NLGN
LEADERSHIP INDEX

JANUARY 2019

NLGN Leadership Index is a quarterly survey of chief executives, leaders and council mayors from local authorities across the UK. It asks their level of confidence in key service areas as well as wider indicators of community wellbeing.

NLGN Leadership Index January 2019 reveals signs that community cohesion[1] is at risk amidst Brexit. Councils are spending almost half as much as they would like on prevention as a proportion of councils' overall expenditure. We also reveal trends in councils' level of confidence in areas including the local economy and the delivery of key services over the last year.

HEADLINE FINDINGS

- **BREXIT IS TESTING COMMUNITY COHESION.** Over half (52.8 per cent) of councils believe Brexit is having a negative impact on community cohesion in their area. Only 1.6 per cent of councils believe it is having a positive impact, while 45.6 per cent think the impact is neither positive nor negative.
- **THERE IS DIMINISHING CONFIDENCE IN THE OPTIMISM AND OPPORTUNITIES FOR LOCAL BUSINESSES.** This overall decline has been particularly marked in the level of optimism in the business environment, with a 10 per cent decline from 66.6 on a scale of 0 to 100 in March 2018 to 60.1 in January 2019.
- **COUNCILS WOULD LIKE TO NEARLY DOUBLE THEIR CURRENT SPEND ON PREVENTION.** Councils want to increase the proportion of spend on prevention from 27.8 per cent to nearly half of councils' budget (47.4 per cent).
- **SINCE THE LAST QUARTER, THERE HAS BEEN AN UPLIFT IN COUNCILS' CONFIDENCE IN THEIR POWERS AND RESOURCES TO DELIVER KEY SERVICES INCLUDING ADULT SOCIAL CARE AND HOUSING SERVICES.** This may be linked to Government commitments to increase resources for these services, including a small funding boost for adult social care and the removal of the HRA borrowing cap in the Autumn Budget 2018.

1 A cohesive community is one where: there is common vision and a sense of belonging for all communities; the diversity of people's different backgrounds and circumstances are appreciated and positively valued; those from different backgrounds have similar life opportunities; and strong and positive relationships are being developed between people. For more detail, see: https://www.interfaith.org.uk/uploads/guidance_on_community_cohesion.pdf

ABOUT THE JANUARY 2019 LEADERSHIP INDEX

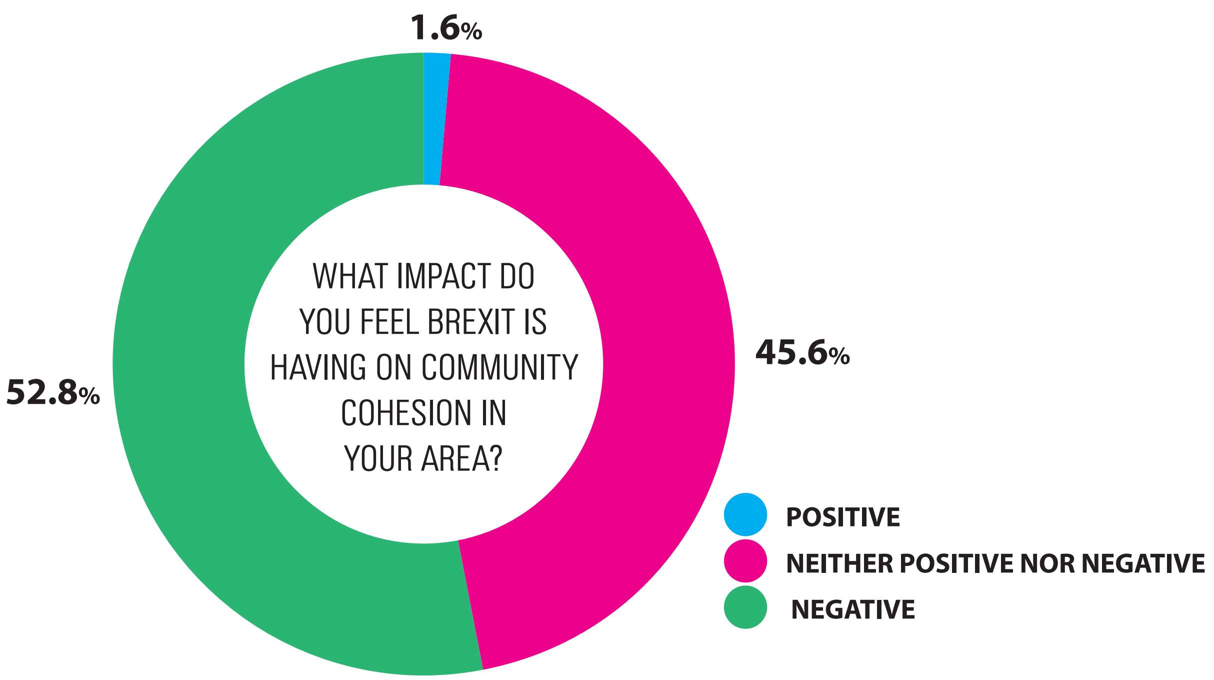
NLGN Leadership Index asks recurring questions on confidence levels across: key service areas; the local economy and living standards; and community cohesion and trust. The survey also features two topical questions, which aim to gain further insight into the impact of current events on local government. This report focuses on our findings in the following areas:

SECTION 1: The impact of Brexit on community cohesion
SECTION 2: Confidence trends in the local economy, service delivery and community wellbeing
SECTION 3: The cost of underinvestment in prevention

1. THE IMPACT OF BREXIT ON COMMUNITY COHESION

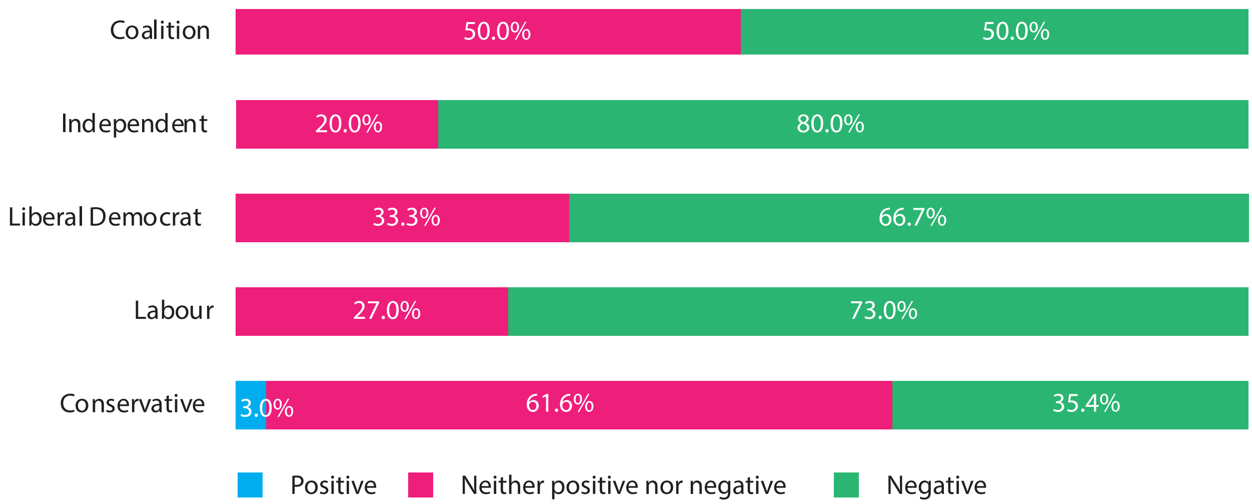
Brexit is testing community cohesion across the country. Over half (52.8 per cent) of councils believe it is having a negative impact on community cohesion in their area. Only 1.6 per cent feel Brexit is having a positive effect, while 45.6 per cent believe the impact is neither positive nor negative.

