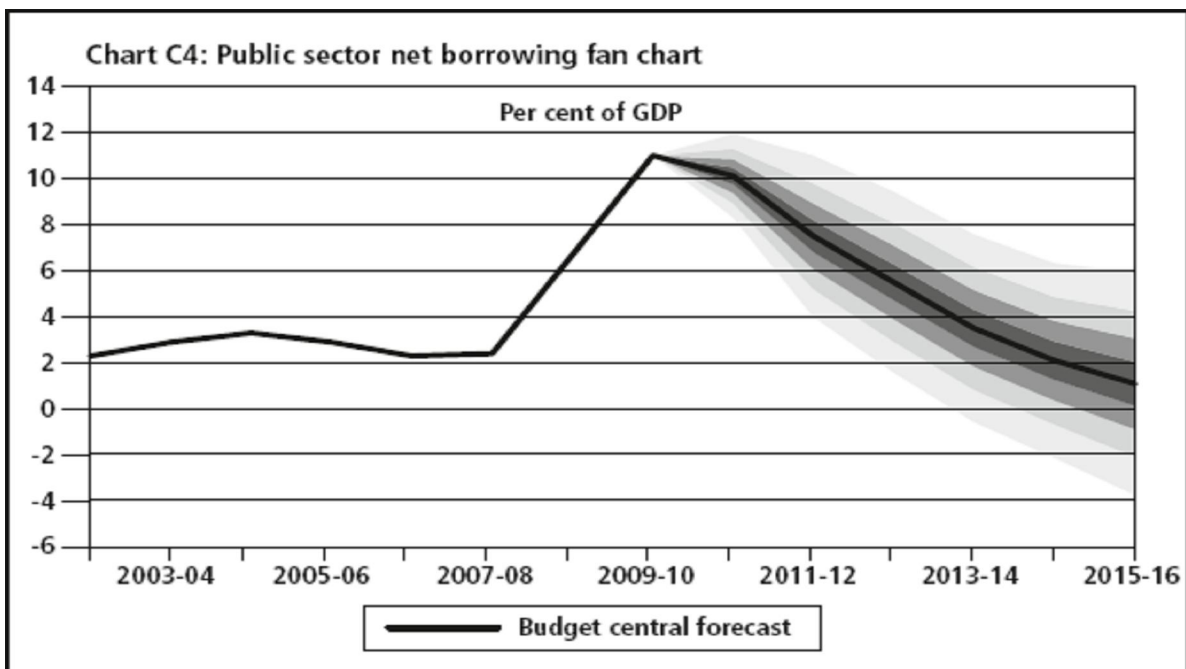
<sup>2</sup> HM Treasury (2010) [http://www.hm-treasury.gov.uk/2010\\_june\\_budget.htm](http://www.hm-treasury.gov.uk/2010_june_budget.htm)

<sup>3</sup> HM Treasury (2010) [http://www.hm-treasury.gov.uk/spend\\_index.htm](http://www.hm-treasury.gov.uk/spend_index.htm)

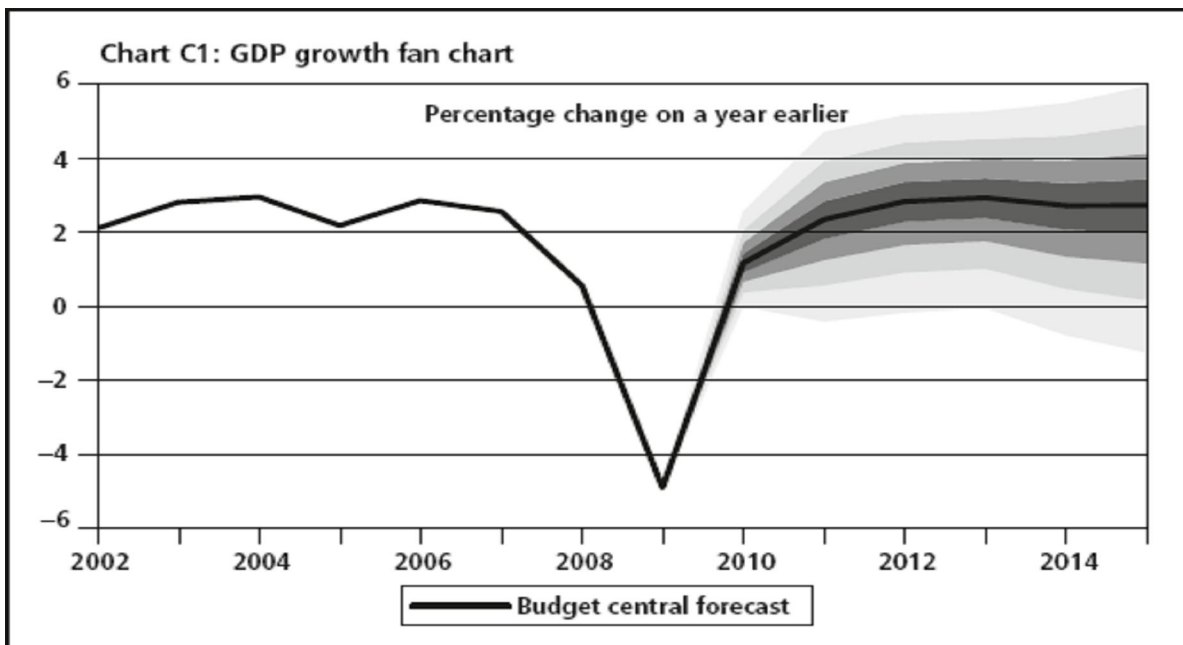
There are considerable uncertainties around this assertion, with regards to the ability of the private sector to achieve this in an era of lower economic growth and loss of public sector contracts; and the impacts of fiscal policy on household budgets and consumer spending patterns.

This is highlighted by Cambridge Econometrics, who argue that the OBRs forecasts are too positive in their outlook. Cambridge expect GVA growth to be limited at around 2% between 2012-15 as fiscal retrenchment in the UK and other countries with substantial public sector deficit dampens domestic spending. Also an export led recovery may be more difficult to achieve due to austerity measures being implemented across target markets limiting the global recovery. They expect there will be a recovery in household spending and business investment, although this is not likely to be sufficient to provide such positive output growth at a time when government spending is being cut so severely.

**Figure 1: Projected public sector net borrowing reduction up to 2015/16<sup>4</sup>**



**Figure 2: Forecast GDP growth up to 2015<sup>5</sup>**



<sup>4</sup> Source: Office for Budget Responsibility, Budget Forecast, June 2010

<sup>5</sup> Source: Office for Budget Responsibility, Budget Forecast, June 2010

## 2.2 The Suffolk context

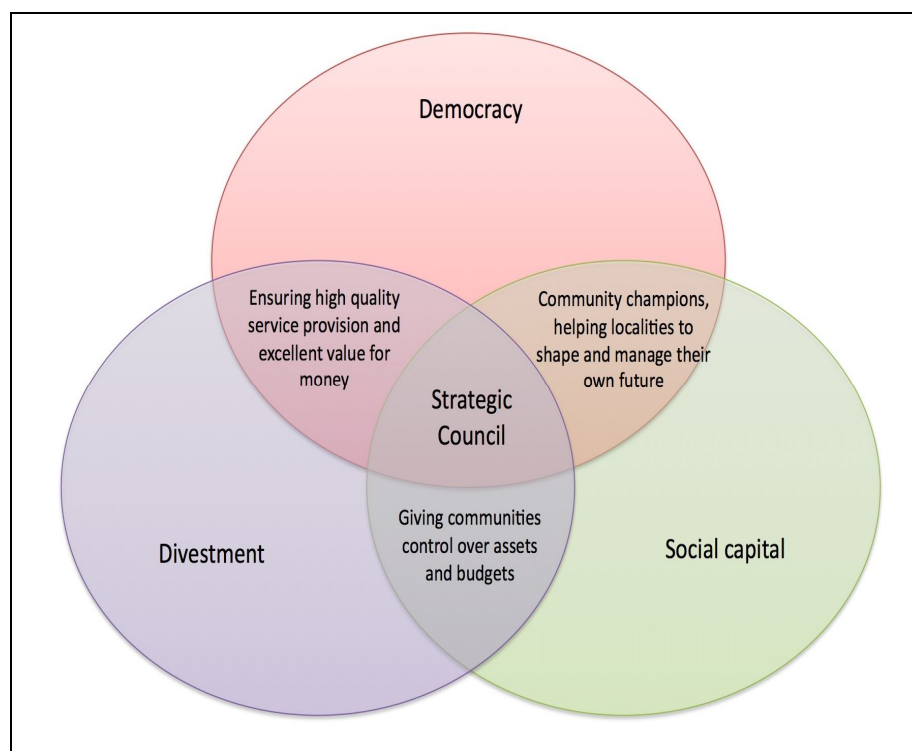
Prior to the change in government and in anticipation of the public spending cuts, Suffolk County Council put in motion the process for a strategic shift in the way it operates and delivers its services. This was developed into a strategy for reform across all of the Council's operations, entitled '*New Strategic Direction*'. In short, the proposals state the new Council will have the following characteristics:

- ❑ it will be smaller and therefore employing less staff;
- ❑ its activities will be focused around achieving the priorities outlined in the '*Suffolk Story*' strategic document (detailed in Section 2.3);
- ❑ there will be a collaborative focus whereby organisational boundaries are invisible;
- ❑ the Council will be leaner with less middle management, a smaller strategic centre, and less process maintainers;
- ❑ it will in a better position to support area base working, in particular in deprived communities;
- ❑ more willing to take risks;
- ❑ more customer focused.

The new model for the Council, shown below in Figure 3, will have three overlapping themes:

- ❑ supporting and strengthening local democracy;
- ❑ withdrawing from a provider role to encourage a mixed range of provision – process of investment;
- ❑ working closely with communities so they are able to take more control over their activities and have greater capacity to do this.

**Figure 3: The proposed new model for the Strategic Council<sup>6</sup>**



<sup>6</sup> Source: Suffolk County Council, 'Implementing the New Strategic Direction'

The aim is to turn the authority from one which provides public services itself, to an 'enabling' one. This means that some services will be cut and others provided voluntarily and by SMEs/not for profit organisations. In theory, this would ensure that more Suffolk based enterprises employ local people and trading within the County is enhanced – the Council announced that to increase opportunities for local economic growth they will not be inviting a single national consultancy or outsourcing company to take over all of their services. Although within the media Suffolk's proposals are being viewed as a 'first', this is not the first time that a council has considered not delivering any services. The models for Torbay, Barnet and Brighton facilitate this possibility.

The Council plans of retaining only those services that are consistent with the strategic council role, and they will identify clusters that: make sense for customers, are attractive to the marketplace, and create space for co-creation and transformation.<sup>7</sup> These are viewed as the first step in engaging with markets and communities that give them the opportunity to develop networks of services that in the long run have a better chance of delivering for customers, and of attracting people who want to be providers. One of the 'big divestment ideas' is a cluster of services called 'your place' that will give communities more control. In general these services are likely to include libraries, children's centres, country parks, countryside management projects, and maintenance of rights of way.

It is being proposed that services will be divested across a number of stages. This will begin as early as January 2011 with 'early adopter' services, with others being divested in three phases from September 2011 to April 2013.

Strengthening communities and building social capital, in addition to transforming public services, is a consistent theme throughout the *'New Strategic Direction'* document, the Suffolk Story, and the Suffolk Economic Strategy. To achieve this, the Council affirms that it must be re-shaped and change the way it works. This means initially reducing costs by 28% over the next four years. In the immediate term, there is a need to make savings of over £40m in 2011/12. At present, the Council employs 27,000 people, of whom 15,000 work in the education sector. This is set to be taken from local authority control as the Government converts schools to academies and free schools. This theoretically leaves 12,000 staff who could directly face the implications of the cuts – as a ballpark figure approximately 28% cuts in the short term could result in as many as 3,400 staff being impacted either through redundancies or transfer to the private/social sector, which would clearly have impacts upon the local economy and for these individuals (note that this is a clearly hypothetical scenario that equates budget cuts directly with jobs and these figures should be used with caution). In the long term the possibility cannot be discounted that many more employees could be affected as direct service delivery activities further shrink, and it is likely that job cuts are inevitable within the local education sector and district authorities too. Implications for both the local economy and service delivery are considerable in any of the scenarios.

The process of reducing the workforce has already started, with 65 crèche workers being made redundant in September of this year, and in October the Council's Cabinet gave the go ahead to proceed with consultation around proposals to close/sell off some or all of Suffolk's 16 residential care homes, which employ over 1,000 people across the County. It is also important to note that the Council plans on stopping its support of some service areas which *'can no longer be justified in the current climate.'*<sup>8</sup>

## 2.3 Suffolk's priorities

The whole divestment process is centred around the vision and priorities that were set in out in one of the Council's strategic documents the *'Suffolk Story'*. These priorities are:

- ❑ a strong and dynamic jobs market – providing better jobs for local people, and making the best of comparative advantages such as renewable energy and the knowledge and IT sector, taking advantage of new jobs particularly in market town economies such as Mildenhall, Brandon and Newmarket;
- ❑ transforming learning and skills – an understanding that the County's prosperity depends on providing a well qualified adult population which is committed to learning new skills; provision of opportunity across the County for people to achieve their potential;

<sup>7</sup> Suffolk County Council (December 2010): Progress in the implementation of the New Strategic Direction

<sup>8</sup> Suffolk County Council (2010) New Strategic Direction

- ❑ **protecting the vulnerable and reducing inequalities** – there are significant health and financial inequalities, and there is a need to put in place local services which people require that are available at the most local level; people forming stronger social connections and networks;
- ❑ **be the greenest county** – taking advantage of Suffolk's green heritage and making it an exemplar for the location of low carbon enterprise and social enterprises;
- ❑ **delivering excellent services at value for money** – working with a new mindset and focusing on what people need the most whilst delivering more for less; simplifying the organisation and driving down costs whilst avoiding duplication.

In order to achieve these priorities the Council acknowledges the need for greater partnership working and collaboration across Suffolk and only by doing this successfully can social capital be built for its communities; these priorities are inherently tied in with the proposed changes to the County Council – the implications of the changes on the ability to achieve this vision and priorities are addressed later in this paper.

## 2.4 The value of the public economy

The role of the public economy and public service delivery as an important aspect of local economic strength is often forgotten and taken for granted. Moreover, in the drive for public sector cuts, the wider local economic and social benefits of the public sector, as employer, trainer and contractors of suppliers, is sometimes overlooked. Below considers the value of public sector employment and service provision for communities and local economies, stating a case as to why Suffolk County Council's activities in their current form have important value added attached to them which policy practitioners need to note.

### 2.4.1 The economic and social value of public sector employment

When we consider the size and scale of the public sector in the UK, it follows that public sector employment is vitally important to the economy both for the UK as a whole, and also for local economies in particular. According to a report<sup>9</sup> carried out by the Association for Public Service Excellence (APSE), the Centre for Local Economic Strategies (CLES), and the Institute of Local Government Studies (INLOGOV), direct public employment can fulfil a significant role in creating public value and in ensuring that the public sector can achieve wider strategic ambitions and goals. It does this in a number of ways, as outlined below.

#### *Value to the local economy*

The report emphasises the value of direct employment, as opposed to jobs gained through contracting out. According to the authors, when people are employed directly:

'Money flows do not leak out of the local economy in terms of profits and dividends, nor is employment relocated to suit the commercial and business needs of private companies, but continues to benefit the localities to which the activity relates.'

From this it follows that:

'By creating and sustaining local money flows, public sector spend can have a multiplier effect on the local economy.'

#### *Value in shaping places*

The place shaping agenda refers to the creation of attractive, prosperous, vibrant, safe and strong communities in which people want to live, work and do business. The concept of place shaping first came to prominence following the publication of the *'Lyons Inquiry into Local Government'*<sup>10</sup> and is indicative of the shift towards the increasing trust being placed with local authorities to deliver economic development and regeneration activity. It is suggested by CLES, APSE and INLOGOV that

<sup>9</sup> APSE, CLES & INLOGOV (2007) 'Towards a future for public employment', accessed at: <http://www.unison.org.uk/acrobat/APSEreport.pdf>

<sup>10</sup> HM Treasury (2007) 'Lyons Inquiry into Local Government' (HM Treasury: London)

public employment facilitates local public sector bodies to act as place shapers, by enhancing their strategic capacity and direct control over local services, rather than investing in arms length place shapers that are in external organisations. Public sector employees often work close to the communities they serve and are therefore well positioned to shape, change and improve local places.

***Value in sustaining democratic involvement and accountability***

Direct public sector delivery of local services means there are clear lines of accountability and responsibility in place. This is in contrast to when public services are contracted out to the private sector or indeed the social sector, where accountability and ultimate responsibility for these services can potentially become blurred. Moreover, direct public service provision encourages the forging of strong links between public sector employees and local communities, resulting in more responsive services.

***Value in realising the potential of the local workforce***

Finally, public sector employment can also play an important role in developing the local workforce through offering training and skills development opportunities for employees. The public sector offers good opportunities for career progression, with local authorities in particular having multiple levels with staff often promoted from within. Clear career paths through the public sector, whereby staff can progress from entry level jobs to higher level jobs, also allow other people to join at entry level, meaning there are frequently arising job opportunities open to members of the community. The public sector is also well placed to provide routes into employment for individuals in the local area that need support to enter the labour market (e.g. by offering work experience placements or apprenticeships). Moreover, public sector bodies can act in partnership linking up service users with potential employment opportunities within the sector.



