



10 DOWNING STREET

# Press Notice

CHECK AGAINST DELIVERY

SPEECH TO THE NEW LOCAL GOVERNMENT NETWORK  
ANNUAL CONFERENCE

BY

THE PRIME MINISTER

THE RIGHT HONOURABLE GORDON BROWN MP

ON

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## CHECK AGAINST DELIVERY

Let me begin by thanking the New Local Government Network for this opportunity to join you this morning – and let me first pay tribute to you, and to all those involved in local government in every part of our country to the council leaders and elected mayors, the councillors and officers who work tirelessly to give people a greater say over their lives, to all those who deliver the vital services upon which our society depends, and to the leaders here who make up the backbone of our local communities, who offer real help to families and businesses, especially now – when they need it most

Because these are difficult times, and not just for our economy and our communities, but for communities in every major economy around the world

Last week it was confirmed that the UK is in recession. The eurozone and Japan have been in recession since spring of last year, America since December of the year before, and a number of forecasters now expect global output to fall - for the first time since World War II

In just the three months to November, German industrial production fell by 15 per cent, Japan's by more than one fifth, and Korea's by a quarter. In just two months over a million jobs have been lost in America. And China - again in only a few months - has seen 670,000 small businesses close and 6.7 million people lose their jobs

So in all our communities across the world, the financial institutions we have relied upon to help create and sustain healthy communities – the channels and linkages we just take for granted that have for so long supported our prosperity and commerce - are just not working

The banks in our towns and cities are not functioning as they used to. As a result local businesses can not get the loans and the finance they need. And mortgages that were advertised all over the high street only months ago are now very hard to find at all

But, while the challenges we face are great and this will undoubtedly be a difficult year, let me be clear and candid. With the action we are taking both here at home and abroad we will get through this and onward to the better times beyond

And we will do so together. Marshalling all the resources at our disposal and uniting as a nation - central government, local government, businesses, trade unions – all willing partners working together

In the face of the chaotic collapse of global financial markets, we will act with purpose and determination to fight this global recession. To address the fears that people have, and bring to them real help to ensure greater security in their lives

This morning I want to explain the Government's plan to secure stability and recovery for our national economy to address the real problems that you face everyday on the front line, to help you, and all our communities, through this difficult time, and ensure, as all of us here today want, that we can emerge stronger and even more competitive in the industries of the future. That we can build bridges to the future – of the Britain I believe in

So it is a plan for stability and recovery to fight this global recession that frames our work internationally, nationally and locally – in towns and cities and villages across our country

And it represents the strength of our commitment to the British people and our absolute refusal to sit back and let the recession take its course

The plan, which we have been taking forward step-by-step since the financial crisis intensified last September, has three main pillars

- First, protecting savers by preventing the collapse of the banking system – the lifeblood of our economy
- Second, giving real help to people and businesses, increasing investment to keep the economy moving and keep people in work
- And third, working with the UK banks to ensure they can increase their lending and close the lending gap left by the retreat of foreign banks and other financial institutions from the UK market So that businesses can invest and those that want and need a mortgage can get one

So let me take each in turn

First, in October, we acted to protect those who rely upon the financial system - recapitalising the banks – and by doing so preventing the collapse of the entire banking system We did not take this radical step lightly Investing nearly £40 billion of taxpayers' money is not something I ever imagined I would have to do as Prime Minister

But let me be very clear with you Every economy needs a channel through which money flows from savers to those wanting to invest If we had let the banks collapse many more businesses would have closed and thousands more workers would have needlessly lost their jobs

That was not a price worth paying And, since then, every major country of the world has followed us with similar action

Second, cuts in interest rates, cuts in taxes and increased investment to ensure that this sharp recession does not damage the long term strength of the British economy or put at risk the huge progress we have made as a country over the last decade

The Bank of England has reduced interest rates to their lowest ever level and long term rates have also fallen to record lows In more normal times, a monetary relaxation on this scale, and the significant depreciation of the pound that we have seen over the last year would be expected to give a significant boost to the economy over the year ahead

But our domestic and international financial system remains under severe strain, and this will continue to reduce the impact of monetary policy on the real economy in the months ahead

So with inflation now falling quickly and public sector debt in Britain low as a share of national income - and lower than other major European economies following the debt repayments we made earlier this decade - we took the decision in the pre-budget report to launch a major fiscal stimulus to inject money into the economy

Similar fiscal action has now been taken across the world

In total around \$1.5 trillion have been injected into the world economy through major fiscal stimulus packages in China, Germany, France, Korea and the United States - many of them with worse debt positions than the UK

And, rather than cutting back on public investment as the recession bites on the public finances, as we have seen in previous downturns, we also decided to stick to our long term investment plans and work to bring forward capital projects