FIGURE1: THE IMPACT OF BREXIT ON COMMUNITY COHESION



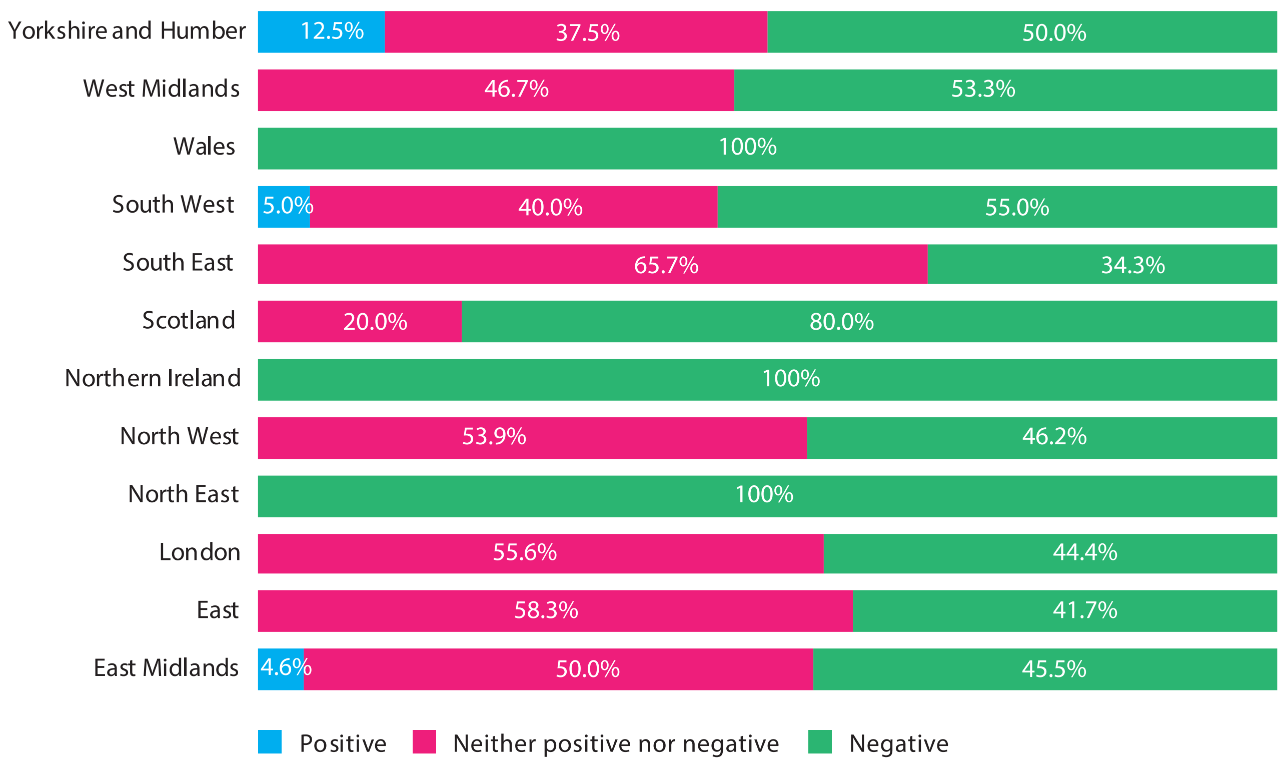
The responses revealed a party-political difference in perceptions of the impact of Brexit on community cohesion. Of those councils with a Conservative majority, 35.4 per cent of respondents reported a 'negative' or 'very negative' impact on community cohesion in their area, while 61.6 per cent thought the impact was neither positive nor negative. In councils with a Labour majority, 73 per cent perceived Brexit to be having a 'negative' or 'very negative' impact on community cohesion, in contrast to 27 per cent who thought the impact is neither positive nor negative.

FIGURE 2: WHAT IMPACT DO YOU FEEL BREXIT IS HAVING ON COMMUNITY COHESION IN YOUR AREA? (BY POLITICAL LEADERSHIP)



The regions that felt most negatively about the impact of Brexit on community cohesion were Northern Ireland, Wales, and the North East. The South East (excluding London) and East of England were the regions that were least negative about the impact.

FIGURE 3: WHAT IMPACT DO YOU FEEL BREXIT IS HAVING ON COMMUNITY COHESION IN YOUR AREA? (BY UK REGION)



Chief executives, leaders and council mayors were asked to provide support for their responses to this question. Common themes included:

HATE CRIME AND DIVISION IN THE COMMUNITY

Many respondents identified examples of hate crime and increasing levels of tension or division in the community. For example, a rise in extremist "far right, anti-immigration" views, "anti-Semitic graffiti", "verbal abuse against non-white Britons", and examples of rallies and demonstrations. One respondent said that Brexit "is deeply divisive, and its effects on community cohesion run deep and will take a long time to repair." Looking to the future, others expressed concern that there might be further exacerbations in hate crime given the "current ill defined and poorly led process", which could compound existing divisions.

COMMUNITY COHESION HAS REMAINED CONSTANT IN SOME AREAS

Concerns for community cohesion were not shared by all respondents. Some suggested that hate crime had remained constant in their area or had returned to pre-referendum levels after an initial spike in incidences. One respondent said they were "not aware of any incidents where there is a deterioration in community cohesion due to Brexit", a view shared by several others. Further comments suggested that residents did not share the preoccupation with Brexit that its current media profile might suggest: "there is not a lot of Brexit talk on the streets", "nobody talks about it", and "everyone is just getting on with it".

ADDITIONAL ISSUES LINKED TO BREXIT

Respondents raised issues beyond community cohesion as important in their area:

BUSINESS AND EMPLOYMENT: Many expressed concern for the impact Brexit uncertainty is having on businesses in their area, as well as workforce issues in sectors such as construction. For example, "local businesses are finding Europeans going back home already" and there is "lower investment in new technologies and business investment generally".