### 3 IMPACTS OF DIVESTMENT OF SERVICES

The following section critiques Suffolk County Council's proposals on its restructuring of public services and what it will ultimately mean for the people of Suffolk. There are a number of particular themes:

- ❑ accountability and democracy;
- ❑ impacts of the proposals on the most vulnerable in society;
- ❑ the implications of service delivery – key issues around the future role of the social sector and the impact of private sector provision of services are assessed;
- ❑ impact on relationships with the local business base;
- ❑ the need for the public sector to play a key role in shaping Big Society;
- ❑ the risks and limits around 'market making'.

#### 3.1 Accountability and democracy

This is perhaps the most important element to be considered as part of the new plans. The *'New Strategic Direction'* document discusses at length the importance on local democracy of the transfer of service delivery decision making to communities, with the emphasis being that levels of citizen involvement will be strengthened. It specifically states that:

*'Clearing a space to carry out this role properly requires that the Council therefore withdraw as much as possible from its role as a service provider, keeping and developing only those functions that are central to its strategic role.'*

However it is important to also note that accountability of public sector organisations is crucial in a transparent, democratic process. Handing place shaping control and service delivery activity to communities, the social and private sectors means that there is a danger that local democracy could actually be stifled. Perhaps the most important responsibility for local government is to provide services to communities, and withdrawing from this role severely reduces the important function of the public sector in creating strong, safe and prosperous places.

The Council aims to enable local solutions to be developed rather than using a top down traditional approach. However this 'bottom up' method is likely to be going too far in the other direction. A more effective solution may be for combined top down and bottom up solutions across the county which would allow for effective collaboration between the social, public and private sectors, and which enhances levels of innovation in all sectors and across all service delivery solutions – importantly meaning that the public sector in the main still has control over services and its delivery. Crucially this would also allow for greater transparency and ultimate accountability.

The plans are for local Councillors to provide the key link into the community activities which would provide the local leadership role – however this is not new as Councillors by the very nature of their positions are responsible for the functions that *'New Strategic Direction'* suggests. It also does not sufficiently fill the void between accountability and democratic function.

#### 3.2 Low levels of public investment resulting in major service delivery challenges

The levels of employment in Suffolk's public sector over the past decade have not been as high as the national share. In terms of public spending, the East of England as a whole received 9.7% of public expenditure in England in 2008/09, which is lower than the region's share of population, at 11.1%.<sup>11</sup> If the national average is applied to the East of England population, the region would have an additional £5.5bn per year to spend. Applied to Suffolk which constitutes 12.4% of the region's population, the county would have around £682m extra per year in public spending.

<sup>11</sup> Insight East (2010): Public Insight – public expenditure and employment in the East of England

Firstly this highlights that Suffolk has been under-represented in terms of resource from the public economy over recent years and it has in no way crowded out the private sector – in the light of major cuts the public sector would be even further underplayed in the local economy. Secondly it highlights that the low levels of spend will have clear implications for service delivery with areas of need not being matched by appropriate levels of investment. The challenges that Suffolk faces are considerable, most notably in light of population projections, which indicates a more rapid growth in demand for public services than nationally (outlined further in the point below).

### 3.3 Caring for the vulnerable population

Care is a key area for service delivery in Suffolk due to large growth in the older population. Current official population projections estimate that the county will have an additional 132,500 dependents (aged 0-15 or 65+) by 2033, with 114,000 of these aged 65 and over (also refer to Section 3.1.1/Figure 6). Additionally, the number of people living in Suffolk affected by dementia is set to rise by 65% for those aged 65 and over – from approximately 10,000 people in 2008 to more than 16,000 people in 2025, adding the scale of this challenge.

The demographic challenge that Suffolk faces is recognised in the *'New Strategic Direction'* document:

'The challenge that we face – how to continue to support the most vulnerable in our society in a way which is affordable and does not bear disproportionately on those people who are in work and paying taxes.'

As part of the response to this challenge, there are proposals to close/sell off some or all of Suffolk's 16 residential care homes. The Council is considering three different options: closing the homes and buying in services from the private sector, selling off all the homes as going concerns or closing six homes, and trying to sell the remaining ten. The final decision will be taken in March next year once three months of consultation has been completed.

Considering the scale of the challenge, outlined in the population projections, such actions will put considerable strain upon local delivery services, whether delivered by the public sector, the private sector or both. Cuts to an already limited public sector in light of major service delivery challenges needs to be an important consideration amongst policy practitioners, as actions such as those being considered will bring the cuts straight to the most vulnerable section of society at a time when the elderly population requires more support than ever. There is a need for the Council to take stock and deeply consider the options available before any final decisions are made, as such measures will have impacts upon future generations of older people. The wrong decisions could have huge consequences in both the short and long term for many people living in Suffolk.

Care for the elderly population is just one area of personal services in which the Council acknowledges its statutory duty to ensure quality of provision. This category of services also includes Safeguarding Vulnerable Adults, Child Protection, Disabilities, and other Older People Support Services.

The Progress Report on New Strategic Direction lists a number of divestment 'big ideas' which are at an early stage. One of these is around Social Care and Health Trusts and 100% personalisation. This would create three or four Social Care and Health Trusts that would bring together: health, children and young people's social care, adult social care and health improvement. The Trusts would enable individuals to choose for themselves the services that they want. Again, there is a clear need to ensure that Council led activity and coordination is at the forefront of any changes and that the drive for efficiencies does not negate the quality of provision available. Whilst the premise around personalisation is positive, a significant reduction in the Council's role could be counter-productive.

There is clearly a tension between ensuring the quality provision and, as *'New Strategic Direction'* states:

'At the same time finding ways to ensure that budgets are transferred to individuals so that services can be personalised.'

Such strategic priority decision making is difficult, but there is a fundamental question of balance which flows throughout. Of course personalisation and involving communities in decision making processes is a progressive way forward meaning that key services can be focused more effectively, but it should be local government, fulfilling its core obligations, which actually provides these services in the main – putting the responsibility on external organisations and community groups to achieve its service delivery objectives, particularly with regards to the most vulnerable people in society, is not the correct way of ensuring the highest standards of provision and care.

### 3.4 Implications for the role of the social sector

The social sector relates to economic activity that is driven primarily by social and environmental purposes. This activity is carried out by social enterprises, housing associations, credit unions, trading arms of charities, employee-owned businesses (co-operatives), and local community groups made up mainly of volunteers. The social economy is often based in localised areas and the communities in which the people benefiting live. The difference between social enterprises (which will make revenues on delivering services) and other voluntary groups often reliant on funding, is that social enterprises are run using a more commercial model, having to utilise a range of skills and business knowledge to make the profits required which is then reinvested back into its social operations.

The recent Progress Report on New Strategic Direction does highlight that through informal discussions within the sector, there is a desire to work with the Council to realise the new strategic ambitions. Bringing social sector organisations to the fore is of course a welcome development however there are a number of short and long term issues that the sector does face in addressing such a large scale challenge.

#### 3.4.1 The current capacity of the social sector

Much of the terminology used in Suffolk County Council's documents, such as the '*New Strategic Direction*' and '*The Suffolk Story*' consistently refers to building 'social capital', 'value for money' and ensuring that communities can deliver their own services and decide their own priorities. Clearly there is a link here to the activities of the social sector and its role in future service delivery. Indeed the '*New Strategic Direction*' document specifically states that:

'The challenge is to organise the most cost-effective method of organising these services on a local basis, with an emphasis on the development of social enterprises, third sector activity and so on. It is likely that these services will be provided either under outcome-based contracts or under license.'

A prohibiting factor though for the use of social enterprises in service delivery is its size. There are 4.13 per capita (per 1,000 people) number of third sector registered organisations in Suffolk, higher than the national figure of 3.38, which does to some degree reflect a relatively vibrant third sector across the county.<sup>12</sup> However the number of employees in the sector is 5.74 per capita, substantially lower than the 12.69 national figure. For the social sector to be as active as the Council wishes, it needs its capacity to be built up significantly, and this would involve a long term process with limited funding to achieve it – although the Council does state its clear intentions to build capacity within the sector.

CLES has been working in West Suffolk using the locality as a pilot for its resilience model work, as part of which we have assessed the characteristics and make-up of the social sector. From this work in West Suffolk, CLES found that the social sector is relatively small and in certain areas services that would otherwise be expected to be delivered by the social sector, have been 'filled' by the public sector due to the infrastructural gaps. Other areas of Suffolk may be more active, however this points to geographical imbalances which are another complexity to be addressed.

<sup>12</sup> Office for the Third Sector (2010) National Survey of Third Sector Organisations

### 3.4.2 The risk of a multitude of small providers

A key element of the 'New Strategic Direction' is for the Council to support the creation of a critical mass of community led developments, many of these being voluntary based. 'New Strategic Direction' asserts that:

'The Council will support agencies which can increase active citizenship and provide services...To build community capacity in the future, the Council's approach cannot be funding led. It will instead be based on hosting a growing movement of community leaders, enabling them through facilitation and brokering new connections.'

The funding led regime has meant that the Council has been able to ensure that they can, to a certain extent, control the development of community activity in an efficient way. If the route that the Council goes down in future is a more 'hands off' approach, concentrating on the development of networks, this has the potential to create considerable co-ordination issues. It is an ambitious aim to create the wider conditions for building community capacity this way, however if there are scores of small local providers across the county there are questions as to whether the Council can co-ordinate this efficiently. Third sector organisations often lack coordination in their activities. This, combined with many local providers, could result in an incoherent model, actually impeding the development of community capacity and create a system which does not deliver the important efficiencies and added value that the Council intends.

### 3.4.3 Implications of the move towards service delivery

The resilience research found that there is awareness in Suffolk County Council that the move towards commissioning has, if anything, moved too quickly for the social sector to respond, although respondents believe that the stance from the County Council will have a positive long term effect on their activities – the emphasis however is on the *long term* – removing public service delivery activity at a speed and scale that is not in sync with changes in the social sector will disadvantage community based delivery. Local actors have stated that a lack of clarity and too much change at once is difficult and there needs to be time to change and embed adjustments.<sup>13</sup>

There is also a perception amongst policy practitioners (not just in Suffolk but across the country) that the social sector is too small to deliver contracts and effectively deliver services, and providers from the private sector (or particularly established social enterprises) are best suited to deliver services – a danger here being that elements of the social sector could be squeezed out of the market if ambitions in building the capacity of the social sector, and in the timeframes required, are not realised.

It is important here to make the distinction between community and voluntary sector/advocacy organisations which receive grant funding and others within the social sector that are required to deliver services. Delivering services requires different skills and expertise than using grant funding to meeting objectives (hence why to build some of the capacity, the Council wants to create new social enterprises which will employ current Council staff). However to build long term capacity which is sustainable this expertise needs to filter through across the whole social sector. This will take time to embed and means an unprecedented step change and shift in how those within the sector operate.

From the view of social sector organisations in Suffolk, there are major reservations over future service delivery<sup>1415</sup>:

- ❑ it will take time for the sector to move away from grant funding and adapt to the need to share capacity in order to build critical mass – additionally, there is a sense that greater demands are currently being forced upon the social sector without the funding or adequate resource to support it, and the fear is that this trend will only increase;
- ❑ the different value sets between the public and social sectors may be difficult to overcome – one such organisation CLES interviewed does not want to be in a situation where they have to

<sup>13</sup> Suffolk Association for Voluntary Organisations (2009) <http://www.savo.co.uk/content/view/151/211/>

<sup>14</sup> Suffolk Association for Voluntary Organisations (2009) *ibid*

<sup>15</sup> CLES Resilience work in West Suffolk and other resilience pilot projects

justify the number of people they are seeing which would be a key element when providing services on behalf of the Council – for them, people have very different needs and moving towards a output culture would be a move away from their principles. This means that for a commissioning process to succeed the public sector must make a quick transition towards *outcome* based results rather than *outputs* in order to enable social sector organisations to take more responsibility in the future. This though is a big step for local government in any place to take, and it represents a major challenge in doing this in a relatively short time frame;

- ❑ **short term contracts make it difficult for social enterprises to plan strategically** – this is very much the case for both new start ups and existing social enterprises. Often such organisations struggle with year on year contracts and they will take a long time to adapt and deliver services, therefore short 2/3 year contracts make it difficult for social enterprises to deliver services effectively. To a slightly lesser degree this is also the case for small businesses as it is a matter of scale, meaning that the Council needs to consider the effectiveness of using small, local delivery organisations across the public services domain, despite the positive 'market making' intentions to build capacity in the local economy;
- ❑ **other organisations feel that that the local social sector still needs grants** – as on occasion it is not appropriate to have contracts because their values do not match the onerous conditions applied – making them legally accountable may put people off;
- ❑ **social sector activity is often fragmented** – it requires a joined up system within the sector to maximise service delivery opportunities, and in its present form this is not the case. Acting to remedy this will take considerable time and resource, with appropriate support from the local public sector a necessary requirement. Additionally certain parts of the sector are being developed more than others meaning that for some service delivery is a long way off;
- ❑ **focus on value for money** – local public sector delivery procedures would need to change if social sector organisations are to increase their service delivery activity – there is a perception that it is too much about value for money which clashes with the values of the social sector. Focusing on value for money alone will not build social capital and is not conducive to progressively engaging with the third sector and community groups;
- ❑ **the third sector is not used to taking risks** – in this new environment, local organisations will be provided with funding and will be commissioned to deliver tangible services on a much wider scale than previously – the thoughts of those within the sector are that to adapt to this role they will need to embrace change and adapt to an environment of taking risks, something that it needs to improve upon significantly;
- ❑ **equal status with the public sector** – there needs to be a clear over-arching strategy for the sector to move forward, and it needs to become more involved as an equal partner to the public sector if services are to be switched – the question is whether this would be the case, as it would take a considerable step change in local government attitudes and working practices;
- ❑ **the need to merge organisations** – clearly capacity to deliver services will be an issue, and there will be a need to merge a number of social sector organisations or incorporate them into newly emerging ones. This will be complex and difficult, due to many organisations having their own particular niches and agendas that they work to;
- ❑ **over reliance on volunteers** – relying on volunteers to deliver services may be difficult and inadequate in many cases, and until sufficient capacity (and skills) is built within the social sector to remedy this, the capability of the sector in terms of service delivery will be negated.

In addition to the above there is the important issue of under-performing providers to consider. This is a key concern when using external providers for public service delivery – it accounts for both third sector and private sector delivery of public services. Whereas delivery issues can be resolved relatively efficiently at present by public sector organisations, if they are tied into contracts with providers it will be inherently more difficult to manage and ensure that the highest standards are maintained at all levels. There will inevitably be cases where the outputs and outcomes required as



part of the contract for service provision are not being met. This could result in communities, businesses and individuals not getting the services they require, and difficulties and costs around resolving such issues with providers – ultimately less cost efficiency.

#### 3.4.4 Shifting risk to social sector organisations and available resource

'New Strategic Direction' states that:

'This would require considerable cultural transformation to support the change in role and size. The Council would need to be less process orientated, less risk averse and more commercial in its approach.'

By implementing such an approach however the risk will be transferred to the providers, many of whom will be third sector/social organisations. The huge increase in this activity will mean that they are taking more risks, having to become more commercial in their approach, and must be more process orientated in order to deliver services. This requires a major shift in how the sector works internally that will put major pressures upon both new and existing organisations. Despite the intended support to develop capacity (through extra funding and use of resources such as the Leadership Academy and the School of Social Enterprise at the University Campus Suffolk), requiring a sector which is viewed as central to public service delivery to adapt and change over a relatively short timeframe to deliver results, is a large gamble to take with increasingly limited public resource.

#### 3.4.5 Challenges for new social sector organisations

There are also a number of inhibiting factors for both increasing the number of new social enterprise start ups and in markedly increasing the social sector's role in service delivery activity:

- ❑ **the required business skills, acumen and managerial skills within both new and existing organisations** – new social enterprises will require key commercial skills to make them effective; these are vital and without them in place from the beginning then failure is likely;
- ❑ **lack of access to finance to grow** – social enterprises and other community and voluntary organisations will face similar issues as other small businesses, in that there is likely to be a lack of finance to develop and grow over the short to medium term at least. The Council states that it will support them initially but beyond this, they need to be self sufficient, and access to finance is a key barrier. This could also mean that many remain too small to effectively deliver contracts appropriately;
- ❑ **resources required for start ups** – in general business start ups require a lot of resources and funding to begin on the right footing. The social enterprises will, among other things, require premises, furniture, IT facilities etc, and also the right business plan, financial systems, and legal frameworks in place. This has been acknowledged for in 'New Strategic Direction' but the resource and commitment required in the case of Suffolk should its divestment plans proceed are clearly considerable – additionally it will take time to do and as with all new enterprises, some are bound to fail. The Council therefore also needs to consider alternative plans;
- ❑ **council assets to transfer** – in terms of the development of new social enterprises, it may be an option to increase the number of asset transfers to 'house' new organisations (e.g. as may be the case for Stradbroke Parish Council and its interest in the asset transfer of the library). Does the Council have a large enough stock of premises to make this happen? More importantly, would they be in good enough working condition, or would they require significant investments to make the necessary improvements?;
- ❑ **direction of operations** – each of the new social enterprises would require a Board who can effectively steer the operations of the organisation. A key consideration would have to be that if there is going to be a large rise in the number of social sector organisations, are there going to be enough individuals across the county to be on social enterprise Boards, who have the strategic and operational insights required for a relatively new area of operations;
- ❑ **public sector terms and conditions** – this is an important area of consideration if the Council is planning to help facilitate the transfer of a number of staff to social sector organisations, and again is noted in the 'New Strategic Direction' document. How would terms and conditions be

incorporated into smaller social sector (and private) organisations in a way which seems favourable to the employees concerned? This process has many complexities and importantly could be a time consuming process;

- ❑ **lack of economies of scale** – as highlighted in the previous section, typically social enterprises and organisations in the wider third sector lack coordination in their activities. In terms of delivery of services this means potential for lack of efficiency and greater levels of waste. There is no doubt that many new and existing social sector organisations and their staff will have the knowledge and skills that are required but efficiencies and waste are another consideration that local government must account for;
- ❑ **no guarantee of value for money** – value for money and efficiency is a common theme throughout Suffolk's strategic documentation. Moving away from the public delivery model at such a large scale represents a considerable risk in ambitions to maintaining this;

The above list is by no means exhaustive. However it does highlight some of the concerns that are important to consider in both starting up new businesses and specifically starting up new social sector organisations which are both complex and resource/time consuming (does the Council have the resource to upscale to such a level that they aim for?), and not without considerable risks which could impact on the Suffolk population. This is not to say that elements of risk are a bad thing (indeed it is important in developing a competitive environment) rather that such an unprecedented and significant step change in Suffolk intensifies these risks to another level.