Why? Because we are determined that the country will emerge stronger and more productive once the global economy starts to recover

And because of this broadly based fiscal stimulus – this investment – we are able to pay for real help to families, businesses and communities through this dark time for our world economy

And because of it we have been able to raise the pension, increase child benefit, cut VAT and lower taxes by raising tax allowances

But the action we have taken is designed not just to support demand in the economy

It is also targeted at specific problems that we have learnt from previous recessions could either hold back the recovery, or make the effects of the downturn longer-lasting than they need to be

*Our focus has been on three issues*

- Greater security for homeowners – reducing the fear of repossession – by increasing support for all those at risk
- Making sure that the increase in short term unemployment does not become the long term unemployment that scarred our communities for years after the downturns of the past
- And stepping up our investment in the jobs and infrastructure of the future, so that Britain maintains its position as a world leader in the digital, low carbon, competitive global economy of the future

Let me tell you how our measures help local communities

For homeowners who hit financial difficulty we will guarantee a proportion of mortgage interest payments for up to two years so that losing a job or suffering a drop in income in the downturn need not mean losing a home as well

For jobs we are investing half a billion pounds in new support so that jobcentres in every town and city can help those who lose a job get back to work quickly or acquire a new skill And as part of the 35 thousand new apprenticeships we are creating, Hazel Blears and Jeremy Beecham are today announcing a Local Government Association commitment to double the number of existing apprenticeships across local government – from 7500 to 15 thousand

So while we may not be able to stop someone losing their current job – we can provide greater security by investing now to help them get the next one

And as we do so we are increasing, not cutting, our crucial investment in the jobs and the infrastructure of the 21st Century This is a pivotal element of our plan for stability and

recovery for there is no credible path out of this downturn that is not also a path towards building a better long-term British economy

From green areas and pharmaceuticals to the creative and digital industries – maintaining Britain's position as a world leader will be essential to our future prosperity – promoting the drivers of prosperity for communities across the country and creating the products and services we can sell across the world

Today's interim report from Lord Carter sets out the scale of our ambition to compete in the digital economy, a market currently worth over £50 billion a year in Britain alone and expected to grow rapidly in the future. Our digital networks will be the backbone of our economy in the decades ahead. We know that every aspect of our lives - every school, every hospital, every workplace and even every home - will depend on the services the digital network provides. It is as essential to our future prosperity in the 21st century as roads, bridges, trains and electricity were in the 20th century. And building these bridges to the future will need a clear lead from government combined with a strategic partnership between the private and public sectors.

So even at this difficult time for the economy, we will not turn our backs on the future, we will build bridges to the future. From the digital economy to fuel-efficient cars, from pharmaceuticals to renewables, Britain must invest in the industries of the future even as we fight our way out of what the IMF has described as a "global economic slump"

But as well as stabilising the banks and supporting demand in the economy, we can only deliver true security for families and businesses if we also act to remove the obstacles to lending.

So the third pillar of our plan is a credit stimulus to expand lending in the economy.

Because only with this lending can we start to see recovery in our high streets and business in our towns. It is only this lending that can ensure those who can afford a mortgage get one, and only with this credit stimulus that we can provide greater security for creditworthy businesses who depend on this to invest and create jobs now and in the future.

So in addition to new support for up to £21 billion of lending to businesses with a turnover of less than £500 million, last week we set out a wider series of comprehensive measures focused on increasing the amount of lending available to families and to businesses.

People ask why we had to do a second banking package to secure this lending – why we hadn't secured enough lending with the original support package last October.

The fact is that lending was a condition of the recapitalisation in October. And the banks we recapitalised in October have met this requirement to maintain lending as part of the conditions for receiving this support.

The problem is that maintaining the lending of these banks alone is not sufficient. Because the lending on which our economy depends derives not just from these banks but from other banks which we didn't recapitalise in October, from foreign banks and from other financial institutions who were in the market before the sub-prime crisis started.

So this is the reason we continue to take action to fill this gap in capacity and ensure the banks can continue to put enough credit into the system

But we can not act on our own. For if what happens to a bank in one country can, within minutes, bring potentially devastating effects on banks in a different continent, then only a *truly international response - in policy and governance - can be effective*

So we need the widest possible international agreement on how to proceed. Beginning tomorrow at Davos and in the weeks and months leading up to the London G20 summit in April – we are seeking to move towards a global consensus on financial regulation and supervision that will build, from the ashes of this financial failure, the new rules for a global order

But times like these require everyone to pull together, at all levels. So just as national governments need to co-operate, so everyone must rise to the challenge of helping people *through the downturn at a local level*

Ultimately it is only by combining the support of national government with local government and all local partners from the police to the primary care trusts, the business community to the voluntary sector, that we can ensure support is truly felt on the ground. For we know we will get through this faster and stronger if our communities are strong

