

WIRRAL LOCAL STRATEGIC PARTNERSHIP – EXECUTIVE BOARD**TUESDAY 9TH JUNE 2009****REPORT OF THE DEPUTY CHIEF EXECUTIVE / DIRECTOR OF CORPORATE SERVICES****ECONOMIC UPDATE - RESPONSE TO THE CURRENT ECONOMIC CONDITIONS****1. EXECUTIVE SUMMARY**

- 1.1 This report outlines the impact of the global economic conditions on Wirral's economy and identifies the steps taken by the Council and its partners to assist businesses affected by the current economic challenges. The LSP Executive Board is asked to support the actions taken and comment on the strategy to support Wirral's economy through the difficult times ahead.

2. BACKGROUND AND CONTEXT

- 2.1 Nationally, the rapidly deteriorating global economy and the continued difficulties businesses are facing in accessing credit will potentially push the economy deeper into recession in 2009. The Confederation of British Industry (CBI) predicts that the recession, which began in the third quarter of 2008, will last throughout 2009. The UK economy is expected to contract by 3.3 per cent and unemployment will reach close to 2.9 million by the end of the year. The forecasts are that the economy is expected to stabilise early next year with the recovery building throughout 2010.

- 2.2 The North West Development Agency and its partners have produced a report, 'Local Responses to the Economic Downturn in the North West', in which it states that the current economic recession has a number of important potential impacts, including:

- Slowing or even reversal of economic growth
- Increase in unemployment
- Fall in property and land values and property driven economic growth
- Rise in repossessions and demand for social housing
- Fall in business start ups and potentially an increase in insolvency rates
- Fall in income for local authorities locally, e.g. through planning fees
- Pressure on existing schemes to support people back into work as unemployment rises
- Demand for some public services may increase, e.g. demand for social housing
- Negative impact on capital led regeneration schemes, e.g. Housing market Renewal Pathfinders
- More pressure on local communities in tackling the social issues presented by the recession in particular on young people

- 2.3 The key element of responding to the recession is good intelligence. On behalf of the Merseyside local authorities, The Mersey Partnership is commissioning a City Region Economic Assessment to evaluate the effects of the credit crunch and economic downturn on the city region economy, and the prospects for recovery and growth. The study will help assess the risk to businesses, communities and individuals of the current downturn, and prioritise investment in preventative action. The Merseyside information Service (MIS) is developing an online recession tracker which will offer key data sets for monitoring the impact across several areas such as unemployment and crime.
- 2.4 Locally, Wirral Officers are continuing to measure the local impact. Where possible, key data is being produced to inform the investment decisions Wirral Council and local partners and to aid the design of appropriate interventions. This data, similar to the report brought to the Investment Board in February is updated monthly to support Officers in managing key programme of activity. Key data is attached at Appendix A to this report.

3. Actions Taken to Date

- 3.1 In order to support Wirral businesses through difficult time, every effort is being made to ensure companies can easily access the national support available. This includes:
- Invest Wirral working with Business Link to ensure that information is cascaded through and online business forums networks and Wirral Investment Network (WIN) which represents the Business and Professional Sector
 - Setting up an online local business support/events calendar using a mixture of Working Wirral and European Regional Development Fund (ERDF) support which further promotes key support services.
 - Seminar with NWDA in January regarding access to finance held at the Floral Pavilion.

Businesses from across the borough benefited from a 'Boost your Business' event at the Floral Pavilion, held on 25th and 26th of March. Feedback from the event has been positive – for example one company has reported a saving in excess of £6,000 in business rates as a result of advice from the event.

- Introducing new financial support programmes and ensuring existing measure have enough flexibility to provide maximum benefit.
- Development of a Wirral Apprenticeship programme

These measures are outlined in more detail in Section 4. Wirral Council currently operate a number of programmes of activity that have been adapted to the current financial conditions. These include:

Key infrastructure

- 3.2 The Council continue to support the delivery of several key economic infrastructure projects. In line with national policy, every effort is being made

to focus and bring forward key infrastructure projects across the Borough to create employment opportunities and having a positive effect on the economy. Council officers continue to work with the private sector in accessing key external funding to support and where necessary, provide gap funding to key schemes and projects. The Council is ensuring that it works with Regional partners such as the North West Development Agency to maximise funding.