### 3.4.6 Public sector procurement

The Council must also consider the impacts of procurement upon the social sector – this applies to both newly emerging organisations that they wish to help build up and existing social enterprises. The Council believe that its plans will have:

'A huge and beneficial impact on the local economy...we are focused on setting up new enterprises and supporting existing not-for-profit organisations and Suffolk businesses to take advantage of new opportunities to deliver services on the Council's behalf.'<sup>16</sup>

This is an ambitious vision which could be complicated in some cases by the procurement process. In the UK, the National Procurement Strategy states that councils need to encourage a range of suppliers to help stimulate a varied and competitive market place, and there is also an expectation to achieve cost efficiencies whilst enabling community benefits.

The Council states that in most cases they do not expect individual residents to be volunteering rather it is about supporting local organisations to take advantage of new opportunities to deliver services on the Council's behalf. They state that funding will be made available to the third sector for the new work they will be taking on and that divestment is not the same as tendering (the Council plans on working in partnership to create new trading relationships). However there may still be procurement opportunities across a number of service areas. There are a number of disadvantages, at least in the medium term, for social enterprises and third sector organisations, as many private sector organisations will already have the skills, experience and understanding of how to successfully bid for public sector work (although the process is already difficult enough for many established businesses). They will be able to showcase how they are in the best position to offer value for money, unlike many existing and newly emerging social sector organisations which will have to adapt to new processes, and build capacity to compete with the private sector. Where more experienced private providers show evidence of extensive experience and economies of scale and in achieving cost efficiencies, this inevitably makes it harder for local social sector organisations to compete. Although the private sector is not the favoured provider as part of the new plan, its focus on value for money and ability to innovate may well mean that it cannot be ignored.

### 3.5 Assumption that interventions will effectively build community capacity

Community capacity underpins much of 'New Strategic Direction', part of the Council's place and market shaping roles:

<sup>16</sup> Suffolk County Council: An open letter to the people of Suffolk (November 2010)



'Asset based community development (physical: buildings, parks etc and human: skills, creativity) seeks to uncover and use the strengths in a community so that development lasts. Communities can become enabled to become stronger and more self-reliant by learning about, discovering and mapping all their local assets: assets that could be used more creatively.'

There is a key assumption here - irrespective of whether Suffolk has previously benefited from a range of community based activity - that there will be wide ranging engagement across the county. The ideas around Big Society are still in their formative stages, and such policy which pushes responsibility to communities may take considerable time to embed. Despite the small working groups and the Councillors across the county whose aim it is to ensure that communities respond, it is a risk to take the view that all communities will be fully involved in the process.

Where some communities do appear to be involved, will the shaping of services fully represent the views and needs of that community, or the strongest/loudest voices, specific groups or those who have particular agendas that they wish to pursue? Secondly there is the issue of hard to reach groups and communities across Suffolk where community engagement is more difficult, with many poorly educated people lacking confidence. This is where the 'small teams' set up by the Council will be most involved. However this intervention is by no means a guarantee to success and it may take considerably more than this: indeed there must be a high probability that a sizeable proportion of the population will either not want to be involved in the capacity building process, or are not able to for a multitude of reasons. Failure to engage communities right across Suffolk (and there must be a high probability that of this) could result in better services in some places rather than others and further widen existing economic and quality of life inequalities.

The Council needs to bear in mind that often public interventions, no matter how well intentioned, do not result in the outcomes that were originally intended at the outset. This is why the public sector should be carrying out much of its own service delivery which will provide quality provision, even if they are reduced in some way – whilst at the same time working towards its long term strategic goals of progressively engaging with communities to build social and human capital.

Finally, there are limits to building capacity with the limited funds which are available – indeed the Council, in its Progress Report document on New Strategic Direction, states that a range of local organisations are interested in further discussions around the 'Your Place' cluster. It states that part of future conversations need to be around "*realistic expectations based on funds available*" – without sufficient resource in place to help deliver what communities want it will be difficult to implement the key objectives of New Strategic Direction.

### 3.6 The public sector's role in shaping Big Society

Building the Big Society was the flagship policy of the 2010 Conservative manifesto and underpins the Conservative-Liberal Democrat Coalition Agreement. It aims to reduce Whitehall's influence, and empower local people and communities. In contrast to needs-based approaches to community development, in which outside organisations and initiatives identify the needs, problems and solutions for deprived communities, community empowerment seeks to raise the communities' capacity to work together and take action on the social issues that affect them.

Government stated that it must play a highly active role in shaping its Big Society. David Cameron launched the Big Society project with a speech in Liverpool that clearly stated that:

*'We shouldn't be naïve enough to think that if the government rolls back and does less, then miraculously society will spring up and do more. The truth is that we need a government that actually helps to build up the Big Society.'*<sup>17</sup>

If Suffolk County Council draws back its scale of support quickly and deeply it may endanger the ethos of Big Society and its key objective of generating greater levels of social capital.

The need therefore for the public sector to take a lead in change, is clear. There is no argument that community capacity needs to be enhanced in order to strengthen places and make communities more resilient and cohesive, therefore achieving some of the key aims of Big Society. Local government however must take the central lead in this process, and that means maintaining a key

<sup>17</sup> David Cameron (19 July 2010) Big Society Speech <http://www.voltairenet.org/article166381.html>

role in public service delivery activities, even if these are reduced in some way – indeed a central function of local government is to provide services to the public, without this function its role is severely negated. Funnelling services to the community and adhering to only a 'bottom up' approach will endanger quality of services and therefore reduce the considerable impact that the Council can have on bringing communities together.

### 3.7 Chargeable services

There is an important logic behind the non-funding of services but using a myriad of external operators to provide them. Although there are those services which will remain publicly provided, others may be made chargeable and commercial. The implications of this could be greater distribution of service provision for those living in more affluent areas of the county who can afford it, as delivery organisations consider introducing chargeable elements to some of their services. This would be to both recoup costs and make profit (which in the case of social enterprises would be needed to be reinvested back into their operations to make them sustainable in the long term).

This combined with the difficulties of engaging hard to reach groups (e.g. in deprived areas) to encourage them to build their own community capacity, could result in further widening of disparities, resulting in market failure. Market failure takes us back to the rationale as to why public sector directly provides many of the goods and services in the first place: this is because in certain areas the market alone (whether this is social or private sector organisations) are unlikely to provide the most efficient delivery of services, whereas direct public delivery will ensure that public goods and services are distributed as equally as possible.

### 3.8 The prospects of using private sector contractors

The Council are not proposing to use major national private sector providers to deliver services, and there is a specific focus on the development of the social sector and creation of new social enterprises. Additionally the Council's documents mention providing opportunities for local businesses (both existing businesses and new ones starting up), acknowledging that there will inevitably be a need to use private sector providers and draw upon their expertise across different service areas. Business services is one service 'cluster', as identified in *'New Strategic Direction'*, although it indicates that non-local private sector activity may be required:

'The goal of the divestment process will be to ensure a range of services is available to the Council, and to service providers in Suffolk, that achieve the best combination of cost and quality, this may mean sourcing them from other parts of the UK if the business case is strong enough.'

This raises questions around the number of opportunities for local businesses, and suggests that the Council believes that the expertise required for these elements of service delivery may not be available locally in the business base. This will make it more difficult for the Council to ensure that Suffolk businesses can fully take advantage of the supposed opportunities on offer.

There are likely to be opportunities for private sector organisations across the county however which requires consideration. In the main the Council's view is that that the private sector is not favoured as a future provider unless it can demonstrate greater innovation and value for money than other proposals, as stated in the Progress Report for New Strategic Direction. Although the Council envisages building up the third sector capacity, there still could be private sector influence (e.g. where Council interventions do not build up the community and social sector capacity to a required extent as quickly as it wishes due to the many complexities involved). Where private sector organisations are involved in delivery, there are some key factors. These include:

- ❑ how will using private sector contractors help in delivering greater social cohesion?;
- ❑ what would the role of the private sector in service delivery mean for social sector organisations?

There is a major emphasis throughout the *'New Strategic Direction'* document on building community capacity as part of the council's place and market shaping roles. The Council says it needs to maximise the opportunities to engage the community in divestment, design solutions with local people, and transfer the leadership of services where possible. However there has to be

proper contemplation as to the effects of private sector contracting on communities where there is an absence of social sector provision:

- ❑ service delivery contracts are by their nature, fixed and determined on outputs and outcomes. This will mean that there may be limited continuity in relationships where local community groups are not able to build important links with key individuals who are responsible for the delivery of services in a locality;
- ❑ as the contracts will often be payment on results there will be no incentive for private sector organisations to deliver above and beyond what is expected of them and what would be most beneficial to the local community, as can be the case with public sector workers who often will, over a period of years, form bonds with communities and 'fight' their corner (this may also be case for many social enterprises who must essentially be run as a business to survive);
- ❑ private sector delivery organisations will have a pre-determined agenda and conditions to successfully deliver their contracts set by the Council (or other public sector bodies) and this is likely to limit the role of local communities in shaping the service delivery in their area.

### 3.9 A 'slimmed' down Council's relationship with the local business base

CLES' recent resilience work has explored the depth of the relationships between the public sector and private sector across a range of localities. The model illustrates that in order to build a strong and resilient economy a critical success factor is a strong relationship between these two sectors, and with the social sector, as previously discussed above. The resilient relationships will be those which are developed in bold and innovative ways, and there are clear communication lines between the sectors. The sectors will work together effectively and have clear positive impacts upon their localities. Such relationships are important in making the place well prepared to deal with economic, social and environmental shocks.

Our resilience work contained anecdotal evidence highlighting that countywide, the development of the relationships between the public and private sectors have been improving, with good levels of business engagement at the strategic level, and proactive business support initiatives being put in place.

A review of the strategic documents of the County Council, including the *'New Strategic Direction'* document, reveals that increasing levels of collaboration and partnership working at all levels, including with that of the private sector, are a primary priority for the Council. The Council states that it will:

'Work closely and advocate effectively for local businesses to support them to get the infrastructure and support they need to provide high skill jobs in Suffolk.'

The theory is that a strategic council can fulfil these functions effectively with limited resource. However, if the Council does become considerably smaller, there are very likely to be implications for future collaborative working with private sector partners. Will there in reality be sufficient resource for local policy makers to play a pro-active role with the business community? Also, bespoke business support mechanisms will be important to further develop relationships, and a strategic Council may not be able to provide this as there may not be enough expertise to understand the fine grained concerns and needs of businesses in Suffolk. With the gap in local business support that has appeared through the demise of Business Link, more than ever local authorities and local partners will need to step into the breach to provide support that businesses need. There are a host of business support/advice areas such as that for pre-start ups, start ups, support for existing businesses which varies depending on sector, and other service users who require specialist assistance or simple support on a regular basis.

Local practitioners need to ask whether with a radically reduced Council support service, they could embark upon approaches to specific issues which involve sustained engagement and a series of activities from individuals who understand and can act on key challenges.

In short, increasing both collaboration and support will be harder to achieve with a small strategic council, and this is bound to have knock-on effects on the resilience of the county to future external shocks.

### 3.10 Risk and limits to 'market making'

The Council is committed to making market making an intrinsic part of its new strategy. As the Council views it, market making in Suffolk will be split into two distinct but related areas:

- 1) support for existing and new social enterprises and other organisations providing services for Suffolk's residents (this includes spotting opportunities and intervening when things go wrong – an admission about the risks of using a multitude of different service providers across many areas);
- 2) supporting the environment for business growth and development by understanding the determinants for encouraging business growth and location and fostering growth of high value jobs.

With regards to the first point on social enterprises and other organisations, in order to achieve this, the Council states that:

'The group of people delivering this function would need to have good commercial skills and experience, be able to work flexibly across different sectors, places and types of organisation. Consequently experience of voluntary, private and public sectors will be important.'

It may be difficult to build critical mass and identify a suitable number of individuals who have the necessary experience and skills to deliver such functions, identifying and having the operational and practical knowledge to make the links between the sectors to maximise value. CLES' recent resilience work has identified, across several pilot geographies in the UK, that there is often not the expertise for cross sector, operational functions. Although it remains to be seen if Suffolk faces similar issues, the Council may well encounter issues in developing capacity in this area.

The Progress Report on New Strategic Direction states that:

'Market making is critical to the success of our divestment strategy. We need to help new enterprises set up and develop a sustainable operating position – perhaps in some cases with a tapering level of financial support'

There are always many uncertainties in public sector interventions such as market making, and the risk is further heightened with the large scale of the step changes being proposed. The scale of required financial support stated above may vary considerably, both in terms of the amount needed and the length of time that this is for. This leads to key questions about whether the Council will have the resource for the considerable support that may be needed across the County, particularly at a time when the priority is to make savings and provide services with a premium on value for money.

The Council regards the business growth and development mechanism as being one which is about influencing other partners to ensure services are provided (e.g. skills training, access to funding). As highlighted in the previous section, it is essential that the resources continue to be in place at the Council to provide the support that businesses need, with people who understand the key business concerns and how to strengthen the business base.

Additionally there is more to business support than influencing other organisations – business and the public sector working closely together can have clear and positive results, despite the centralisation of key business support measures, and the Council must ensure that where it can, bespoke business services are provided – after all, as stated in the recent Local Growth White Paper, Government expects innovative local business support measures to be provided by local institutions as it will not provide products and services itself. Despite having less resource there is an urgent need to prioritise the key areas where it can make a viable impact.

Ultimately, local public sector actors need to be aware of the risks and limitations of their 'market making' activities. Regarding its support for both the social and private sectors, it is important to note that the public sector often has poor mechanisms available when deciding how to allocate resources.<sup>18</sup> Failure can occur due to the public sector facing the same, or worse, information problems than the market itself that it is trying to help. There are also major risks involved due to fact that public sector interventions often fail to deliver anticipated benefits as the recipients do not respond to the intervention in the way they thought they would.

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<sup>18</sup> GLA Economics (2006) The rationale for public sector intervention in the economy  
[http://www.london.gov.uk/mayor/economic\\_unit/docs/rationale\\_for\\_public\\_sector\\_intervention.pdf](http://www.london.gov.uk/mayor/economic_unit/docs/rationale_for_public_sector_intervention.pdf)

## 4 ECONOMIC PROFILE OF SUFFOLK

This economic profile provides a balanced assessment of both the strengths and challenges facing Suffolk's economy and labour market. This includes the structure and performance of the business base, the factors determining competitiveness in the County, including the supply and demand for labour and skills and a summary of key infrastructure such as transport. At the end of each section the key implications are summarised, and are discussed further in Section 4.

### 4.1 People

A growing population, a healthy labour market, access to the right training and education: these are all factors that support economic development. As do the right social conditions, adequate housing, and an effective transport infrastructure. For individuals, education and skills are central to reaching their full potential, allowing access to employment and enabling social inclusion. The focus of the section is on the people of Suffolk – examining the area's demographic influences on the supply of labour to the economy and its' ageing population; providing an analysis of the economic activity/inactivity characteristics of the working age population; and examining the qualifications profile.

#### 4.1.1 Population profile

The demographic structure of an area is an important indicator as to both its economic performance and future potential. 714,000 people lived in Suffolk in 2009, constituting 12.4% of the East of England's population. A largely rural county, Suffolk has a low population density at 176 residents per km sq compared with the East of England's 293 residents per km sq. Suffolk's main population centres are Ipswich, Felixstowe, Bury St Edmunds, and Lowestoft.

Overall population growth (Table 1) within Suffolk has been low over the last decade compared with the East of England although higher than the UK. In terms of working age population growth (Figure 5), this has been relatively robust over the past two decades, with both Suffolk's and East of England's rates higher than that of the national average.