FRUSTRATION WITH CENTRAL GOVERNMENT: Several respondents referred to the issue of growing mistrust and a lack of respect for politicians. For example, one respondent said: "we had a high leave vote locally, but this feels more a response to being forgotten by Central Government and a London-centric view of the world than a comment on Europe and immigration…whilst Brexit may dominate politics and media, our residents are not interested."

THE IRISH BORDER: For our Northern Ireland respondents, understandably issues concerning the border and Good Friday Agreement dominated. Further concerns from Northern Ireland included the large number of small agricultural businesses that were vulnerable to major economic changes.

FEELINGS OF UNCERTAINTY WITHIN THE COMMUNITY: Other issues raised included European nationals who are worried about their long-term status in the UK. Fears were also expressed that the uncertainty surrounding Brexit may lead to, or have already led to, a rise in food banks, debt and health inequalities.

GROWING IMPATIENCE SURROUNDS BREXIT

Finally, echoing the sense of impatience reflected in the last NLGN Leadership Index release in October 2018, some responses suggested there was a growing sense of weariness around the issue. For example, “the community and residents just want to get on with Brexit”, “residents just want a clear resolution so they can make their own plans” and “nobody actually cares anymore, they just want it done.”

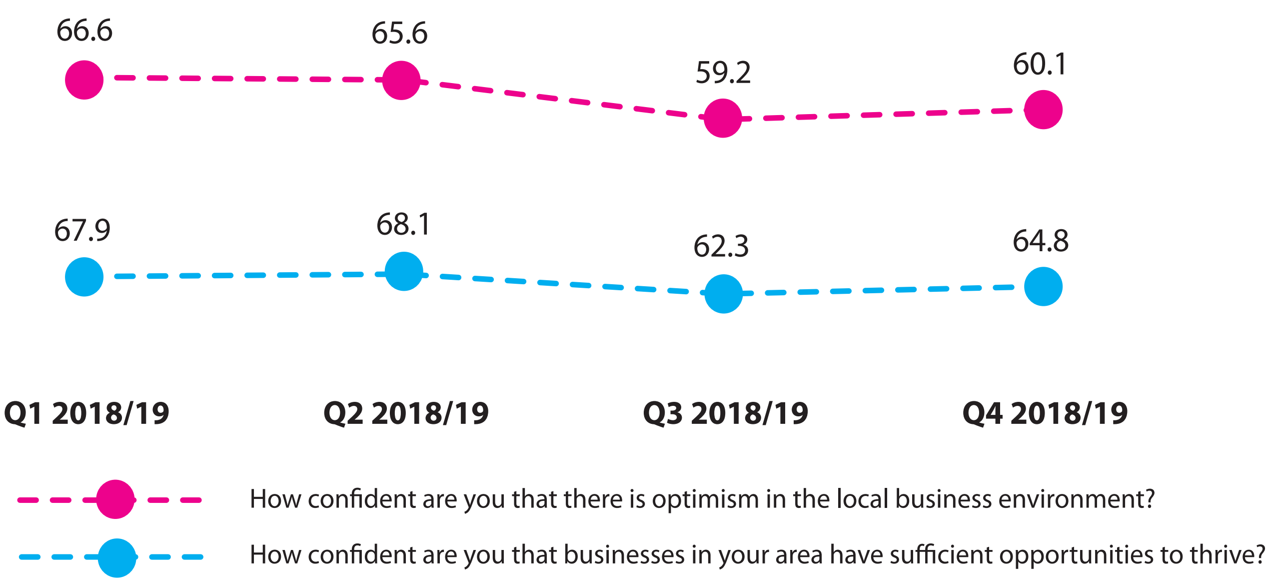
2. CONFIDENCE TRENDS IN THE LOCAL ECONOMY, SERVICE DELIVERY AND COMMUNITY WELLBEING

This is the fourth quarterly release of NLGN’s Leadership Index since its launch in March 2018. Each NLGN Leadership Index asks chief executives, leaders and council mayors twelve recurring questions about their confidence in the local economy and living standards, community cohesion and trust, and their confidence in having sufficient powers and resources to deliver key services. Key trends over the last year include:

THE LOCAL ECONOMY AND LIVING STANDARDS

There has been an overall decline in councils’ confidence that businesses in their area have sufficient opportunities to thrive, as well as the level of optimism in the local business environment. The overall decline has been particularly marked for optimism in the business environment with a decline of 10 per cent, from 66.6 on a scale of 0 to 100 in Q1 2018/19 to 60.1 in Q4 2018/19.

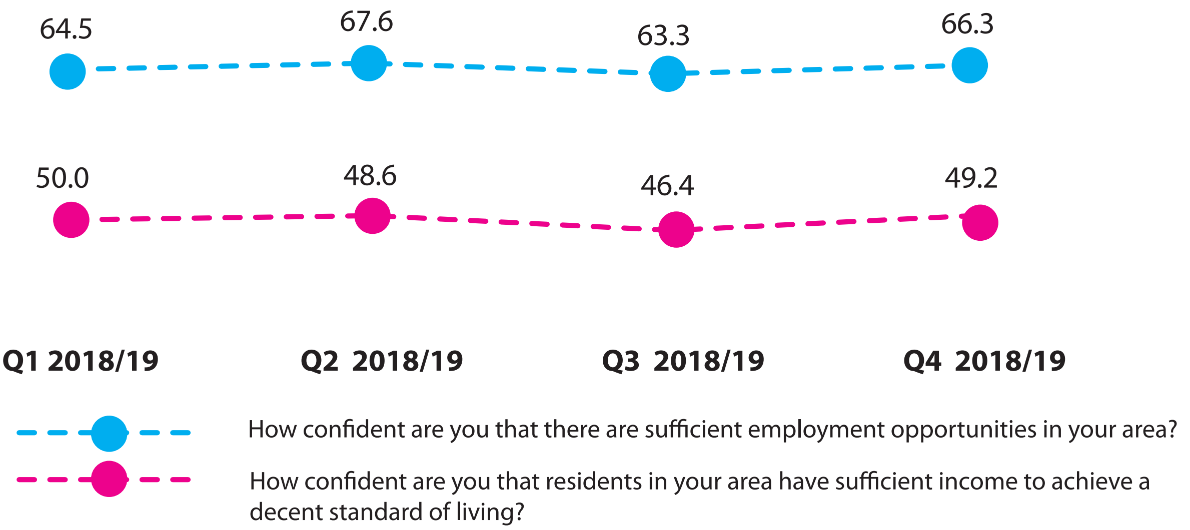
FIGURE 4: QUARTERLY CONFIDENCE LEVELS IN BUSINESS ENVIRONMENT AND BUSINESS OPPORTUNITIES