Key infrastructure requirements

- 3.3 Officers are currently in the process of trying to identifying the needs for Wirral in respect of power constraints and digital access. There are a number of constraints that could potentially prevent key sites and premises being brought to the market in the future due for employment use. Addressing these issues will provide where necessary for the inevitable economic upturn.

Business Support

- 3.5 Wirral Council meet monthly with the Wirral Chamber of Commerce and Federation of Small Businesses to ensure that regular and accurate feedback is received on the issues facing small businesses locally.
- 3.6 In consultation with other partners, including the NWDA the Council is looking at providing enhanced business support. To complement existing business networking, every effort is being made to ensure companies can easily access the national support available.
- 3.7 *Small Firms Rate Relief* - this is being followed up with additional awareness promotion of the scheme for eligible businesses to pursue. In addition, the Government announced changes to the Ratings scheme for empty properties as part of the recession budget which come into force from April 2009 – these will of course also be promoted by the Revenues section.

Employment Support

- 3.8 *Providing co-ordinated redundancy support* - Key partners (Wirral Council, Jobcentre Plus and the Learning and Skills Council) co-ordinate activity through the Wirral Economic Development and Skills (WEDS) Partnership.
- 3.9 *Working Wirral* The Council provides a number of commissioned activities and development services across the Borough to help improve local people's skills and employment prospects:

Partner activity

- 3.10 These measures complement work being undertaken by partners including:
- *Jobcentre Plus (JCP)* - In addition to their core services, JCP has brought down the eligibility for certain programmes from six months to day one to enable the newly unemployed to access their enhanced offer
 - *The Learning and Skills Council (LSC)* - the LSC works closely with JCP and to deliver an Integrated Employment and Skills programme across Greater

Merseyside; and Train to Gain programme and the pre employment has been subsequent enhanced in response to the situation

- *Business Link* - is working with Council service areas to increase access to business support services
- *VCAW annual conference, May 2009* - this conference aims to identify the anticipated impact of the economic downturn, look at practical ways of moving forward and highlight the Government's Action Plan, 'Help Right Now' and the support that is available through this initiative. The conference also aimed to identify how COMPACT can be fully utilised to support the sector through these turbulent times.
- *Merseytravel* - Merseytravel has frozen tunnel tolls at their current levels from April 1st 2009 to March 31st 2010, following a meeting of the Passenger Transport Authority. The decision means toll levels for all classes of vehicles will be maintained, with the aim to support businesses and the public during the current economic climate.
- A working group comprising the council, the NWDA, the LSC, Jobcentre Plus, Business Link and Connexions has now been established to share information and ensure a coordinated response across the borough.

Housing Strategy

- 3.11 The recession has prompted a change in the targets for new-build housing as part of the HMRI programme, re-phasing of HMRI development programmes, changing tenure of new-build schemes. It has also led to changing priorities in using public resources, principally land values as in both Fiveways and Church Road the Council's financial stake in HMRI development has been used to pump-prime new-build and see new homes and shops being built. The recession has caused a shift in strategic housing priorities towards creating opportunities to support and enable the occupation of new-build housing particularly by first-time buyers. This has been in the form of developing options for shared equity, rent-to-buy and making the most of national initiatives such as HomeBuy Direct.
- 3.12 Strong partnership working at an operational level is being supported and developed by the WEDS partnership which is receiving regular updates on the downturn and partners share organisational intelligence and policy updates. Officers are also participating in Merseyside meetings to look at the effects of the recession, and agree some co-ordinated responses.