**Table 1: Mid-year estimates of total population figures<sup>19</sup>**

	Suffolk	East	UK
% change 1992-2000	4.5%	4.5%	2.3%
% change 2000-2009	6.2%	7.3%	4.9%

**Figure 4: Relative growth of the working age population, 1992-2009 (Index: 1992=100)<sup>20</sup>**

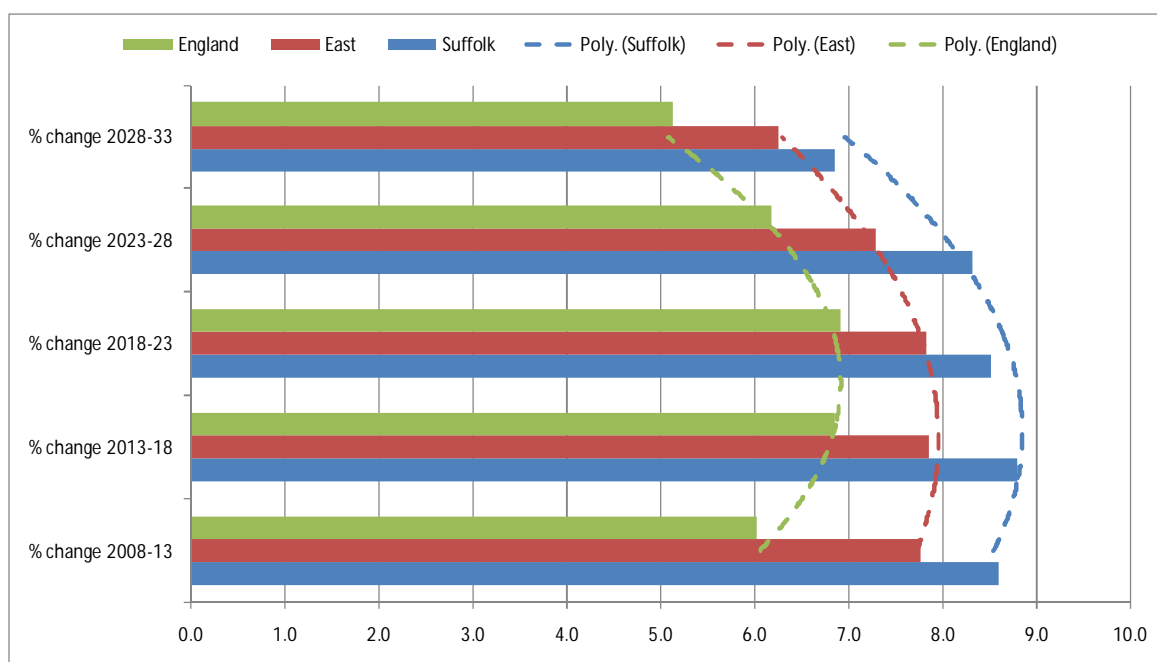


<sup>19</sup> Source: ONS, Mid-Year Estimates, 1992-2009

<sup>20</sup> Source: ONS, Mid-Year Estimates, 1992-2009

Suffolk has a growing older population which represents a significant challenge for future resource allocation and public service delivery. Figure 6 shows the projected increases from 2008 up to 2033, illustrating a scenario in which growth in the dependent population is consistently high up to 2028, more so than the regional average and significantly higher than the national growth rates.

**Figure 5: Projections of the dependent population (0-15 years of age and 65+), 2008-2033<sup>21</sup>**



#### 4.1.2 Population and deprivation

The Government's standard measure of deprivation and inequality is the Index of Multiple Deprivation (IMD). This covers a number of topics, including disadvantage in education, income, employment, health and housing. As a whole, Suffolk has very low levels of deprivation. However there are pockets of deprivation across Suffolk, with Ipswich and Waveney experiencing concentrations of disadvantage (99<sup>th</sup> and 114<sup>th</sup> respectively). The nature of deprivation in Ipswich and Waveney is similar, in that they experience disadvantage most notably in education and employment deprivation. The district performances for other districts can also conceal pockets of disadvantage, with rural issues (such as lack of connectivity and access to services) being particularly prominent.

**Table 2: Deprivation by each Suffolk district<sup>22</sup>**

District	Rank of deprivation (where 354 is the least deprived local district)
Babergh	277
Forest Heath	265
Ipswich	99
Mid Suffolk	306
St Edmundsbury	260
Suffolk Coastal	274
Waveney	114

<sup>21</sup> Source: ONS Population Projections, 2008

<sup>22</sup> Source: Indices of Multiple Deprivation, 2007

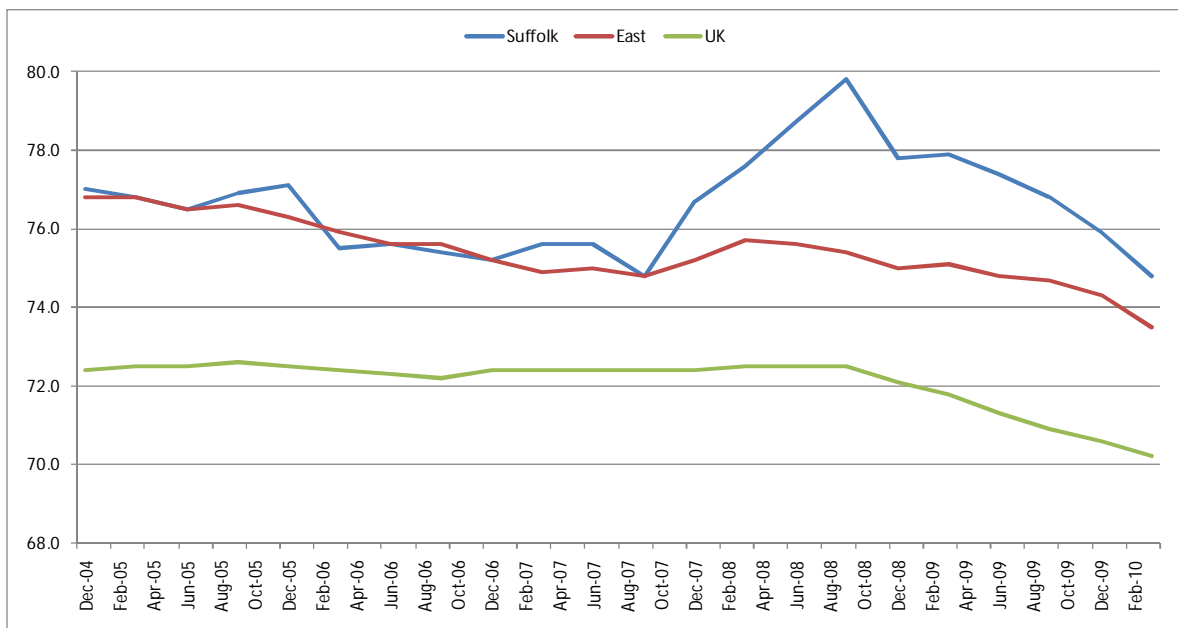


### 4.1.3 Workforce: Economic activity and employment

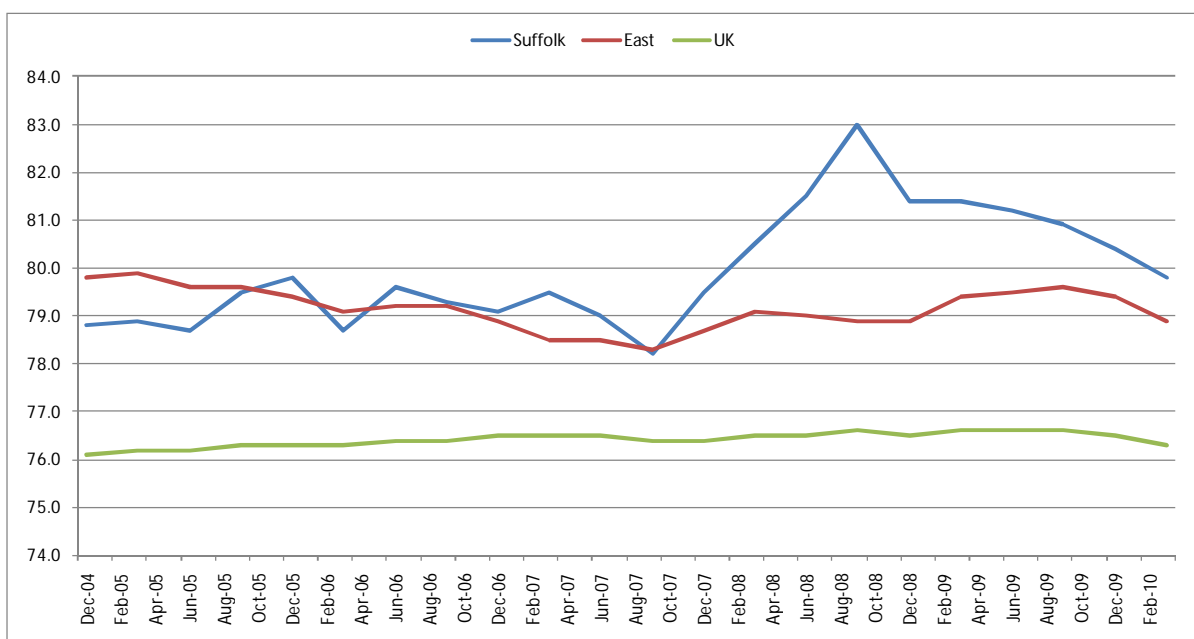
Nearly 353,000 residents, equating to 79.8% of Suffolk's population, are economically active. This is higher than both the East of England and UK rates (78.9% and 76.3% respectively). The employment rate in Suffolk (74.8%) is also higher than both the regional (73.5%) and national (70.2%) levels. This highlights the strong labour market performance across the County.

The economic activity and employment rate levels have historically been high in Suffolk (Figures 7 and 8), exceeding the national performance, and in recent years (since the second half of 2007), moving away from and exceeding the regional rate. However over the past year there has been a downward trajectory for both the East of England and Suffolk as the effects of the economic slowdown have become entrenched.

**Figure 6: Employment rate as a percentage of the working age population, December 2004 to February 2010<sup>23</sup>**



**Figure 7: Economic activity rate as a percentage of the working age population, December 2004 to February 2010<sup>24</sup>**



<sup>23</sup> Source: ONS, Annual Population Survey, 2010

<sup>24</sup> Source: ONS, Annual Population Survey, 2010

**Key implications: Population and employment**

- Rural geography of Suffolk provides particular service delivery challenges (e.g. transport issues, lack of access to key services).
- Major challenges around the growth of the dependent population, particularly the older population, aged 65 and above.
- Concentrations of deprivation across the County, most notably within Ipswich and Waveney – implications for strength of community based activity in these places and also impacts of job cuts which would reinforce levels of entrenched deprivation in some places more than others.
- Employment and economic activity rates historically high although recent downward trajectory as a result of the recession – large scale public sector spending cuts will keep these rates depressed and mean that recovery to pre-recession levels will take longer to achieve.

**4.1.4 Worklessness and benefit claimants**

Worklessness is a key issue for local labour markets, since work is the main means of income for most people, and lack of work is linked to poverty, ill health, crime, substance abuse, low school attainment, and family breakdown. This has implications for community regeneration, the economic vitality of neighbourhoods, and local capacity.

There are a number of factors impacting upon worklessness and preventing access to job opportunities, including:

- ❑ **employability** – lack of skills, lack of work experience and personal problems;
- ❑ **employer attitudes and practices** – reluctant to recruit long term unemployed, discrimination on race and disability, use of informal recruitment channels, requirement for formal qualifications;
- ❑ **specific barriers to work** – care issues, distance and cost of getting to work, cost of education and training, insecurity of work and concern over financial benefits;
- ❑ **accessing job opportunities** – lack of information on work and training opportunities, lack of motivation, poor application and presentation, matching clients with appropriate job opportunities.

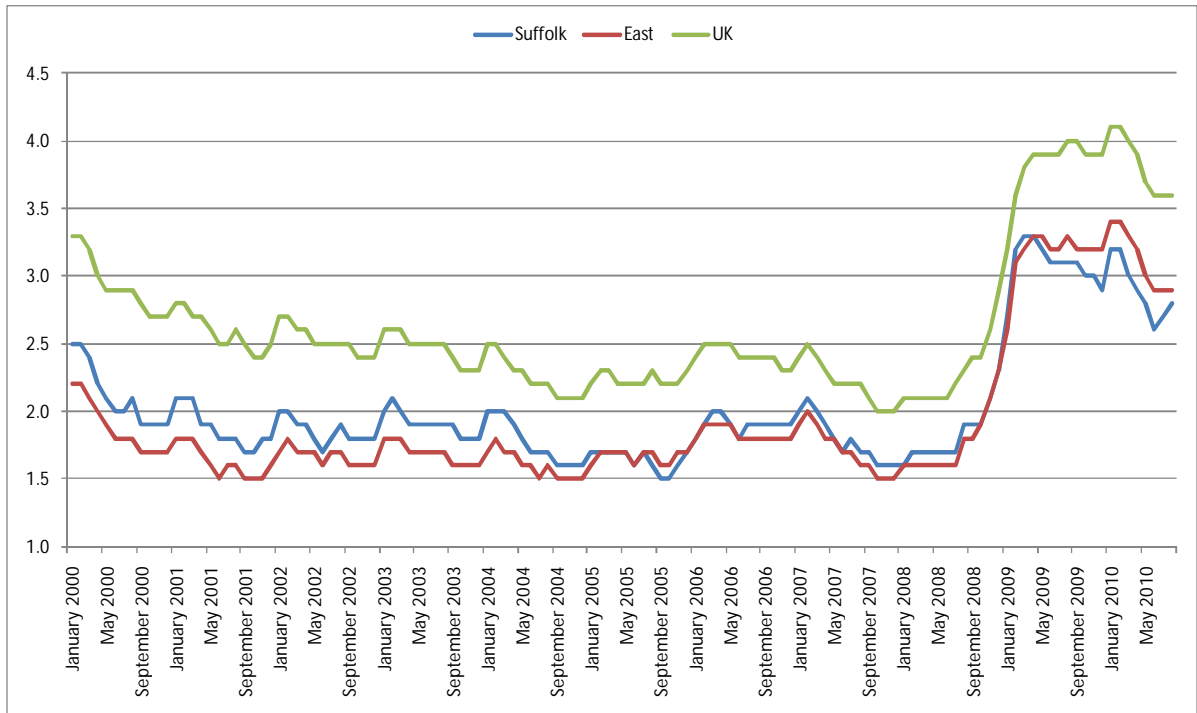
The latest data shows that the most commonly claimed type of benefit in Suffolk is Incapacity Benefit, with 21,400 claimants (4.9% of the working age population); lower than the East of England (5.0%) and national (6.7%) levels. The proportion of people who receive Job Seekers Allowance (JSA), at 2.8% (12,340) is again lower than both the regional (2.9%) and national levels (3.6%). This pattern is repeated in terms of total benefits with 11.9% of Suffolk's working age population claiming for one or more benefits, compared with 12.0% and 15.1% respectively regionally and nationally.

Job Seekers Allowance (JSA), highlighted in Figure 9, is an economically active benefit that covers those who are moving in and out the job market. Suffolk has clearly been impacted by the recession with the current rate of 2.8% markedly higher than the pre recession low of 1.5%. Despite this the impact of the changing economic landscape has been more pronounced at the national level, and over the past year rates have recovered more markedly than across the wider region.

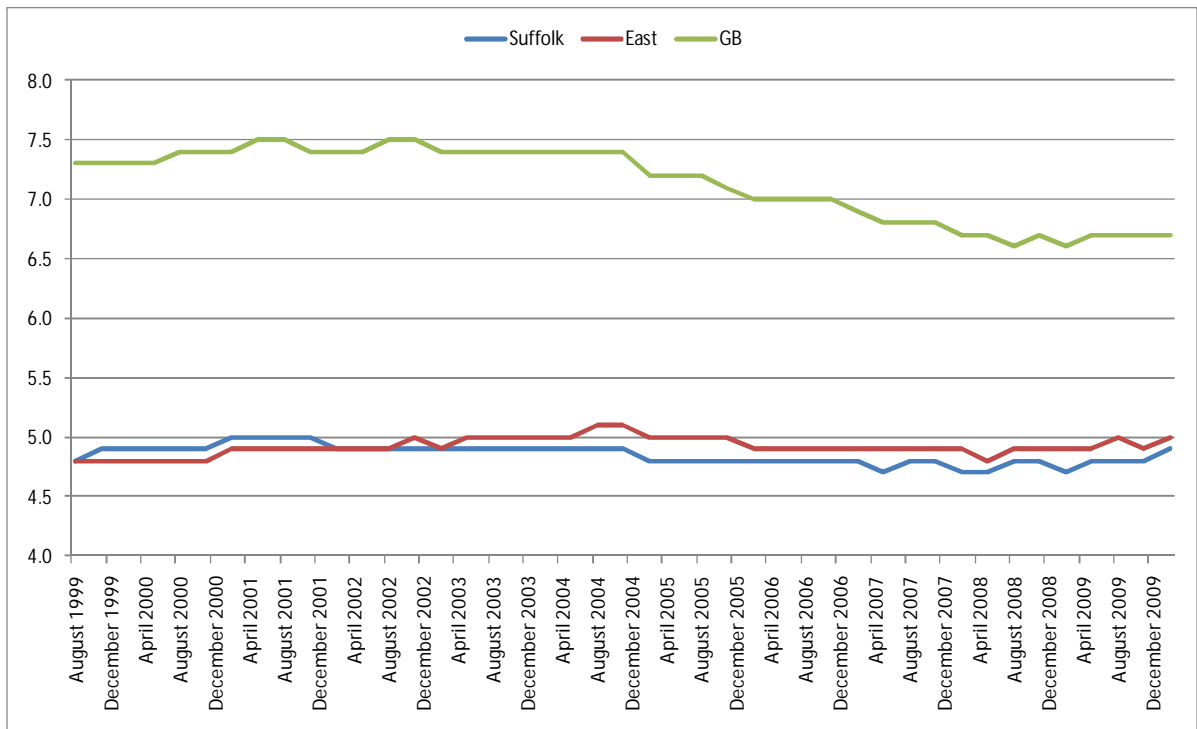
Incapacity Benefit claimant levels have been relatively static across both East of England and Suffolk over the past decade or so (Figure 10), whilst national rates have decreased, albeit from a significantly higher starting level. Incapacity Benefit rates have been relatively unaffected by the recession as it is an out of work benefit which personifies entrenched levels of long term worklessness and deprivation.