There has been a generally positive direction of travel for councils' confidence in employment opportunities in their area, with a rise from 64.5 to 66.3 on a scale of 0 to 100 from Q1 2018/19 to Q4 2018/19. This is supported by national employment trends – unemployment has fallen to a 43-year low.[2]

However, responses regarding residents' ability to have sufficient income to achieve a decent standard of living have consistently been low-scoring over the last year. In Q4 2018/19, the confidence level was 49.2 and scores of 50 and under have been constant over the last three quarters. The gap between confidence in employment opportunities and confidence in standards of living is perhaps indicative of issues surrounding people's ability to find secure and well-paid work, despite overall rising employment. Pay is stagnating[3] and four million UK workers are living in poverty, an increase of over half a million over five years.[4]

FIGURE 5: QUARTERLY CONFIDENCE LEVELS IN EMPLOYMENT OPPORTUNITIES AND STANDARD OF LIVING



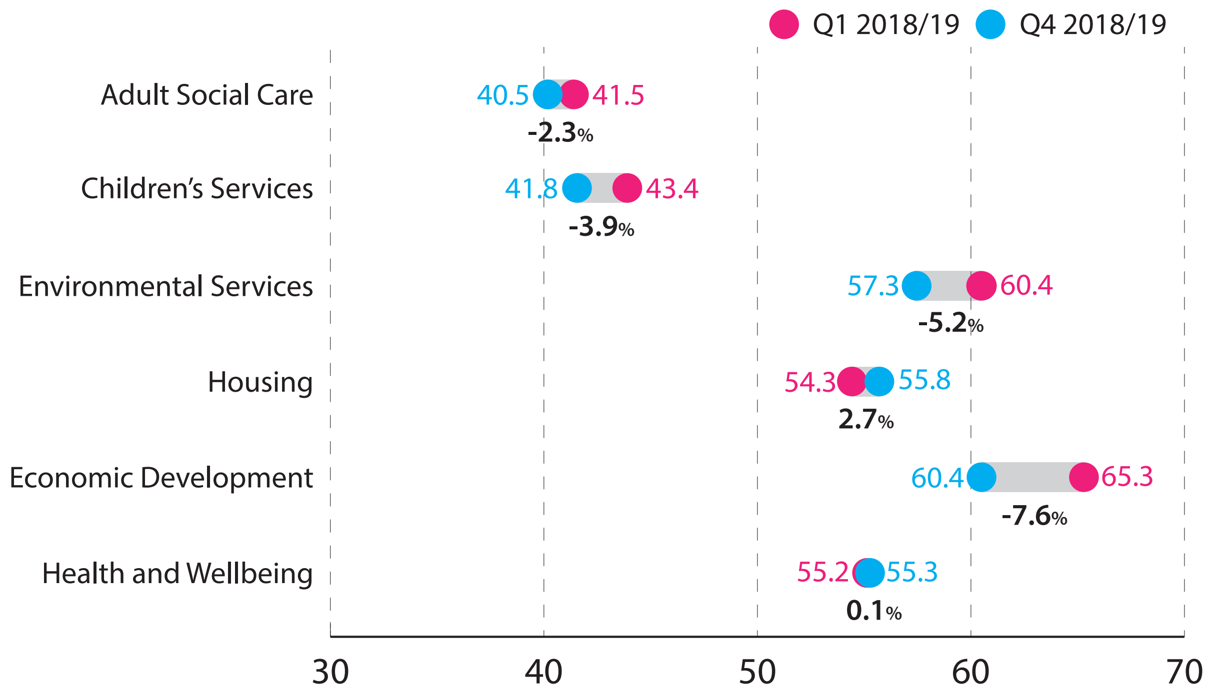
KEY SERVICE AREAS

Figure 6 illustrates the percentage change in councils' confidence in their powers and resources to deliver key services over the last year. There has been an increase in confidence of 2.7 per cent in housing services and a marginal increase of 0.1 per cent in health and wellbeing services. All other services have seen a decline in confidence over the last year, most notably in economic development (7.6 per cent).

2 See: https://www.resolutionfoundation.org/media/press-releases/unemployment-falls-to-a-forty-three-year-low-as-tight-labour-market-boosts-job-security-but-not-yet-pay/
3 See: https://www.resolutionfoundation.org/media/press-releases/unemployment-falls-to-a-forty-three-year-low-as-tight-labour-market-boosts-job-security-but-not-yet-pay/
4 See: https://www.jrf.org.uk/report/uk-poverty-2018

As each of the following sections shows, some services have seen a slight uplift in confidence level following recent developments in the Autumn Budget 2018.

FIGURE 6: CONFIDENCE LEVELS ACROSS KEY SERVICES FROM Q1 2018/19 TO Q4 2018/19

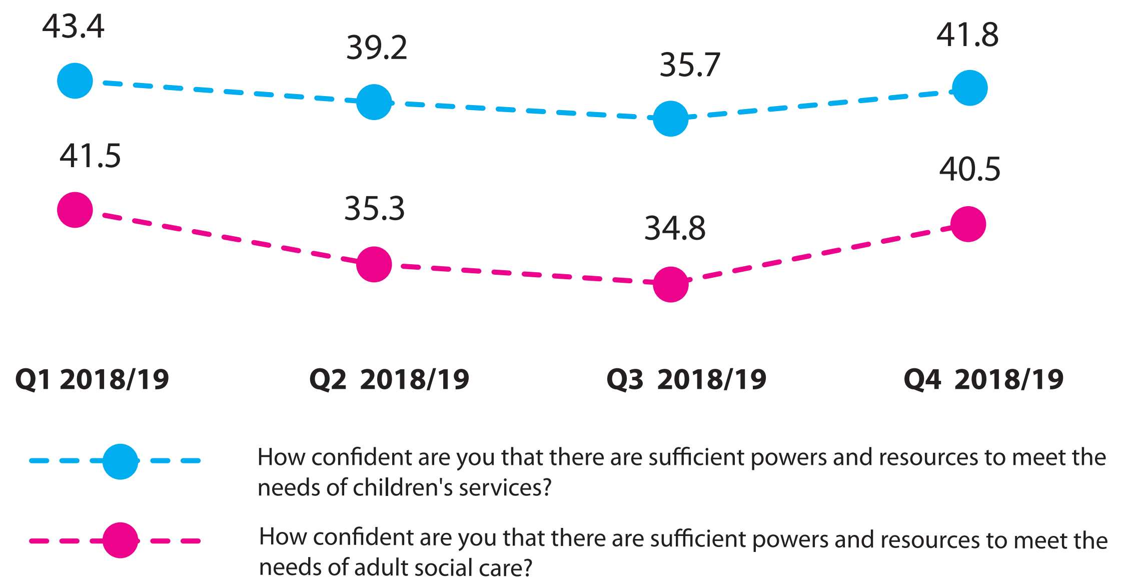


SOCIAL CARE

Councils' confidence in their powers and resources to meet the needs of children's services has declined from a score of 43.4 to 41.8 out of 100 between Q1 2018/19 and Q4 2018/19, with a score as low as 35.7 in Q3 2018/19. Confidence in the powers and resources to meet the needs of adult social care has maintained a similarly low score of only 40.5, having hit its lowest score of just 34.8 last quarter.