4. New Interventions

- 4.1 The Council and its partners are currently in discussion as to the best ways to support Wirral residents and businesses in the current situation in addition to current activities. The interventions outlined below detail the opportunities are planned:

- 4.2 *Business Conference* - Wirral Council hosted a seminar on the 25th and 26th of March which focused on supporting business through difficult times. The main purpose of the event was to bring together public sector organisations with the private sector to outline the support services that are available. The event aimed to inform the borough's business community of the support available to them during the current economic climate. Invest Wirral - the Council's business support and investment team - have produced a brochure with a breakdown of all of the support agencies that can help as well as their contact details. Feedback from the event has been positive – for example one company has reported a saving in excess of £6,000 in business rates as a result of advice from the event. The event included the North West Development Agency, Business Link North West and will include speakers from a number of other support agencies. Invest Wirral will host this type of event again over the course of coming months.
- 4.3 *BIG Support Grant/ Consultancy Support*: The Council is fully aware of the challenges that many businesses in our area are facing at the present time, and recognises the need for us to work collectively with our partners to minimise the adverse impacts of the economic downturn on businesses and their employees. Access to capital and cash flow has been identified as a major problem. Wirral's business makeup is dominated by micro-businesses (those with fewer than ten employees) and a number of these have reported continued difficulty in speedy access to funds through current and indeed proposed arrangements.
- 4.4 Therefore a programme has been designed to specifically support (SME's 250 employees and less) with a specific focus on micro businesses. The fund will be available for a wide range of support, including access to consultancy and grants. It is also hoped that the availability of such financial support will encourage banks and other lending institutions to also invest in these businesses.
- 4.5 *The "Think Big" Investment Fund* currently supports exiting and inward investing businesses on a range of big projects that will support employment growth and business expansion. Given the current situation, Officers have drafted a new set of criteria for the fund which will allow businesses to safeguard jobs within a new set of defined criteria which will allow businesses to access finance for other outcomes rather than just growth.

Apprenticeships

- 4.6 Officers have developed an apprenticeship programme for the borough, with access to all vocational areas.
- 4.7 Apprenticeships will support the council and its partners to continue tackling worklessness and skills issues by offering support within a structured apprentice programme. Therefore a scheme has been developed across Wirral supported through Working Neighbourhoods Fund (WNF) resources to a maximum of £1.7m. This activity will add value to recent national announcements on supporting apprenticeships with 100 new apprentice places in the workplace available for residents of Wirral.

5. Conclusions



- 5.1 Wirral partners are taking forward a co-ordinated and coherent response to the economic situation. The Council is co-ordinating a series of partners' meeting to respond to the recession with key partners from the LSP.

The underlying principle of responses is based on good economic intelligence and policy, with an understanding of business fundamentals and long term strengths. There is a need to maintain a long-term focus on skills, innovation and regeneration and it is important to keep a longer term strategy ready for when recovery starts.

- 5.2 The LSP Executive are asked to note the progress made by Wirral Council and its partners in supporting business through difficult times and highlight any additional areas which members feel would add value to the current activity.

Appendix A

KEY ECONOMIC INDICATORS**Labour market data**

It is important to note the limitations of many official data sources. For example, data may not be available at the Wirral level or lower. Furthermore, much of the data has a significant time lag – thereby not accurately reflecting more recent worsening conditions. Finally, where possible, this report only uses data that has been updated since the previous Cabinet report (19th March 09). Notwithstanding that, the following is a summary of key indicators:

Employment rate

Latest data for September 08¹ indicates that Wirral's overall Employment Rate has decreased by 3.1% points from its December 2007 position of 71.4% to 68.3%.

Worklessness

The proportion of Wirral's working age population claiming Job Seekers Allowance (JSA) in April 2009 has gone up to 5.3% (9,806). This has increased over the last 12 months from 3.5% (April 2008) – an increase of 3,382 people. The current Wirral rate of 5.3% compares with a regional rate of 4.6% and an England rate of 4.1% for April 2009.

Job Density

Latest data from 2006 indicates that Wirral's job density is 6.8. This means that there are 68 jobs for every 100 working age people. This is an increase from the previous year's rate (2005) which was 6.1.

Redundancies

Analysis of HR14 redundancy notifications provided by Jobcentre Plus has demonstrated a relatively high volume of redundancies in the borough. In 2007/08, 5 employers notified a total of 1051 redundancies (821 of these were attributable to job losses at Burtons). Analysis of HR1s from April 2008 to January 09 shows a further 20 employers notifying an additional 942 job losses.