The restructuring of the national economy has had an impact in parts of Suffolk during the 1980's and early 1990's, disadvantaging those who had been working in unskilled occupations for most of their working lives. These effects will still be felt in parts of Suffolk where residents held few formal qualifications and transferable skills to take into modern knowledge intensive industries. Many of these people constitute the cohort claiming Incapacity Benefit.

**Figure 8: Job Seekers Allowance claimants as a percentage of the working age population, 2000-2010<sup>25</sup>**



**Figure 9: Incapacity Benefit/ESA as a percentage of the working age population, August 1999 to February 2010<sup>26</sup>**



<sup>25</sup> Source: ONS, Claimant Count, 2010

<sup>26</sup> Source: DWP Benefit Stats, 2010

**Key implications: Worklessness and benefit claimants**

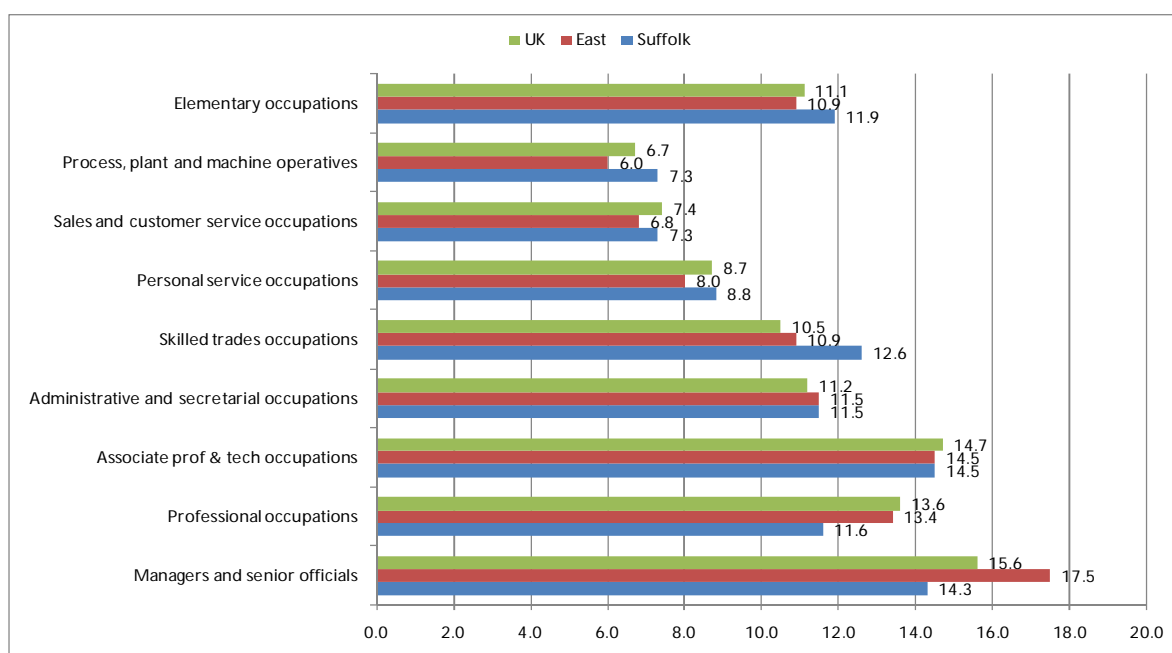
- Job Seekers Allowance rates would be likely to increase further as people leaving County Council employment seek new employment – depending upon the numbers in the period up to 2015, rates could increase closer to the national average (this together with potential job seekers from the other elements of the countywide public sector).
- Those furthest from the labour market on Incapacity Benefit (nearly 5% of the working age population) could be pushed further to the margins as more welfare resources are required for the increase in those claiming economically active benefits.
- Implications for how providers such as Jobcentre Plus would cope with the sustained extra workload.
- Barriers to employment for many of those who have previously been employed in the public sector which employs more women (many on part time hours), older people (aged 50+), and people who have been in the sector for long periods of time.

**4.1.5 Occupations**

The socio-economic and occupational characteristics of the labour market are central to Suffolk's competitiveness. They shape the economic opportunities that residents are able to access. There has, over the last decade, been a structural change in UK occupations from non-skilled occupations to management and professional. This has resulted in a declining demand for skilled craft workers and lower skilled manual workers. This is set to continue for the foreseeable future as the economy shifts towards service centred activities. However the demand for lower skilled jobs is still going to remain considerable due to the importance of replacement demand (people leaving jobs either to move into another position or through retirement).

The occupational structure of Suffolk suggests limited knowledge intensive based opportunities across the County. Just 40.4% of residents are classified as managers/senior officials, or professionals/associate professionals. This compares with the East of England rate of 45.4% and the national level of 43.9%. At the other end of the spectrum, those who are classified as working in elementary occupations such as elementary/process, plant machinery operatives/sales and customer services account for over a quarter of the residents in work (26.5%). This compares with 23.7% and 25.2% regionally and nationally.

**Figure 10: Occupations of residents in employment, 2010<sup>27</sup>**



<sup>27</sup> Source: Annual Population Survey, 2010

#### 4.1.6 Earnings

Wage earnings are a key indicator of the interaction between labour supply and demand in an economy, and the living standards of its employees. High earnings can be an indicator of strong labour demand as well as higher value activities in an economy, whilst low wages could imply either low demand for labour or lower value added activities.

Tables 3 and 4 show that resident based earnings in Suffolk are higher (£453.5) than the workplace based earnings (£440.3); this suggests that there are limited higher value employment opportunities within Suffolk and residents will commute to other economic nodes (e.g. Cambridge and London) to access labour market opportunities. The pattern is similar for East of England as a whole. For both resident and workplace based earnings Suffolk experiences lower remuneration than both the regional and national averages, suggesting a lower value business base predominating in the area. Growth in residence based wages over the period 2002 to 2009 has also been limited, again lower than the national rate, although there has been a relative improvement in workplace based earnings that is higher than the East of England (although the actual increase in pounds is lower than both the East of England and the UK). This suggests disparities between the more and less affluent elements of Suffolk's population.

**Table 3: Full time residence based gross median weekly earnings, 2002-2009 (£)<sup>28</sup>**

	Resident earnings 2002	Resident earnings 2009	Change 2002-09	% change 2002-09
Suffolk	£371.3	£453.5	£82.2	+22.1
East	£415.9	£509.4	£93.5	+22.5
UK	£390.9	£488.7	£97.8	+25.0

**Table 4: Full time workplace base gross median weekly earnings, 2002-2009 (£)<sup>29</sup>**

	Workplace earnings 2002	Workplace earnings 2009	Change 2002-09	% change 2002-09
Suffolk	£354.8	£440.3	£85.5	+24.1
East	£392.6	£479.1	£86.5	+22.0
UK	£390.9	£488.7	£97.8	+25.0

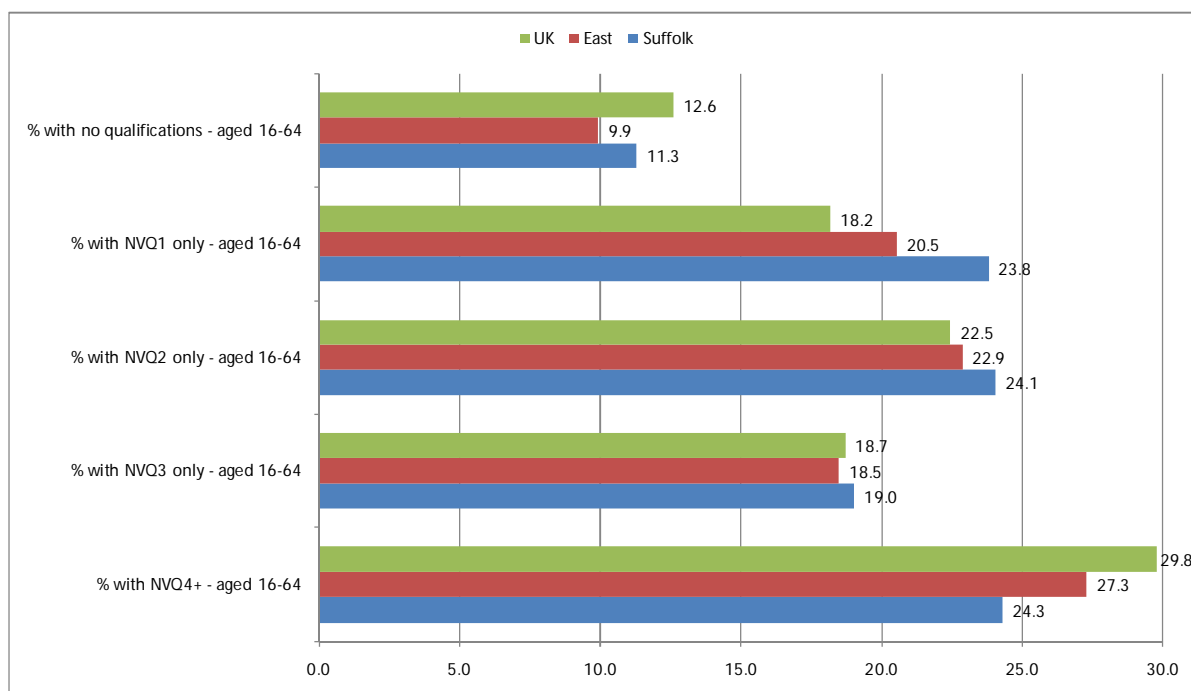
#### 4.1.7 Qualification levels

The skills and qualifications of Suffolk's residents are below average. Across the working age population only 43.3% possess NVQ L3 qualifications and above (Figure 12). 24.3% are qualified to NVQ L4+, with 19.0% holding NVQ L3. In terms of the size of the high skilled population, Suffolk does not currently have a critical mass of workers to support the growth of a knowledge economy, lagging behind the national (29.8%) and regional (27.3%) averages.

Although the proportion of the working age population that are without formal qualifications is relatively high (11.3%) and exceeds the regional rate (9.9%), this is lower than the national level (12.6%). It is the sizable lower skilled population which may act as a brake upon economic development, with nearly half (47.9%) of Suffolk's population holding NVQ L1 and L2 qualifications only. This compares with 43.4% for East of England, and 40.7% for the UK. This must also be weighed against the nature of employment in the County, which is largely lower wage, lower value activity. Combined with the relatively high levels of employment, this suggests that Suffolk's residents do fulfil the requirements of the local business base to an extent.

<sup>28</sup> Source: Annual Survey of Hours and Earnings, 2002 and 2009

<sup>29</sup> Source: Annual Survey of Hours and Earnings, 2002 and 2009

**Figure 11: Qualifications of resident working age population, 2009<sup>30</sup>****Key implications: Occupational structure, wages and skill levels**

- Low wage economy, with many people working in occupations which pay a below average wage means less potential for major economic growth in future.
- Skills profile means that the local economy may not experience the required levels of business investment to create significant levels of new jobs – combined with tougher economic conditions this results in considerable labour market 'slack' with many people emerging from the public sector competing for fewer jobs over the coming years.

**4.2 Business base**

This section identifies and analyses the current strengths and weaknesses of Suffolk's business base and the factors determining business competitiveness. This is vital in understanding how the County has been adapting to the profound structural changes that have taken place over recent decades and how robust its economy is in relation to the current economic and political landscape. By looking at areas such as the structure and performance of the business base, entrepreneurship and the knowledge economy, the aim is to better understand Suffolk's future potential, particularly at a time of severe public sector cuts.

**4.2.1 Business demography: Measuring entrepreneurship**

Business start-up levels are a good indicator of future economic growth. Studies show that 23% of new businesses create 71% of new employment, with businesses in knowledge intensive sectors often having the greatest capacity for job creation.<sup>31</sup> In addition to the direct employment they bring, new businesses also help foster innovation and can have a beneficial effect through enhancing competition.

One way of measuring whether a locality has an entrepreneurial spirit is through accounting for business births and deaths, using ONS statistics whose coverage includes VAT registered businesses and PAYE registered businesses – this provides a comprehensive view of business start up activity.

<sup>30</sup> Source: Annual Population Survey, 2010

<sup>31</sup> Tether & Massini (1998): Employment Creation in Small Technological and Design Innovators; CRIC, the University of Manchester



As shown in Table 5 the number of registrations per 10,000 working age population in Suffolk is low, at 58.8, lagging the East (71.5) and UK (67.6) rates. Suffolk's deregistration rate (57.3), although lower than the regional figure (60.0) is higher than the national level (54.8). If this pattern correlated with a higher registration rate, an assumption could be made that higher levels of competition are creating 'churn' which would be a positive thing for Suffolk; however because the registration rate is low in Suffolk the relatively high deregistration rate suggests that the quality of business start ups is often low, with a direct link to less sustainable job opportunities.

**Table 5: Business registrations and de-registrations per 10,000 working age population<sup>32</sup>**

District	Registration rate per 10,000 working age population	Deregistration rate per 10,000 working age population
Suffolk	58.8	57.3
East	71.5	60.0
UK	67.6	54.8

Another method of assessing entrepreneurialism is through the proportion of population who are self employed. In Suffolk this is relatively low (12.3%) compared with the East (14.3%) and UK (13.4%) averages, reinforcing the business registration data above that Suffolk is not a particularly enterprising county.

**Table 6: Percentage in employment who are self employed<sup>33</sup>**

District	% in employment who are employees	% in employment who are self employed
Suffolk	87.3%	12.3%
East	85.2%	14.3%
UK	85.9%	13.4%

#### **Key implications: Business start ups**

Suffolk is not conducive for strong levels of new business growth and associated job creation benefits – unlikely that those being made redundant will start up new businesses to help the private sector absorb the cuts; this could be a result of the rural nature of the County, support services available, lack of a risk taking culture, and a reliance on particular employers when rates are low.

### 4.2.2 Total employment and economic output

In 2009 there were 353,000 residents in employment or self employed within Suffolk, accounting for 12.2% of the East of England total. Total economic output (GVA) was £12.2 billion, constituting 11.8% of the regional value.

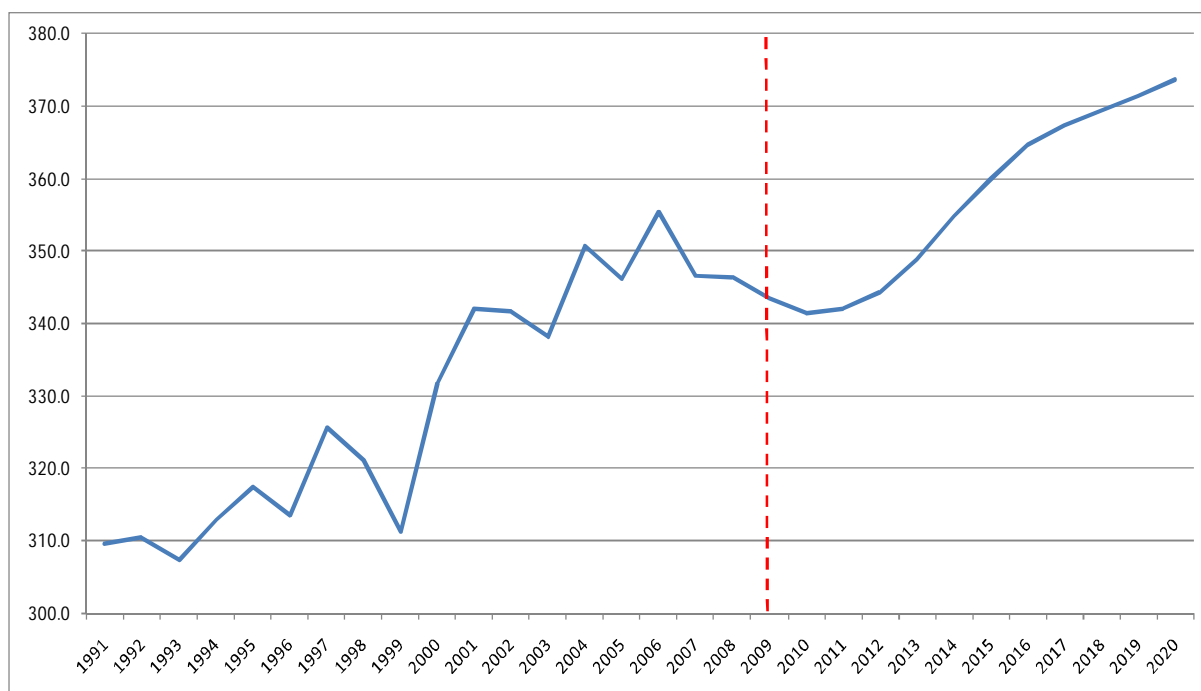
Over the preceding ten years (Table 7) employment growth in Suffolk (7.8%) has been lower than the regional and national rates (9.9% and 10.4% respectively). Forecast growth up to 2018 shows that employment may grow by 6.6% in Suffolk, higher than the East (6.4%) and UK levels (3.6%). This employment growth, also shown in Figure 13, does not take into account any further external shocks such as those at Suffolk County Council and elsewhere in the public sector. This would clearly have negative implications for job growth. Economic growth is also likely to be lower than in the previous cycle (the last decade), potentially notably lower than that shown in Figure 13, illustrating the more challenging economic landscape. Finally, although there is forecast to be growth of around 23,000 jobs, the working age population is expected to expand by nearly 22,000 jobs, meaning more people having to compete for fewer jobs.