Confidence levels over the year have declined slightly overall, but showed a notable uplift since the last quarter. This could be due to the funding boost to adult social care announced in the Autumn Budget 2018. This would suggest that an immediate increase in confidence can result from a Government measure to boost the resourcing of key services.

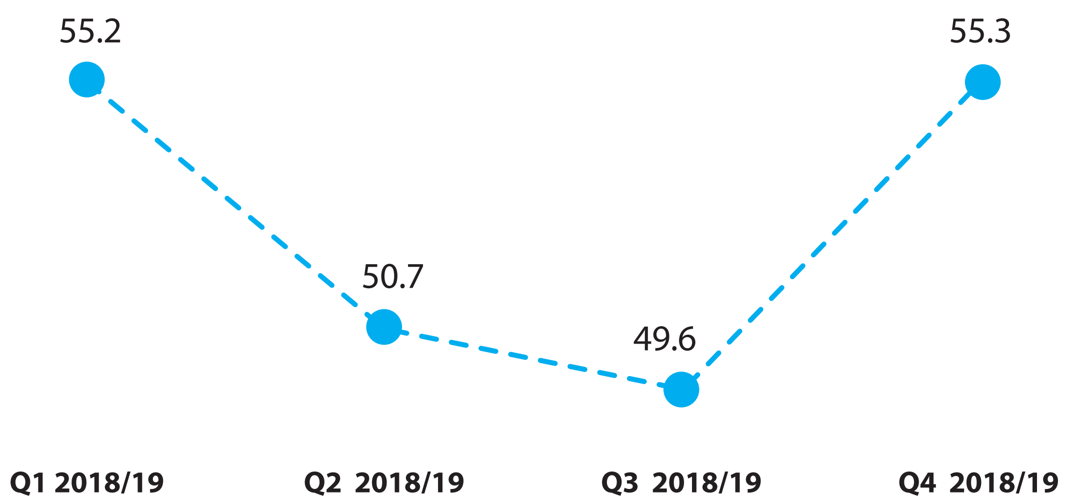
FIGURE 7: QUARTERLY CONFIDENCE LEVELS IN CHILDREN'S SERVICES AND ADULT SOCIAL CARE



HEALTH AND WELLBEING

Since Q3 2018/19, there has been an 11.5 per cent rise in councils' confidence in their powers and resources to meet the needs of health and wellbeing. Speculatively, this might in part reflect confidence following the release of the Government's prevention vision in November 2018.[5] Interestingly, we received responses to our survey before the recently announced £85 million cut to the public health grant.

FIGURE 8: HOW CONFIDENT ARE YOU THAT THERE ARE SUFFICIENT POWERS AND RESOURCES TO MEET HEALTH AND WELLBEING NEEDS?

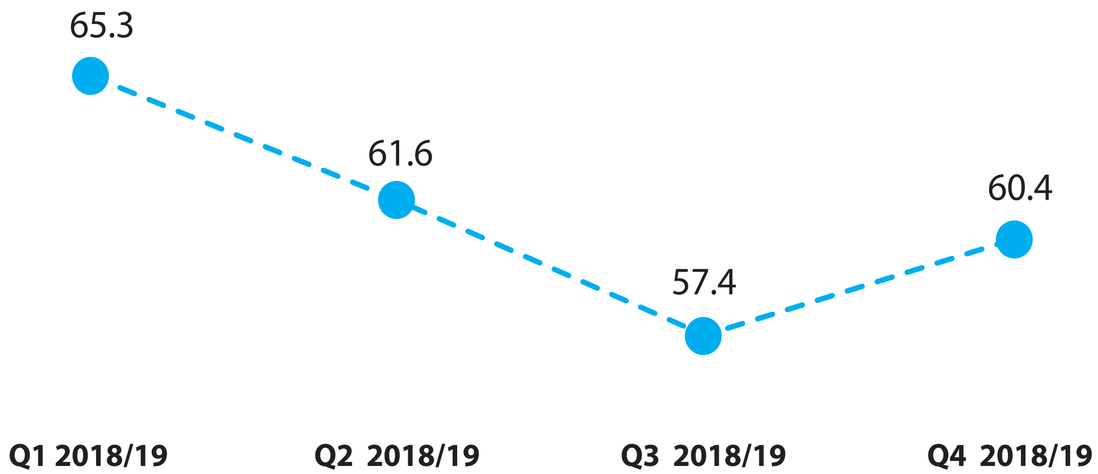


5 See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/753688/Prevention_is_better_than_cure_5-11.pdf

HOUSING, ENVIRONMENT AND ECONOMIC DEVELOPMENT

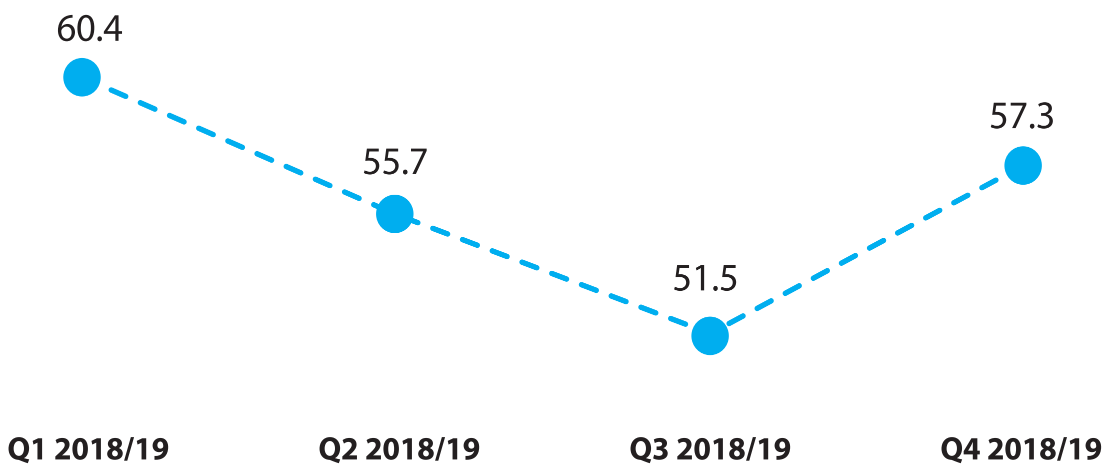
There has been an overall decline of 7.6 per cent in councils' confidence in their powers and resources to meet the needs of economic development over the last year, with a small uplift from Q3 2018/19 to Q4 2018/19.