Recent announcements include Tulip Foods in Bromborough, who recently confirmed the closure of the plant with over 300 job losses. Cammell Laird announced up to 200 redundancies in March 09. Bromborough based chemical plant Croda International have recently announced the closure of the Wirral site with the loss of 115 jobs.

Business Rates (National Non Domestic Rates)

A significant impact has been felt over the last 12 months in respect of Wirral's business rate collection. For example, figures for end of financial year March 2009 indicate that the collection rate had dropped from 97.7% (2007/08) to 93.4%. Although collections are ongoing for these arrears, it is clear that businesses have found it harder to meet their liabilities this year.

¹ Source: ONS Annual Population Survey



Crime and Disorder Levels

Official Home Office figures released in April 2009 and summarised locally in the Daily Post (9th April 2009) reported that overall crime on Merseyside (with the possible exceptions of drugs offences and robbery – the latter being of low volume) is currently at its lowest level since 1985. Against this backdrop it might be difficult for observers to conclude that the economic downturn is having any impact on crime, as suggested in many areas of the national media.

Targets set for serious acquisitive crime reflecting upturn in national trend.

Impact on local businesses

Tulip Foods in Bromborough recently confirmed the closure of the plant with over 300 job losses.

Feedback from businesses

Businesses are still indicating an overall reduction in demand for goods and services, with lower consumer demand cascading through supply chains. Cash and finance are the most urgent concerns. In relation to staffing, there is some evidence that businesses are reluctant to let skilled and committed staff go but are faced with reduced demand impacts.

Housing market

The economic recession exists alongside a slowdown in the housing market across Wirral. This is evidenced by reducing house prices, lower sales numbers, less new-build housing, more empty homes including unsold new homes and greater financial difficulties for mortgaged owner-occupied. This slowdown has had an impact on the construction sector of Wirral and has increased demand for affordable housing whilst loss of economic confidence has dented housing market confidence slowing down interest in moving home or investing in home improvements.

Housing market expectations are that we do not anticipate a marked recovery in the short term. Much will depend on the recovery of the economy generally. Therefore the housing market will continue to be under pressure for the remainder of 2009 and into 2010. This will increase demand for affordable housing, demand for innovative solutions to see new homes built and occupied such as more shared equity schemes. Until economic confidence improves, the housing market is likely to struggle. This will place continued pressure on products designed to stave off repossession.

Feedback from health

It is anticipated that the recession will have an adverse impact on the lifestyle of the population, particularly those adversely affected such as people losing employment and experiencing economic and social problems. This could increase numbers of people smoking, drinking above safe recommended levels, being inactive, eating poor diet etc. The North West Public Health Observatory has been commissioned by the Directors of Public Health to model the expected impact of the recession.

Clients who are in contact with drug and alcohol services may be funding their drug and/or alcohol habit through paid work rather than crime, there is approximately 600

clients with Wirral Drug Service who are also in employment however with the current economic climate if they are to lose their jobs this could lead to an increase in criminality to fund these habits, also we have stable clients who are accessing employment through progress2work who again maybe affected by job losses which may not only affect crime levels but also may cause people to increase their substance misuse due to pressures in other areas of their lives. We obviously have the drug intervention programme in place to pick up offenders who are committing crimes and the re-offending project which has focused on picking up repeat offenders coming through DIP.

Feedback from welfare services

It is anticipated that there will be an increased number of people using Welfare Rights Unit (DASS) services and this has been the case in the last quarter compared to same period last year.

Debt and Financial exclusion

Feedback from voluntary sector organisations demonstrates a substantial increase in service users. Wirral Advice Network indicates significantly increased demand for debt advice over the last year, with Wirral CAB reporting that 25% increase on the same time last year. The CAB have recently accessed government resources to enable additional opening hours for debt advice, in response to the increased demand.

Council Benefits

(Housing & Council Tax Benefits plus Local Housing Allowance) - Over the past months it has become increasingly evident that the economic downturn is directly impacting upon Benefits service delivery locally. This is consistent with the national picture as authorities identify a trend of consistently increasing live caseloads, 'footfall' and general workload. For Wirral, in the past twelve month period the caseload has increased by some 2072 claims, and continues to rise. The rate of change is considerably more noticeable from January 09 onwards.