<sup>32</sup> Source: ONS, Business Demography Database, 2010

<sup>33</sup> Source: ONS, Annual Business Inquiry, 2010

**Table 7: Total employment change, 1998-2008, and forecast 2008-2018<sup>34</sup>**

District	1998 employment	2008 employment	2018 employment (forecast)	% change 1998 to 2008	% change 2008 to 2018 (forecast)
Suffolk	321,200	346,400	369,300	+7.8%	+6.6%
East	2,580,400	2,837,000	3,017,600	+9.9%	+6.4%
UK	28,595,500	31,557,100	32,698,400	+10.4%	+3.6%

**Figure 12: Total employment from 1991 to 2020 (000's) (forecast data from 2009 onwards)<sup>35</sup>****Key implications: Forecast employment and growth of the working population**

- Lower levels of employment over next five years means more pressure on the labour market, which would be exacerbated by public sector job cuts.
- Despite job growth, much of this will be to accommodate the natural growth of the working age population – high levels of competition is likely for limited numbers of jobs.

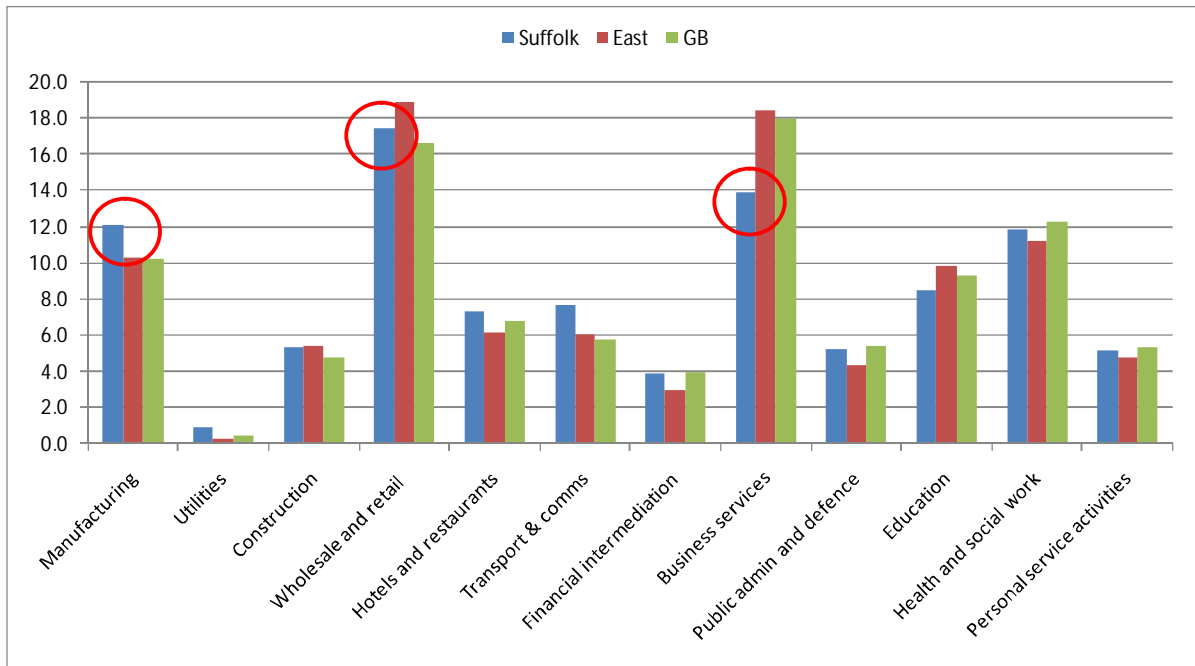
**4.2.3 Business base**

There is a reasonably diverse business base in Suffolk (Figure 14). Manufacturing constitutes 12.1% of the total workforce, notably higher than the regional (10.3%) and national (10.2%) levels. A marked proportion of this is attributable to the significant food manufacturing presence linked to the rural geography, with nearly 10,000 people working within this sub-sector. Conversely, business services are a relatively small sector, accounting for 13.9% of total employment, compared to 18.4% and 18.0% for East of England and Great Britain respectively. The most important sector in terms of employment is wholesale and retail, which accounts for 17.4% of employment (11.1%/31,600 of the workforce working in retail alone). In terms of sector growth over the past decade, the most notable has been within financial and business services (Figure 15), important for future recovery as despite the Government's views on rebalancing the economy to export orientated growth, business services are still widely expected by economists to be at the forefront of recovery thus future job creation could still rely on this sector.

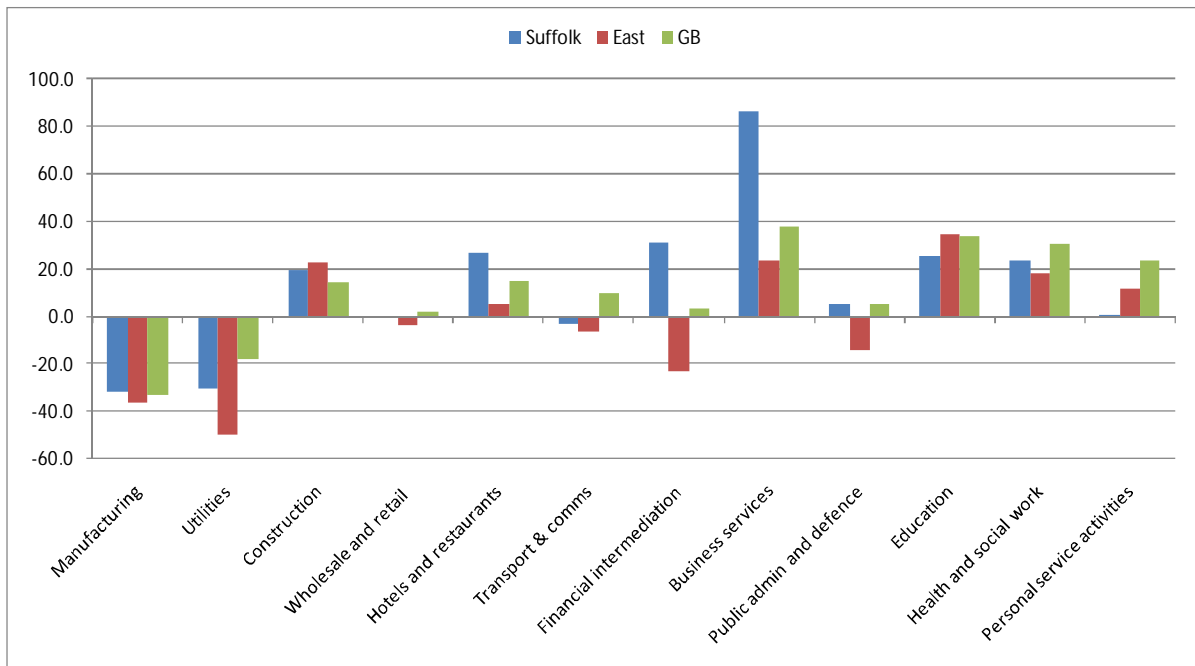
<sup>34</sup> Source: East England Forecasting Model, Spring 2010 Update

<sup>35</sup> Source: East England Forecasting Model, Spring 2010 Update

**Figure 13: Employment by broad sector as a percentage of the total, 2008<sup>36</sup>**



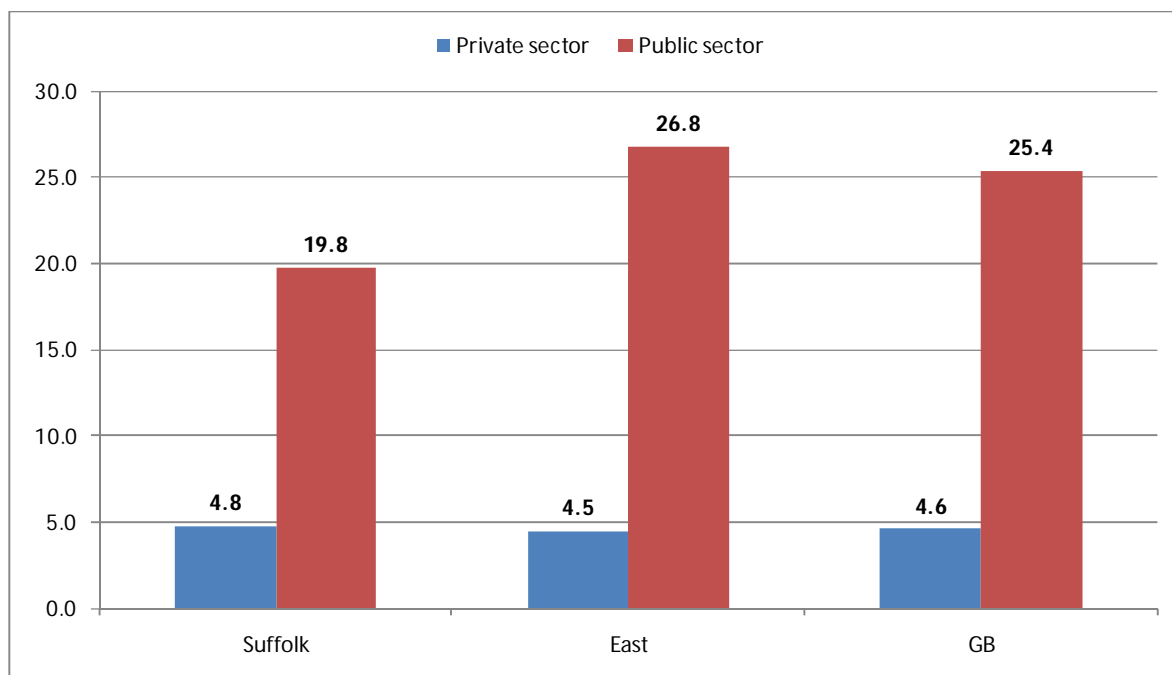
**Figure 14: Percentage change in employment by broad sector, 1998-2008<sup>37</sup>**



In 2008 there were 73,200 people working within the public sector in Suffolk, accounting for 25.5% of the total (5.2%, or 14,800, work within public administration). This is almost identical to the regional figure (25.3%) but lower than the national level of 27.0%. Figure 16 shows that growth within public sector employment over the past decade was constrained at 19.8%, significantly lower than the regional (26.8%) and national (25.4%) increases. Despite the lower growth in public sector jobs, private sector growth over the same period was just 4.8% in Suffolk despite the lack of evidence of crowding out from the public sector. Future prospects of private sector growth may appear to be limited due to increased economic uncertainty, dampened demand and greater fiscal pressures.

<sup>36</sup> Source: ONS, Annual Business Inquiry, 2008

<sup>37</sup> Source: ONS, Annual Business Inquiry, 1998 and 2008

**Figure 15: Percentage change in employment within the public and private sectors, 1998-2008<sup>38</sup>**

It is important to understand the spatial nature of public sector employment across Suffolk, in order to anticipate where public cuts could hit the hardest. District levels of employment are highlighted in Table 8. It shows that within Ipswich there is a high dependence on public sector employment, and also within St Edmundsbury (the County Council main office here being West Suffolk House in Bury St Edmunds), making these districts most vulnerable in the event of sustained public sector cuts. However within Ipswich there is a particularly high proportion of the workforce in public administration – 6,000/8.1% of total employment (which can loosely be associated with local authority work, although different service delivery activity may also be classified within other elements of the public sector). As an example, 800 staff work at the main site, Endeavour House, and 350 work at another, Constantine House. These trends make Ipswich particularly exposed.

**Table 8: Public sector employment by Suffolk district<sup>39</sup>**

District	No. of employees within the public sector	% of employees within the public sector
Babergh	5,300	17.5%
Forest Heath	4,500	19.2%
Ipswich	21,600	31.4%
Mid Suffolk	7,000	21.7%
St Edmundsbury	14,700	29.2%
Suffolk Coastal	10,300	22.0%
Waveney	9,900	24.9%

Table 9 shows turnover by sub-sector in Suffolk. This conforms to the employment data in highlighting the importance of the wholesale and retail sector for the local economy; over two fifths (42.6%) of total turnover in 2009 came from elements constituting this sector – £5.39 billion in total. Despite manufacturing's importance as an employer in Suffolk, in terms of turnover its importance is limited, highlighting the low value nature of its activities. Construction activities are important, constituting £1.68 billion of total turnover.

<sup>38</sup> Source: ONS, Annual Business Inquiry, 1998 and 2008

<sup>39</sup> Source: ONS, Annual Business Inquiry, 2008

**Table 9: Turnover by 2 digit SIC code, Suffolk<sup>40</sup>**

	Turnover (£000s)	Turnover as % of total
46 Wholesale trade; except of motor vehicles and motorcycles	2,980,634	23.6
47 Retail trade; except of motor vehicles and motorcycles	1,253,828	9.9
45 Wholesale and retail trade and repair of motor vehicles and motorcycles	1,151,459	9.1
41 Construction of buildings	916,005	7.2
86 Human health activities	813,218	6.4
43 Specialised construction activities	768,242	6.1
01 Crop and animal production; hunting and related service activities	732,958	5.8
42 Civil engineering	472,456	3.7
68 Real estate activities	405,009	3.2
71 Architectural and engineering activities; technical testing and analysis	316,764	2.5
93 Sports activities and amusement and recreation activities	300,793	2.4
25 Manufacture of fabricated metal products; except machinery and equipment	295,281	2.3
28 Manufacture of machinery and equipment n.e.c.	291,636	2.3
18 Printing and reproduction of recorded media	266,118	2.1
70 Activities of head offices; management consultancy activities	256,195	2.0
82 Office administrative; office support and other business support activities	211,232	1.7
69 Legal and accounting activities	192,094	1.5
81 Services to buildings and landscape activities	178,423	1.4
96 Other personal service activities	177,979	1.4
78 Employment activities	153,991	1.2
77 Rental and leasing activities	144,156	1.1
55 Accommodation	118,963	0.9
74 Other professional; scientific and technical activities	90,350	0.7
73 Advertising and market research	55,999	0.4
90 Creative; arts and entertainment activities	36,989	0.3
94 Activities of membership organisations	30,057	0.2
53 Postal and courier activities	18,794	0.1
95 Repair of computers and personal and household goods	17,011	0.1

#### 4.2.4 Knowledge intensive employment

The knowledge economy is important for the future of the UK economy and is becoming increasingly associated with job creation and increasing competitiveness. To understand performance, a good guide is the percentage of employment in Knowledge Business Industries (KBIs) as shown in Table 10. There is no perfect definition of KBIs using national statistics, however the definition used here outlines employment in sectors which typically have around 50% or more of the workforce with NVQ Level 4+ qualifications.

The business base within Suffolk is less knowledge intensive (15.9% of the total being KBIs) than across the region as a whole (19.9%) and the UK (21.8%), although recent growth is encouraging. This reinforces the occupational, skills and wages data which indicates that Suffolk is generally a lower value, lower wage economy, where the higher qualified residents will often commute outside of the County for higher paid employment opportunities.