No town, no city, no county, no village is identical in the problems it faces or in its path to recovery

*So let's be clear the downturn is absolutely the wrong moment to turn our back on devolution. Rather, it is right that we maintain our commitment to greater power in the hands of local people – alongside greater local accountability. Local authorities and council leaders no longer responsible solely for the delivery of a limited range of services, but actually responsible for shaping the place in which they live and for helping their community to get through these difficult times and to emerge stronger*

When we came into government, local authorities had no real power over their local economies. They were defined by delivering services not by promoting prosperity and growth

But we invested in local authorities, increasing funding in real terms by over a third in return for important reforms, including a tough performance framework and more transparent governance

For we saw, not just a social and political case, but an economic case for each local authority's involvement - each councillor's direct involvement - in the economic development and renewal of our communities and of our country as whole

With regional development agencies, local and multi area agreements, we have *established new flexibilities to allow us to promote development in ways that better match local needs. With the commitment in the last pre budget report of more powers for our cities and at least two new city region agreements, we are strengthening our major cities as key powerhouses of growth and prosperity in the future*

And with the three year settlement of an additional £8.9 billion – an average 4.2 per cent cash increase per year in funding – councils now have even greater flexibility and funding with which to support their communities through the downturn

Already there are many good examples of innovative local authorities using these greater flexibilities to tackle the downturn

Initiatives like the recession task force in Barking and Dagenham co-ordinating actions to mitigate the effects of the downturn, from fuel poverty through to personal skills, benefit take-up, support for small business and the role of local agencies in procurement

Or the Tees Valley multi area agreement which is revisiting delivery plans to re-allocate resources specifically to respond to the downturn

And today I can confirm we will release £100 million of un-ringfenced money from the local authority business growth incentive scheme to help local authorities respond flexibly to the effects of the downturn in their area

In every aspect of response to this global crisis, we have prioritised what the economy needs ahead of any dogmatic commitment to old ideas. We will do the same in our attitude to local control

Take housing. One of the most concerning features of the downturn has been a decline in new house building occurring at the same time as a rise in the threat of repossession.

From the start I have made it clear that we will not stand by as people's hopes and dreams of a good home in a good neighbourhood are threatened by economic forces beyond their control.

Instead we will be ready to do more, wherever necessary. And I believe that councils should be given greater opportunities to play a bigger role here.

Already local authorities are pivotal in delivering the new support for those facing repossession which we announced last year, helping to provide greater security for homeowners at the most difficult of times.

But we must also look to support further action on housing supply. We know there is still significant demand for housing and there is clearly spare capacity in the house building sector.

So we must consider all options if we are to meet the needs and aspirations of individuals and families across the country as a whole.

In the past we have placed restrictions on local authorities delivering social housing.

Of course investment in social housing must be aligned with reform so that, for example, social housing providers working with local authorities and jobcentre plus address the high levels of worklessness that can be concentrated within this sector.

But today let me be clear: if local authorities can convince us that they can deliver quickly - and cost-effectively - more of the housing that Britain needs, and if local authorities can build social housing in sustainable communities that meets the aspirations of the British

people in the 21st century, then we will be prepared to give them our full backing and put aside anything that stands in their way

We will not allow old arguments and ideologies to stop us getting on with the job when there are families who need homes, when there are bricklayers, carpenters and electricians ready and willing to work, and when there are construction companies ready to build houses

And so in the coming months we will report on further measures to address housing supply to support real need - alongside social housing reform to ensure a fairer system for all. But equally, we can not allow any failure in process to stand in the way of the help that families and communities need now. So we have set tough efficiency targets of 3 per cent per year to ensure that every penny of council taxpayers money is spent wisely, cutting out waste and inefficiency

And we will be asking that when the Audit Commission reports on the effectiveness of councils, they give real weight to the way they are taking their communities through these difficult times. And further, and prior to that, we have asked them to report to the national economic council on the effectiveness of local authority responses to the downturn

For if there are ways in which the government is unintentionally frustrating local authorities from responding appropriately, then I want to know about them

And I pledge that we will act wherever and whenever we can to ensure for you and your authorities the necessary freedoms and flexibilities

But equally, local authorities should feel a similar obligation to do all they can, including making full use of the capital expenditure from our fiscal stimulus to benefit their communities

So, even as our communities are being battered by a global storm that is vast and far from our control, it is ever more important that local people are empowered within their own communities to lead our response to the downturn

By acting together – as local authorities and national government in partnership – we truly can bring real help to families and businesses when and where they need it most, offering greater security for homeowners, for businesses and for the unemployed, and with it the platform on which to build a recovery that will secure the future of the vibrant local communities on which the future of our whole society depends