FIGURE 9: HOW CONFIDENT ARE YOU THAT THERE ARE SUFFICIENT POWERS AND RESOURCES TO MEET ECONOMIC DEVELOPMENT NEEDS?



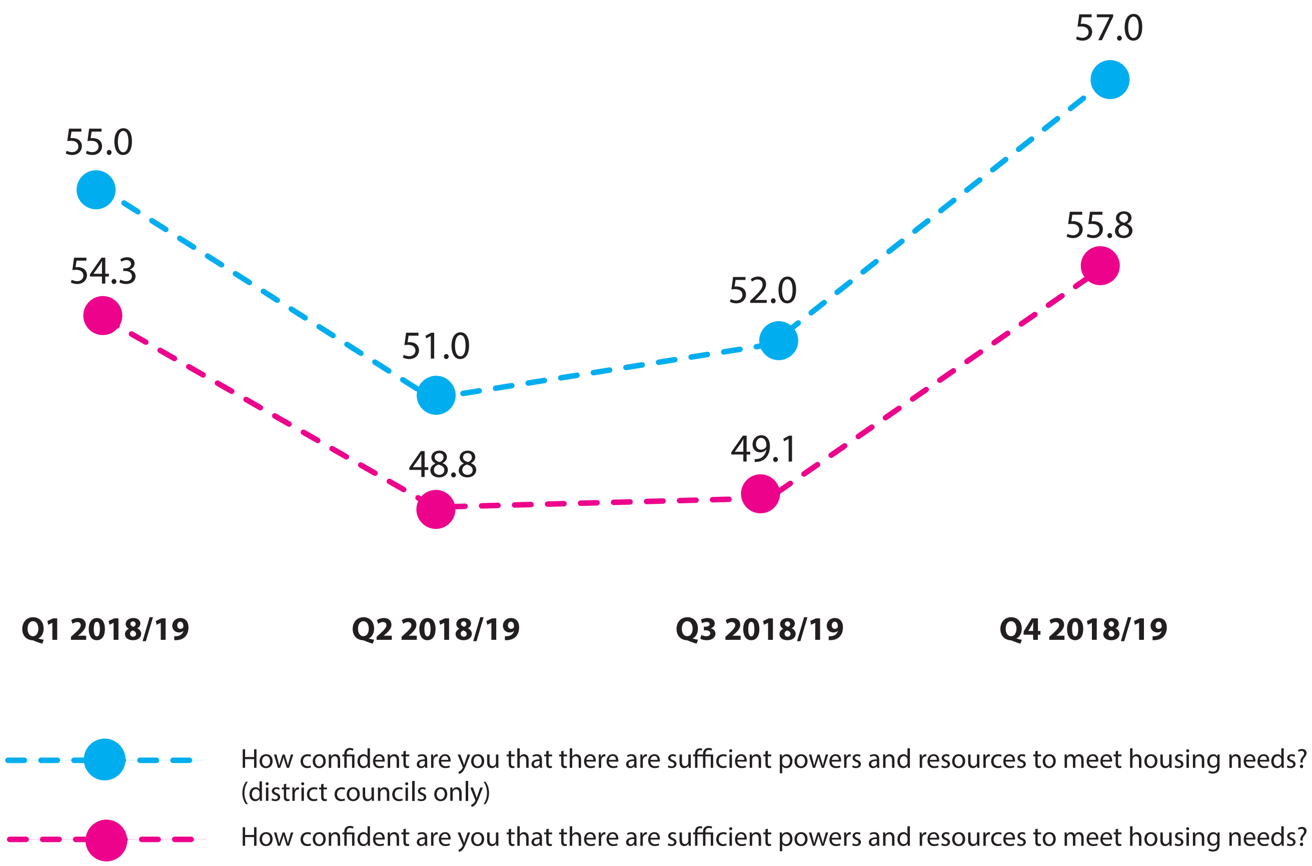
There has also been a small overall decline of 5.1 per cent in councils' confidence to meet the needs of environmental services from Q1 2018/19 to Q4 2018/19, but a significant uplift between Q3 2018/19 and Q4 2018/19.

FIGURE 10: HOW CONFIDENT ARE YOU THAT THERE ARE SUFFICIENT POWERS AND RESOURCES TO MEET ENVIRONMENTAL SERVICES NEEDS?



Finally, there has been an increase in councils' overall confidence in their powers and resources to meet the needs of housing, rising from a score of 48.8 on a scale of 0 to 100 in Q2 2018/19 to a score of 55.8 in Q4 2018/19. Interestingly, this rise in confidence comes after the HRA borrowing cap was lifted in the Autumn Budget 2018. In particular, district councils (where housing services are based) have indicated a higher confidence level of 57 when compared to only 52.7 among top-tier councils.