**Table 10: Knowledge intensive jobs as percentage of the total<sup>41</sup>**

District	2003	2008	% change 2003-2008
Suffolk	14.9%	15.9%	+9.4%
East	20.2%	19.9%	-2.3%
UK	21.7%	21.8%	+4.5%

<sup>40</sup> Source: IBDR, 2009

<sup>41</sup> Source: ONS, Annual Business Inquiry, 2003 and 2008

**Key implications: Business base**

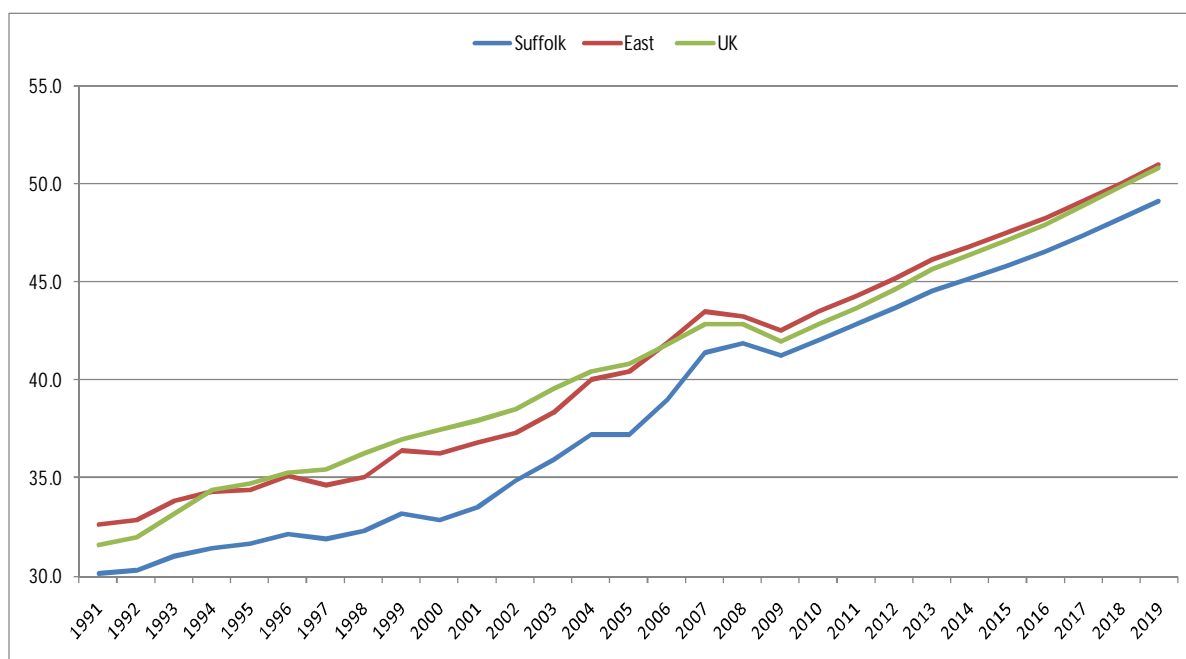
- Importance of service sector industries such as wholesale and retail in Suffolk: indirect impact of loss of revenues if severe cuts are actioned.
- Relatively limited business services sector a disadvantage in terms of new job creation as this sector is still likely to lead the recovery in the next few years.
- Limited private sector growth over last decade, despite lack of 'crowding out' from public sector, suggests constrained ability of private sector to absorb major job cuts over the next few years, particularly when accounting for tighter fiscal conditions and dampened demand (this despite accounting for economic recovery).
- Smaller knowledge economy could mean limited long term sustainable job growth in the private sector.
- Lack of jobs in the local economy to fulfil requirements of many higher qualified public sector workers facing redundancy – results of out-migration and increasing commuting outside Suffolk.

**4.2.5 Productivity and prosperity**

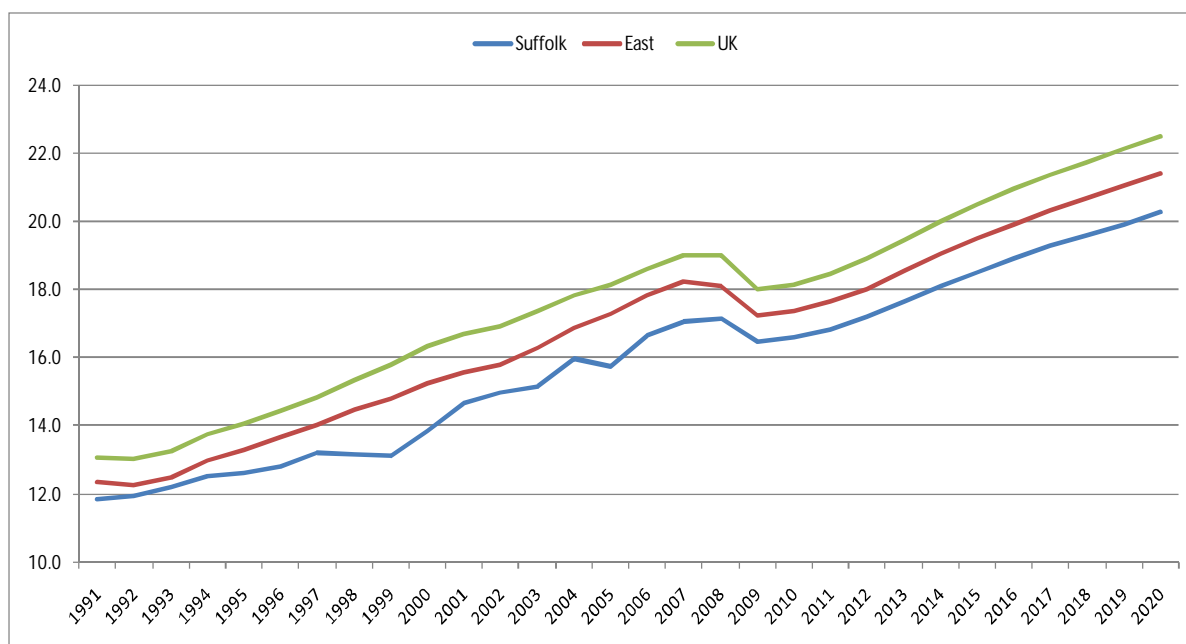
A good way of assessing productivity within the economy is to calculate labour productivity, known as GVA per employee. Economic output per employee was £41,900 in 2008, lower than the regional (£43,300) and national (£42,800) levels. Historically, Suffolk's employee productivity levels have been relatively low (Figure 17), reflecting the industrial structure and labour market in the county. The divergence between Suffolk and East of England closed due to adaptation to industrial restructuring in Suffolk, but the performance gap is likely to stay in place.

Another measurement of performance is through GVA per capita, as shown in Figure 18. This is a measure of prosperity and wealth creation in the local economy; GVA per capita in 2008 was £17,100, compared with £18,100 for the East of England and £19,000 for the UK. Although Suffolk is generally an affluent place, the contributions of well qualified individuals are often made outside of the County and are therefore not captured in this measure.

**Figure 16: GVA per employee (£000's), 1991 to 2020<sup>42</sup>**



<sup>42</sup> Source: East England Forecasting Model, Spring 2010 update

**Figure 17: GVA per capita (£000's), 1991 to 2020<sup>43</sup>****Key implications: Productivity and prosperity**

Lower performance on productivity and prosperity measures reaffirms lower wage, lower value added economic activity – a relatively self contained economy not conducive to creating significant numbers of new private sector jobs particularly in the new economic landscape.

### 4.3 Place: Critical infrastructure

#### 4.3.1 Transport

Congestion and transport problems are becoming increasingly common, with the main transport routes at or near to saturation point – this despite the presence of the A11, A12 and A14. These critical problems will almost certainly constrain economic development and growth over the medium and long term. It is currently anticipated that the A14 will reach capacity by 2012.<sup>44</sup> The poor connectivity is illustrated on the Local Futures connectivity index, where Suffolk scores just 20.44 compared to the national average of 100.

Given Suffolk's rural nature residents rely heavily on the road infrastructure to travel to work (e.g. often commuting from Suffolk to places such as Cambridgeshire), with 61% of residents driving to work according to the 2001 Census,<sup>45</sup> although this figure is likely to have increased since then. Business consultations have considered both road and rail links inadequate (whether this is for logistics/freight or travelling to meetings). If this trend continues it is likely that businesses will consider relocation from the County to areas with better internal transport networks.

#### 4.3.2 Commercial and industrial property

Suffolk has experienced below average growth in terms of commercial and industrial floor space.<sup>46</sup> It does have a high proportion of industrial space, reflected in the relative importance of manufacturing, but proportions of office and commercial space are below the national average. Consultations through CLES' resilience work<sup>47</sup> confirmed that in West Suffolk in particular, there is a lack of managed workspace and appropriate quality units, important in job stimulation and encouraging business start ups.

<sup>43</sup> Source: East England Forecasting Model, Spring 2010 update

<sup>44</sup> Suffolk Development Agency (2009) Expanding Suffolk's Horizons, Economic Strategy: Taking Suffolk forward to 2013

<sup>45</sup> ONS, Census 2001

<sup>46</sup> Local Futures (2006) The State of Suffolk: an economic, social and environment audit of Suffolk

<sup>47</sup> CLES (2010) Understanding the resilience of the Cambridgeshire and West Suffolk economies



The proportion of retail space has grown very quickly by comparison to the national average, correlating with the employment and turnover data which indicates that this sector is particularly important to the local economy.

### 4.3.3 Digital infrastructure

The evidence from strategy and CLES consultations during recent resilience work suggests that the lack of appropriate digital infrastructure in Suffolk is a major issue. The County has recently missed out on BT broadband speed upgrades despite intensive lobbying and BT making improvements across many other parts of the country. Residents in some rural parts of Suffolk are still being forced to access the internet at dial up speeds. Fast internet is crucial for businesses, and investment decisions are increasingly being made upon the evidence of a quality digital infrastructure offer. Also, in places like Suffolk which are rural and localities are not physically well connected, being *virtually* connected is critical for local small businesses and for potential entrepreneurs.

#### **Key implications: Critical infrastructure**

- Poor transport connectivity limits people's access to job opportunities, particularly in a rural dominated landscape.
- Rural geography means that many people travel to work by car – further congestion as people commute across Suffolk to find new job opportunities would result in economic and environmental problems.
- Lack of appropriate workspace is not conducive to major growth in new jobs (e.g. for potential new business start ups, which are important in job creation).
- Lack of high quality digital infrastructure offer will impede business and start up growth; also leads to lack of investment which would create more private sector jobs.

## 5 IMPACTS OF CUTS UPON THE SUFFOLK ECONOMY AND INDIVIDUALS

The following section draws together the key messages from the economic profile and assesses the potential ramifications of job losses from Suffolk County Council upon the local economy, in particular:

- ❑ would the local private sector be able to absorb the flow of people into the labour market?;
- ❑ what are the impacts of low levels of business start ups?;
- ❑ the potential impacts of spending habits within the County – how multiplier effects of redundancies could affect the local private sector;
- ❑ the potential for investment and recovery from the recession that will allow ex-public sector workers to take up new employment opportunities;
- ❑ wider factors such as health and well-being.

The Council has reiterated that there will not be job cuts to the scale where there are only 200-500 staff, and that where they can they are going to be actively supporting employees to move into Suffolk based businesses and not for profit organisations which will be tasked with providing service delivery for the Council. Nevertheless it is still likely there will be many redundancies across the breadth of the organisation, as the language in *'New Strategic Direction'* hints at:

'A number of service areas are restructuring to reduce the headcount in response to specific grants being withdrawn and how we can do more or the same with less staff overhead... Further headcount reductions can be expected as the Council responds to the massive cuts in spending.'

'We are unlikely to be able to escape the fact that the Council will have to stop supporting some services in whole or in part... we propose to develop a list of services that can no longer be justified in the current climate.'

A recent statement from Suffolk County Council reinforced the messages from the *'New Strategic Direction'* document:

'In tandem with this plan to 'divest' services, we will be planning further efficiencies and some reductions to services in order to close the £40 million gap in next year's budget... if there is fat we will remove it.'<sup>48</sup>

Further, the updated progress report on New Strategic Direction released before the December Council meeting, highlights that there is an immediate need to cut/stop some services whilst reducing the running costs of the Council. It states that with regards to the need to make over £40m cuts in 2011/12 that:

'Given the pressing timescales it is not possible to deliver the fundamental reform set out in New Strategic Direction in the short term. This means there will have to be some cuts to front line services.'

### 5.1 Small local economy

Suffolk only has a limited share of regional and national employment and economic output relative to its size. Despite this there is no question that in the past the County has had any problems in job growth, but it is the scale of the challenge in the event of large cuts that could put severe pressure on the local economic base. Its small economy means there will be limited ability for the private sector to absorb large scale cuts from the County Council (and other parts of the public sector). The analysis shows that private sector growth was limited over the past decade to just 4.8%, despite the

<sup>48</sup> Suffolk County Council (November 2010) SCC New Strategic Direction Media Response

fact there was little crowding out from the public sector, which grew at just 19.8%, much lower than regional and national growth rates. It now has to contend with extra pressures such as lower demand and a cycle of lower economic growth over the next five to ten years, despite the recovery in the medium term. Recent business surveys illustrate a continuing but sluggish recovery from recession, with service sector growth being curtailed by cash flow issues, and overall investment intentions from local businesses being low, perhaps for a sustained period of time. Such trends illustrate the scale of issues facing the local economy which would be considerably enhanced if there is the shock of major public sector redundancies.

Added to this is that due to the lack of large firms in Suffolk, it will be the small and medium sized businesses (SMEs) that must fill the breach created by public sector job cuts. Suffolk business leaders have expressed concerns about the ability of the local private sector to create the new jobs necessary to keep unemployment down.<sup>49</sup> The proportion of Suffolk employees working within larger firms (50 employees and above) is 49.5%, lower than the regional (52.1%) and national (55.2%) levels. Notably, only 24.9% work within firms employing over 200 people – this compares unfavourably with the East (27.9%) and Great Britain (31.6%).<sup>50</sup>

Large firms have the capacity, more so than SMEs, to create large numbers of new jobs, both directly and indirectly. Large businesses tend to provide leadership in the business community and drive quality and innovation in their local supply chains. Spin-out companies are also more likely to emerge from large firms – these indirect impacts lead to a stronger economy and higher levels of job creation.

## 5.2 Potential for a jobless recovery

A key risk to the Government's forecasts of a private sector led recovery is that there is a strong possibility that the recovery from the economic slowdown may be a jobless one. Order books among the private sector may improve but with an emphasis upon improving productivity to make them less susceptible to future economic threats, and in dealing with increased prices through consistently high inflation levels – in many cases this means achieving more with less resource as firms look to bolster their cash flow in the short and medium term thus strengthen their position for the long term. In the future sustainable businesses will look more carefully to managing existing human capital to help build long term health.<sup>51</sup>

Further, the latest data has shown that ILO unemployment (both nationally and in Suffolk) has been rising (6.3% in Suffolk in March 2010 compared with 4.3% at the same time in 2009). This raises concerns that elements of the labour market are faltering even before the Government cuts set in, and suggests that businesses are likely to be constrained by tight budgets in the medium term, particularly due to lack of access to finance. Therefore ex-public sector employees will find conditions increasingly difficult within such a harsh labour market.

## 5.3 Potential impacts of cuts upon both the public and private sectors

Any cuts in the public sector will have a knock-on effect in the private sector. Multiplier effects have been estimated at 1.3 to 1.5, meaning that every public sector job generates between 0.3 and 0.5 of a job in the wider economy.<sup>52</sup> This can be used in reverse when there are expected job cuts. Therefore we have produced a range of ballpark scenarios below using a middle ground multiplier of 0.4:

- ❑ 1,000 job cuts: 1,400 jobs affected across both public and private sectors;
- ❑ 2,000 job cuts: 2,800;
- ❑ 4,000 job cuts: over 5,500+;
- ❑ 8,000 job cuts: 11,000+;
- ❑ 10,000 job cuts: 14,000.

These figures are hypothetical only but do serve to illustrate the direct and induced impacts of public sector cuts upon the private sector and its workforce in addition to jobs lost within the public sector.

<sup>49</sup> Gotelee Solicitors (2010) [http://www.gotelee.co.uk/about\\_us/news/suffolk\\_business\\_dialogue](http://www.gotelee.co.uk/about_us/news/suffolk_business_dialogue)

<sup>50</sup> ONS, Annual Business Inquiry (2008)

<sup>51</sup> Institute of Chartered Accountants in England and Wales (2010)

<sup>52</sup> Insight East (2010) Public Insight: Public expenditure and employment in the East of England

## 5.4 Vulnerability of the local service sector

Any large scale cuts in local public employment will have induced impacts for the local private sector, in particular for the important wholesale and retail sectors in addition to the hotels/restaurants sector and leisure activities which together constitute around a quarter of total employment (25.5%, or 73,000 jobs). The wholesale and retail sectors on their own constitute around £5.4 billion in turnover, 42.6% of the total for Suffolk. These sectors and those which are related to them are already set to struggle as a result of the economic slowdown. Further dampened demand through major cuts will make businesses and jobs in these sectors particularly vulnerable.

## 5.5 Lower value economy further will limit ability of private sector to absorb cuts

The analysis shows that the Suffolk economy is characterised by lower productivity and lower value added jobs. In an era of ever increasing competitiveness, significant sustainable job creation is likely to be more limited than in areas with higher value added activities – particularly over the next economic cycle where economic growth is more likely to be restricted to around 2% per annum compared to the 3% in the decade or so before the recession began. Having a high propensity of higher value industries within a locality is more likely to create jobs and attract higher levels of investment.<sup>53</sup>

A further consideration is that despite the jobs growth, expected to be around 23,000 up to 2018, this must accommodate the increase in the resident working age population, set to grow by around 22,000. Although there are significant levels of commuting from Suffolk and not all of the working age population will be in employment, the actual organic growth in the economy may be limited, and labour market pressures would be intensified if there are future shocks of significant local public sector cuts.

## 5.6 Impact on unemployment and benefit claimants

The short and medium term impacts of job cuts would be that many more people are claiming Job Seekers Allowance, pushing local rates up further towards the national average, acting as another shock to employment following the recession (indeed severe public sector cuts could produce a localised Suffolk employment based recession). This will mean higher public spend in the short run due to the number of claimants. The employment rate could be suppressed to an extent that it will then take longer for Suffolk's recovery in employment to get back to pre-recession levels.

This will also have indirect impacts upon the workless population who are currently claiming inactive benefits (e.g. the 4.9% of the working population on Incapacity Benefit). They face the prospect of being further marginalised as the emphasis from policy makers and employment providers, who only have scarce resource, is on 'quick wins' in getting people who have recently become unemployed back into the labour market. This would serve to reinforce levels of deprivation. Finally, there is the impact upon organisations such as Jobcentre Plus, who may not have the capacity to deal with larger volumes of claimants, particularly if the cuts are particularly severe.

## 5.7 Lack of skilled labour pool will limit investment and new jobs

Academic literature implies that to attract business investment into a locality there needs to be a considerable pool of skilled labour.<sup>54</sup> An important impact of the low skill levels is that it will result in smaller levels of business investment within Suffolk (both external but also indigenous businesses reinvesting) which would otherwise allow more jobs to be created and the private sector to absorb public job losses over the next four to five years.

## 5.8 Several small, self contained economies suffer from poor linkages

Suffolk is generally made up (with the exception of key nodes such as Ipswich) of a number of small, often self contained economies, at the centre of which are market towns such as Newmarket, Bury St Edmunds and Mildenhall. Such economies are not conducive to absorbing large numbers of job cuts from the public sector. To develop and come to a position where significant job creation could be maintained, there would need to be much better linkages (both strategically and in terms of infrastructure) between these distinct places.

<sup>53</sup> The Work Foundation (2009): Knowledge Economy and Enterprise – A Knowledge Economy Working Paper

<sup>54</sup> Manchester Independent Economic Review (2009) Growing Inward and Indigenous Investment

## 5.9 New business start ups unlikely to offset any major cuts

The low levels of business births and deaths suggests an environment with a dampened sense of entrepreneurialism, suggesting it is unlikely there will be many new businesses which will be creating fresh job opportunities – as highlighted earlier in the paper, business start ups are a key factor in job creation. This could be due to a number of factors, one particular being that the district is made up of many disparate places which aren't well connected to key conurbations, with an environment that is not generally conducive to high start up rates.

From previous CLES resilience model consultation work in Suffolk, many of the new business start ups are lifestyle/personal services based, which do not provide the foundations for high job creation and are more likely to fold. Further, work from the Suffolk Small Business Project<sup>55</sup> indicates that business owners place their standard of living above the commercial opportunities from running their own business.

The ability of people to start a business is also a key consideration – this is equally applicable for new social enterprises. This will be affected by such individual characteristics as their skills, knowledge and experience; however it will also be affected by the levels and quality of finance, business support and premises (e.g. managed workspace is something that is lacking in parts of Suffolk). Markedly increasing entrepreneurialism would mean that sufficient and bespoke support from the public sector is a necessity. *'New Strategic Direction'* states that:

'A strategic council will want to make it possible for service providers to enter the market at low risk and low cost, in order to encourage entrepreneurialism.'

Such support will help a number of organisations in the market place, but economic research evidences that this type of environment will not help entrepreneurs in the long run and is not conducive to high levels of enterprise. It is a competitive market place which breeds innovation and increases productivity, ultimately enhancing economic performance. Entrepreneurs are generally creative risk takers – being in an environment of low risk which is effectively managed by the public sector will not drive up entrepreneurialism.

A further consideration is that people who have been in the public sector for a long period of time are likely to have the entrepreneurial fabric within them? It is therefore unlikely that significant numbers of new business start ups from those who have recently been made redundant will help the local economy absorb major public sector job cuts.

## 5.10 Lack of viable local opportunities for many coming out of the public sector

Many people within the public sector have higher qualification levels than those in the private sector<sup>56</sup> (although this is a broad generalisation). With the lower value jobs predominating within Suffolk will there be appropriate opportunities for many of the people emerging from the public sector?

## 5.11 Poor connectivity not conducive to job creation and restricts opportunities

Suffolk is a large county which is poorly connected in terms of transport – this will have implications for former public sector workers in accessing jobs and being connected to areas of opportunity. Already limited job opportunities in a more difficult economic era, and in an area which is not conducive to effectively 'wiring' people up to employment nodes, makes it particularly difficult for many of those public sector workers facing redundancy, although the recent announcement in the CSR for improvements to the A11 are welcome.

The poor connectivity of the County could also have a wider impact if the current problems continue; it will become increasingly likely that over the coming years firms will look to relocate their activities to places with better connectivity; this being coupled with the issue of putting off other potential investors, the growth in private sector jobs could be restrained, further limiting factors for an area suffering an economic shock of public sector redundancies.

<sup>55</sup> The Greenways Partnership (2007) The Suffolk Small Business Project <http://www.greenways-partnership.com/sbp.htm>

<sup>56</sup> Insight East (2010) *ibid*

There are also the issues of a lack of sufficient digital infrastructure and a suitable commercial property offer. Many business investment decisions are now based upon such factors, particularly with regards to digital infrastructure. This would be another limiting factor on investment and job growth. Lack of high quality business space is also a major drawback as is the lack of managed workspace, important for encouraging business start ups and further jobs growth.

### 5.12 Potential for disproportionate impacts upon places with already acute deprivation problems

Any deep cuts could have disproportionate impacts in the main urban areas such as Ipswich, which have instances of acute deprivation, particularly around employment. Ipswich is also the headquarters for the County Council, and redundancies for local people working there may add to entrenched local social problems. The data analysis also shows that Waveney has significant pockets of deprivation which could also be exacerbated by job cuts.

### 5.13 Lack of capacity

In short the data suggests a lack of capacity within the private sector to cater for major cuts in the public sector workforce. The short term implications are higher levels of benefit claimants as more people are competing for a smaller number of jobs in a slack labour market. In the longer term the lack of opportunities due to a shrunken public sector workforce and difficult economic conditions may result in further levels of outmigration to areas of opportunity such as Cambridge and London.

There is also the possibility of further commuting out towards places such as Cambridge which will mean increasing levels of congestion, straining an already stretched local transport system (e.g. the problems around the A11, A12 and A14). The impact through such trends upon the environment through higher car usage is also a concern.

### 5.14 The impact of redundancy on individuals

There are a host of implications, outlined below, that public sector cuts could have on those individuals who are find themselves redundant, beyond the impacts upon the local economy.

#### *Increase in home re-possession by lenders*

Being made redundant suddenly can often lead to individuals getting into debt, particularly if they do not have any savings to draw on. Increased personal debt and diminishing savings can result in individuals being unable to afford mortgage payments. Statistics from the Financial Services Authority<sup>57</sup> show that the number of possessions<sup>58</sup> has grown significantly since the third quarter of 2007, but the sharply rising trend noted up to the beginning of this year appears to have moderated. Lenders seized 9,978 properties between April and June 2010, a fall of 5% when compared to the January to March period. The number of mortgages in arrears has also dropped from around 8% compared to the previous quarter. However it is important to note that experts argue that many lenders have been saved from repossession, due to historically low interest rates, which have driven monthly payments down. Thus the number of repossessions may increase markedly when interest rates finally begin to rise.

#### *The impact on individuals' future labour market experience*

Being made redundant can have a significant impact on individuals' future experiences in the labour market. However, this impact is likely to be influenced by the individual's circumstances, such as their skills set, work experience and health. As such, it is likely that being made redundant affects individuals' future labour market experiences differently.

It may also be the case that the emotional strain of being made redundant and the potential impact on physical and mental health may result in individuals withdrawing from the labour market entirely, particularly if they are close to retirement age.

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<sup>57</sup> FSA Statistics on mortgage lending, September 2010: <http://www.homemove.co.uk/news/14-09-2010/fsa-reports-fall-in-home-repossessions.html>

<sup>58</sup> A 'possession' here refers to an arrears case where the lender, having formally been granted a Possession Order by a Court, is then able to sell the underlying property (against which the loan is secured) and use the proceeds to reduce or pay-off the mortgage debt.



A particular implication for local public sector workers may be a number of barriers to employment in the private sector. Some of these are outlined below:<sup>59</sup>

- ❑ almost two thirds of the public sector workforce is female compared with only two from five in the private sector. Although not officially acknowledged gender discrimination can be an issue and could affect the potential to find new employment;
- ❑ the public sector workforce is older: 6% are under 25 compared with 16% in the private sector. 30% are aged over 50 compared to 26% in the private sector. Age discrimination towards former public sector workers particularly to those aged 50 and above, may also be an issue;
- ❑ part time employment in the public sector accounts for three in ten workers, compared with a quarter in the private sector – this will restrict certain job opportunities for ex-public sector workers, often women;
- ❑ 40% of public sector workers have been in their job for over five years compared to just 28% in the private sector. Many public sector workers may therefore find it difficult to adapt to a different working culture.

These barriers may mean that many of the people facing redundancy will be at a particular disadvantage due to one or multiple barriers, also meaning the monetary costs remain high from those claiming benefits.

### **The impact of job insecurity and redundancy on health**

Being made redundant, or the threat of being made redundant, can have a significant impact on individuals' health and well-being. Job insecurity and the threat of redundancy can have marked effects upon individuals, such as adverse effects on self reported physical and psychological morbidity, high rates of sickness absence, increased health service use, and other impacts.

Individuals' mental health can also be severely affected by being made redundant, including the effects of depression, feelings of negativity and even betrayal.<sup>60</sup> Such effects are bound to have impacts on the future labour market experiences of individuals, meaning increases in benefit levels such as incapacity benefit. If people become disillusioned and depressed, they are likely to lack the motivation to look for new jobs and because of their poor mental health and emotional state they may be deemed less employable.

### **The emotional impact of redundancy**

Being made redundant can be as much of an emotional blow as a financial one. Losing a job can therefore have a significant impact on an individual's self-esteem and sense of worth. Those who are made redundant may feel a sense of failure and may lose confidence in their own capabilities, making it more challenging to move on into another job.<sup>61</sup>

Whilst the emotional well-being of the individual that has been made redundant is commonly the focus when considering the impact of redundancy, research has also been carried out into the impact of redundancy for those people who 'survive' job cuts. Many of these individuals can in future suffer from lower productivity, lack of trust and commitment to the organisation, and carry negative attitudes about their work and employer.<sup>62</sup> These employees are also prone to become anxious about whether they will be made redundant in the future, and this 'fear' can affect the local economy in a similar fashion as to those who have become unemployed, through further tightening household budgets.

<sup>59</sup> Insight East (2010) *ibid*

<sup>60</sup> De Vries, M. K. & Balazs, K. (1996) 'The Human Side of Downsizing', *European Management Journal*, Vol.14, No.2, pp.111-120

<sup>61</sup> De Vries, M. K. & Balazs, K. (1996) *ibid*

<sup>62</sup> Wolfe, H. (2004) *Survivor Syndrome: Key Considerations and Practical Steps* (Institute for Employment Studies: Brighton) accessed at: <http://www.employment-studies.co.uk/pdflibrary/mp28.pdf>



## 6 CONCLUSIONS

### 6.1 Divestment of Suffolk's services

The paper has highlighted that there are a number of considerations and potential pitfalls that must be considered by the Council before making any final decisions on its strategic direction. These include practical issues and key risks including: the extent of the involvement of external organisations; the need for the Council to be in the long term actively involved in the development of Big Society; the potential of widening inequalities across the county where some localities are more engaged than others in building community capacity, and services being provided where people can afford them.

Perhaps the most important consideration to take forward is that Suffolk County Council must continue to accept responsibility for local public services, even if these are reduced in some way, rather than 'passing' responsibility to the community (whether this is local businesses, social enterprises or community groups). Accountability, transparency and the link to successful local democracy have to be a fundamental part of the Council's thinking going forward.

This is not to say that all elements of the Council's current thinking around '*New Strategic Direction*' should immediately be discontinued. Increasing community capacity; working closely with those in the community and voluntary sector to increase social sector activity; helping to create the conditions conducive for a vibrant local business community; all these facets are important in creating stronger local places and economies. With a method which combines both top down and bottom up approaches and increases joined up working between the public, private and social sectors, Suffolk can prosper. This means maintaining appropriate capacity within public sector led service delivery, and working closely with partners across different sectors to create synergy and ultimately increase added value to public services.

This approach, similar to the 'co-production' idea cited by the National Endowment for Science, Technology and the Arts (NESTA)<sup>63</sup>, involves the public sector and communities working together in a reciprocal relationship to get things done. Importantly this does not mean the end to local services delivered by the public sector – quite the opposite, as the public sector will have a crucial role to play in directly providing services to people, whilst also engaging people directly to aid local participation in shaping services.

### 6.2 Potential impacts of cuts on the local economy and labour market

This report has highlighted that if Suffolk County Council was to embark on a strategy of major job cuts, there are likely to be many important implications in terms of the impacts upon individuals, the labour market, and local economy. The severity of redundancy impacts is likely to be influenced by the state of the local labour market, the number of people that have been made redundant, and the wider economic climate.

If the proposed structural changes are passed through and Suffolk County Council becomes a slimmed down strategic body, this will mean that, combined with the wider factors of a small lower wage economy with a limited private sector, and constrained business conditions due to the prevailing economic environment, the 'shock' that Suffolk experiences will be considerable. Importantly, the lack of a key countywide public sector presence will be likely to have particular impacts upon the resilience of the locality to counteract just the type of shocks as the one that Suffolk may experience. It should be remembered that the public sector within Suffolk is small anyway, with public investment in the East of England being the second lowest per head than any other region bar the South East (just £7,001)<sup>64</sup> – the local public sector is relatively small and is not crowding out other activity, therefore this should be a primary consideration in the race to downsize local government.

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<sup>63</sup> NESTA (2010) The challenge of co-production [http://www.nesta.org.uk/publications/reports/assets/features/the\\_challenge\\_of\\_co-production](http://www.nesta.org.uk/publications/reports/assets/features/the_challenge_of_co-production)

<sup>64</sup> Insight East (2010) *ibid*

The recent White Paper on Local Growth<sup>65</sup> specifically states that policy should recognise that situations are different for each place when it comes to reductions in public sector spending; particularly effected by factors such as the inherent skills mix or entrepreneurial tradition of the population; business confidence, quality of infrastructure provision and proximity to trading markets. It is clear therefore that pushing ahead without accounting for the current conditions and the nature of the economy and labour market, would lead to poor economic steerage.

### 6.3 Meeting Suffolk's needs

A key consideration around the proposed restructuring of the Council should be to tie these in explicitly with meeting Suffolk's objectives, as outlined in the 'Suffolk Story' and earlier in this paper. These are:

- a strong and dynamic jobs market;
- transforming learning and skills in Suffolk;
- protect vulnerable people and reduce inequalities;
- be the greenest county;
- deliver great services at exceptional value.

To deliver many of these objectives, it is likely that the Council will require significant resource and ensure that there are sufficient people in 'on the ground' positions who can work with other elements of the public sector, the local business base, and the social sector (e.g. there are a number of actions associated with the first deliverable in creating a strong and dynamic jobs market, such as supporting new business development, social enterprises, support for existing businesses). Key deliverables around becoming the 'greenest county' include intensive low carbon support for businesses, and for local community initiatives. Questions need to be considered as to whether a much downsized Council can achieve these, and it is important to note that not all can be achieved through using external organisations. The public sector plays a crucial facilitating role in the delivery of economic, social and environmental objectives, and without a strong presence in the local economy these priorities are unlikely to be met.

Protecting vulnerable people, another priority, is one of the biggest challenges facing Suffolk, in particular the growing elderly population and associated challenges such as the rise in dementia over the coming years. The proposals by the Council to make such fundamental changes to the local care system comes at a time when provision, if anything, need to be increased. It is difficult to envisage delivery of this objective when such cuts are affecting society's most vulnerable people. Similarly, in places where there is acute deprivation, there is a need for the public sector to be actively involved in providing services to people, and in working side by side with the social sector to improve the lives of individuals. Without the appropriate *practical* (not *strategic*) support and continuity in relationships from within the public sector the social sector cannot be developed sufficiently to provide the services that the Council would like. Finally there are also specific issues that the many rural communities across Suffolk face, and this requires a bespoke approach from the Council to ensure that such challenges are addressed appropriately. This requires sufficient resource to help these communities.

In order to deliver services at exceptional value, the Council plans to drive down costs, and achieve value for money in everything it does. This suggests an approach of a process driven culture where contracts are delivered according to specific outputs and outcomes. This report has outlined the tensions in value sets in such an approach for the social sector in particular, and the time and effort it will require for the sector to get up to speed with a delivery based environment and reduced funding. Certainly in the short term at least it would appear that private sector organisations which already have the economies of scale may be best placed to take on certain contracts in the absence of a strong and up to speed social sector in some places. This absence of public and social sector presence would raise further questions as to the ability of local communities to take control of their service delivery, as the Council wishes. The Council, of course, plans to encourage capacity building of the social sector and help in the establishment of new social enterprises, but it should consider that often public sector interventions do not have the effect that was originally anticipated, and may not always lead to the desired improvements - this could lead to gaps in provision which private sector organisations could take advantage of.

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<sup>65</sup>Department for Business, Innovation and Skills (2010) Local growth: realising every place's potential <http://www.bis.gov.uk/news/topstories/2010/Oct/local-growth>

Clearly if the Council is to meet its deliverables around its key strategic priorities, then policy practitioners must account for impacts that cuts in public service provision will have. To achieve higher levels of social capital, strengthen communities, increase its levels of partnership working and collaborative activities, then scaling back the public sector presence to such an extent as is planned may in the long term have counter-productive effects meaning that it becomes more difficult than ever to serve the needs of Suffolk's population.

#### 6.4 Wider public value

Finally there is the notion of public value which should be accounted for before embarking on such a large scale programme of change - a broader view that embraces a number of wider social, political and environmental factors including: social and cultural value - by contributing to social cohesion, social relationships, and cultural identity, individual and community health and well-being; political value - by stimulating and supporting democratic dialogue and active public participation and citizen engagement; and environmental value from stewardship of local land resource, leadership in the sustainable use of resources (energy, waste and recycling etc).

There are many local economic benefits created by our public services, not just in terms of the good work around the UK stimulating local procurement, employment opportunities and so forth but looking at the 'un-priced' benefits to society and the environment. Any negation of these benefits is hugely important when considering scaling back local government.