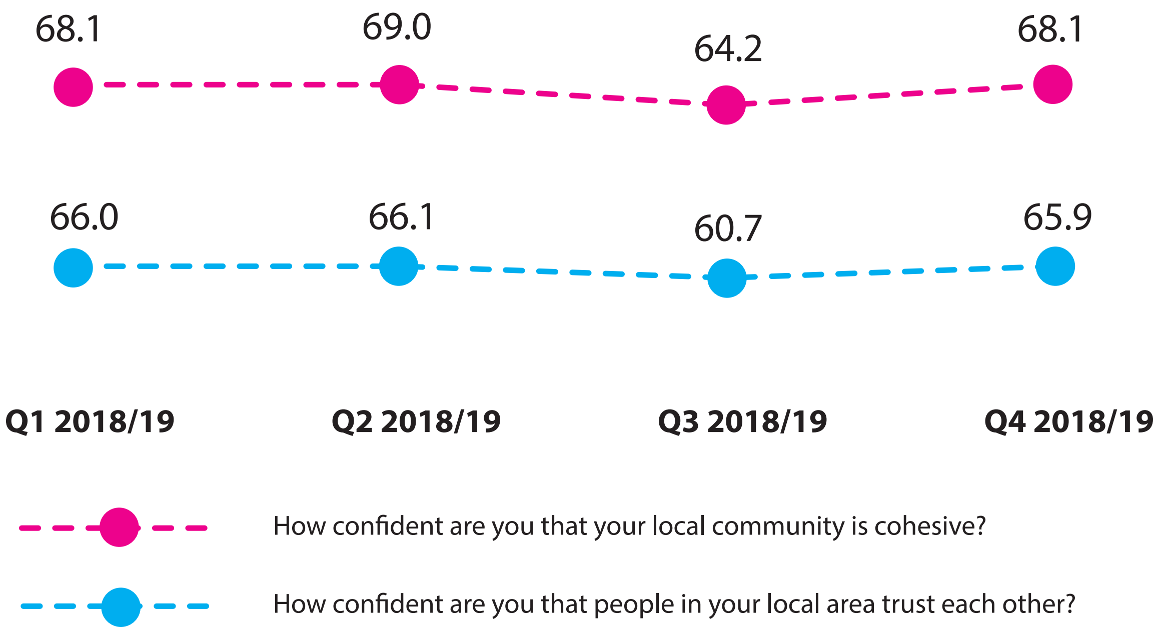
FIGURE 11: QUARTERLY CONFIDENCE LEVELS IN MEETING HOUSING NEEDS



COMMUNITY COHESION AND TRUST

The confidence of respondents in the level of community cohesion and trust in their area has remained relatively constant. This does however mask a decline of 6.8 per cent in scores for community cohesion and 8.2 per cent for trust from Q2 2018/19 to Q3 2018/19. As NLGN Leadership Index was launched after the EU referendum, it is not possible to establish any change in cohesion and trust from before and after the referendum.

FIGURE 12: QUARTERLY CONFIDENCE LEVELS IN LOCAL TRUST AND COMMUNITY COHESION

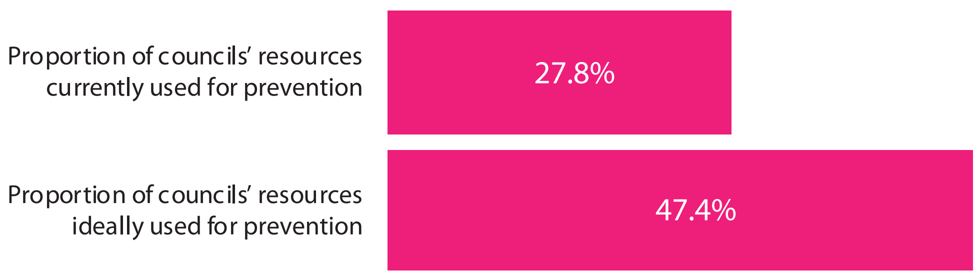


3. THE COST OF UNDERINVESTMENT IN PREVENTION

Respondents were asked two questions about the level of council resources spent on prevention: what is it currently and what would it be ideally? This comes amidst Government's renewed commitment to prevention in areas such as health,[6] despite long-standing funding gaps across local government in areas including public health and social care.

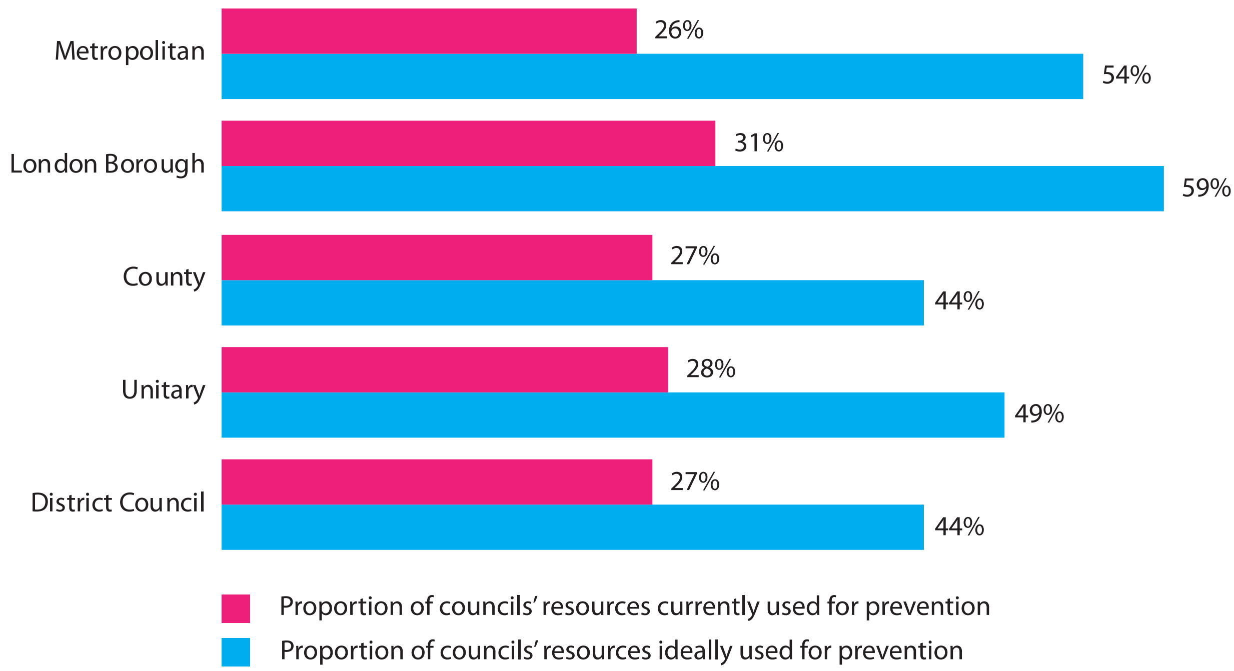
On average, councils would like to almost double their current spend on prevention, which would mean spending on prevention makes up nearly half of council budgets (47.4 per cent). A breakdown of responses by local authority type is shown in figure 14.

FIGURE 13: CURRENT AND IDEAL PROPORTION OF COUNCILS' RESOURCES USED FOR PREVENTION



6 See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/753688/Prevention_is_better_than_cure_5-11.pdf

FIGURE 14: PROPORTION OF COUNCILS' RESOURCES USED FOR PREVENTION (BY LOCAL AUTHORITY TYPE)



Respondents were asked about the impacts of underinvestment in prevention. Recurring themes included:

RISING DEMAND FOR COUNCIL SERVICES

Overwhelmingly, respondents referred to the effects of low levels of investment in prevention on rising demand, pressures on statutory services and unsustainable costs for the public sector in the long-term. For example, one respondent said: "the cost of reactive services is so much higher in the long run than proactive services". There was particular concern for acute services, especially those in health and social care. It was felt that these issues could be exacerbated in top-tier councils due to "a lack of co-ordinated effort between local authorities, clinical commissioning groups, sustainable transformation plans, the NHS and Public Health England." Other service areas that were specifically highlighted as needing to shift towards a more preventative approach included homelessness and debt services.

Some respondents did however point to positive examples of preventative approaches in their council or stated that they were now investing more in prevention. For example, one respondent said: "we started on a path of prevention early and are therefore already reaping the benefits of containing demand and have evidence to use on what works."

POOR OUTCOMES FOR PEOPLE AND COMMUNITIES

Outcomes for residents were understandably a key concern. Respondents referred to the negative outcomes that arise from an underinvestment in prevention, including: “wasted opportunity for people’s lives”, hardship, debt, homelessness and rising anti-social behaviour and crime. Other examples focused on community-level issues such as “health inequalities”, “broken communities” and “less community and family resilience [and] more reliance on statutory services.”

A CHALLENGING AND COMPLEX WIDER CONTEXT

Whilst not an *impact* of underinvestment in prevention, several respondents referred to aspects of the wider context that necessitated a greater focus on prevention. For example, ageing, changing population needs and “additional complexity [for services]”.

There were also comments on barriers that created problems for successful prevention. Some councils pointed to aspects of culture and collaboration in the public sector that held prevention efforts back. For example, “generally we are not joined up strategically across partners” and there is “a lack of coordinated effort”.

Finally, others reflected on the complexity of prevention itself, suggesting it was hard to express real and ideal spend in percentage terms; some work that councils fund reduces demand in other services but might not explicitly be referred to as prevention.

FIGURE 15: A WORD CLOUD REPRESENTATION:
WHAT ARE THE IMPACTS OF UNDERINVESTMENT IN PREVENTION?

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APPENDIX: ABOUT THE JANUARY 2019 SURVEY

The NLGN Leadership Index survey was sent to 789 leaders, chief executives and council mayors across the UK. It was open between 3rd December and 17th December 2018. This latest survey received a total of 161 complete responses, which translates to a 20.4 per cent response rate. Survey responses were received from all UK regions.

All overall average figures have been weighted by region based on the regional breakdown of respondents, unless otherwise stated.

FIGURE 16: BREAKDOWN OF RESPONDENTS BY LOCAL AUTHORITY TYPE

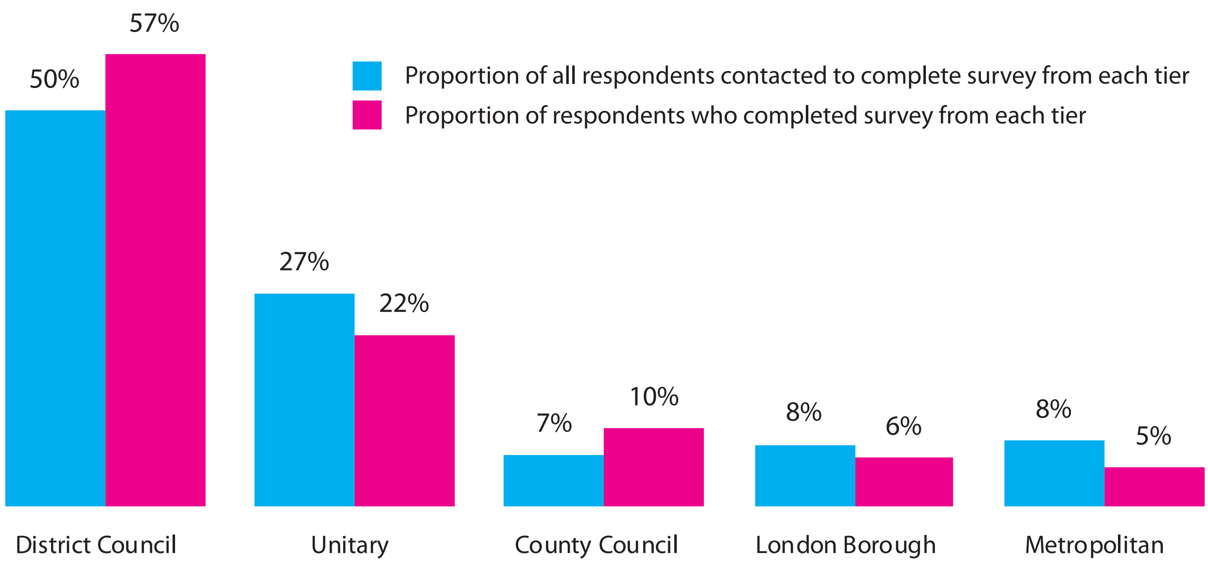
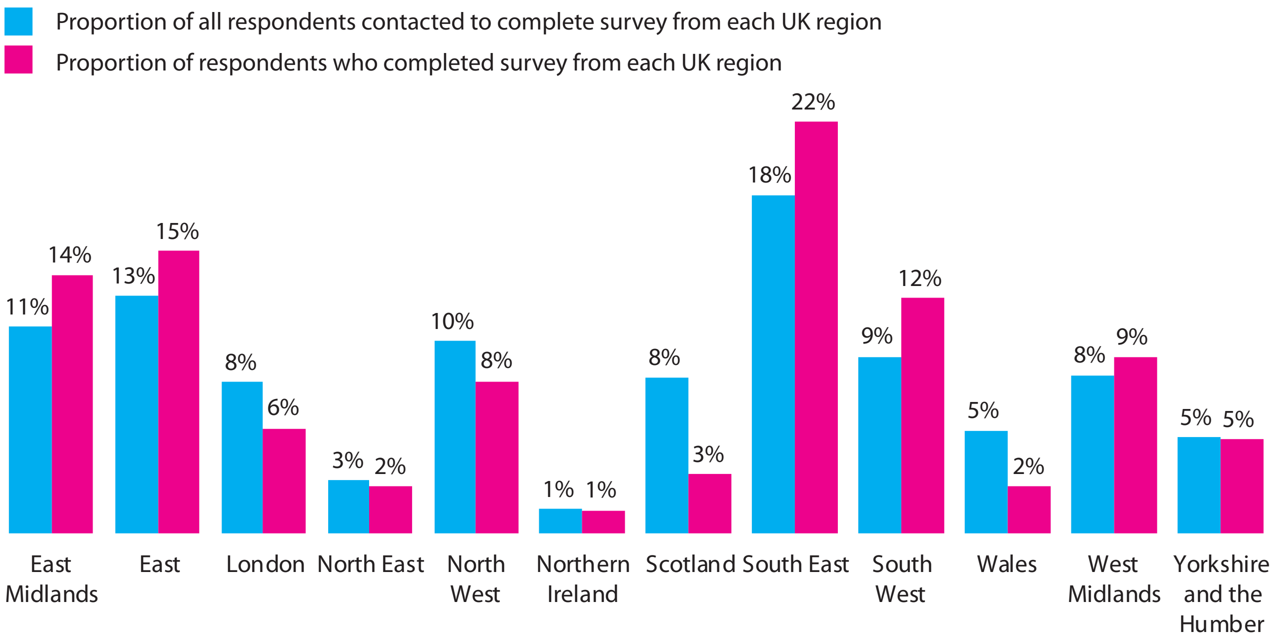


FIGURE 17: BREAKDOWN OF RESPONDENTS BY UK REGION



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