

## **WIRRAL COUNCIL**

### **ECONOMY AND REGENERATION OVERVIEW AND SCRUTINY COMMITTEE**

**15 SEPTEMBER 2009**

### **REPORT OF THE DEPUTY CHIEF EXECUTIVE/ DIRECTOR OF CORPORATE SERVICES**

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#### **RESPONDING TO THE RECESSION**

##### **1. Executive Summary**

- 1.1 This report outlines the latest impact of global economic conditions on Wirral's economy, and identifies the steps taken by the Council and its partners to respond to the recession through the development of a Recession Plan. This Plan will contain measures to mitigate the impact of the Recession but at the same time maintain momentum on our Investment Strategy.
- 1.2 Members are asked to:
- i.) Note the contents of this economic update
  - ii.) Note the development of a Recession Plan, aimed at minimising the impact of the recession on Wirral residents and businesses, and planning for future recovery.

##### **2. Background**

- 2.1. The key element of responding to the recession is good intelligence. Members will be aware that the Council and a range of partners have been meeting regularly since January 2009 to gather intelligence and develop responses to support Wirral residents and businesses in the current situation.
- 2.2. Wirral Officers are continuing to measure local impact and collate a range of data and indicators.
- 2.3. In recent months, the Council has held a series of strategic partner meetings to ensure a co-ordinated and comprehensive response to the current economic climate. Feedback from partners is being collated in a systematic and co-ordinated way, including:
- through monthly meetings between the Council and business leaders;
  - across the Council, through a key officers group;
  - with strategic partners through the LSP; and
  - through a series of wider partnership meetings
- 2.4. 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.

- 2.5. The aim is the development of a Recession Plan based on a robust evidence base including key economic indicators as well as qualitative feedback from partners about the impact of the recession. This intelligence is then used to inform the investment decisions made by Wirral Council and local partners, and to aid the design of appropriate interventions.
- 2.6. 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.

### **3. Key Indicators**

#### **3.1. 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 district level or lower. Furthermore, much of the data has a significant time lag – thereby not accurately reflecting more recent economic conditions. Notwithstanding that, the following is a summary of key indicators:

#### **3.2. Employment rate**

Despite the current economic conditions, Wirral's Employment Rate is increasing. Latest data to December 2008 shows that Wirral's rate has gone up by 0.4% points to 68.7%. Wirral's upward trend compares favourably with a national decrease in the Employment Rate over the same period.

#### **3.3. Worklessness**

Latest data for July 2009 indicates that Wirral's Job Seekers Allowance (JSA) rate now stands at 5.7%. This represents 10,476 people. However it is important to note that high numbers of people continue to flow off the JSA register each month, indicating that the labour market remains fairly buoyant. For example, data from Job Centre Plus (JCP) indicates that in June 2009, 1963 people flowed off the JSA register. This was higher than the June 2008 number of 1452 people.

#### **3.4. Homelessness**

Data compiled by Merseyside Information Service (MIS) indicates that Wirral has seen a significant reduction in the numbers of people presenting themselves as intentionally homeless over the last year. This is largely due to the Council's increased support and approach to tackling homelessness.

### **4. Feedback from partners**

As outlined above in section 2.3, Wirral Council is also co-ordinating a wide range of feedback and evidence from our partners in order to gain a comprehensive profile of impact. Current evidence includes the following:

#### **4.1. Impact on Young People**

Feedback from Greater Merseyside Connexions <sup>1</sup> highlights that the recession is likely to impact on post-16 retention in education and training. Some young people experiencing financial difficulty themselves or as members of families experiencing financial difficulty are likely may drop out of education or training joining the NEET group.

Retail has been one of the sectors most affected in the early stages of the current recession. The other sectors that have been most effected are construction and financial services.

The LSC 2006 Greater Merseyside Skills Assessment identified that 56% of young people aged 16 to 19 who were working were employed in the retail and hospitality and catering sectors. The high percentage is partly accounted for by sixth formers and college students working in these sectors, which offer part-time employment opportunities less likely to conflict with school or college attendance.

Consumer spending is widely reported in the media to be down, and this will reduce the availability of part-time work in these industries for young people.

A reduction in the availability of work in these sectors is likely to impact on retention and increase the likelihood that some school and college students will for financial reasons drop out of education and into the NEET group while seeking employment. These should add to the NEET 'churn' rather than the 'inactive' or 'unavailable' NEET.

#### **4.2. Benefits (Housing & Council Tax Benefits plus Local Housing Allowance)**

The increase in Housing Benefit (HB) claimants continues, with an increase of 334 in the last month. HB claims now stand at 39,709. Current schemes have increased by 8% over same time last year.

#### **4.3. Housing Market.**

Feedback from Housing colleagues suggests that, in certain areas of Wirral, numbers of sales appear to be increasing. Generally West Wirral appears to be more buoyant than East Wirral.

There is increasing evidence of private sector landlords running into financial difficulties and having properties repossessed. Availability of mortgage finance is still very constrained with around 85% loan currently being the norm. People who are self employed or in temporary employment are finding it more difficult to obtain mortgage finance. Feedback from Housing Associations indicates that as they approach their head room limit financiers are imposing higher interest rates.

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<sup>1</sup> *'The Impact of the Recession on the Employment Prospects of the Young People of Wirral'* (April 2009) Carolyne Kershaw: Great Merseyside Connexions Service.

#### **4.4. Business Rates (National Non Domestic Rates) & Council Tax**

The impact continues to be felt with year on year collection of business rate at 31<sup>st</sup> May 2009 showing a 3% downturn which is similar to that seen over the previous year. Council Tax collection from domestic charge payers remains at previous year's rates which is nationally well above average and shows thus far no decline although it continues to be carefully monitored.

#### **4.5. Adult Social Services**

Feedback from Wirral's Adult Services suggests that the impact of the recession is being felt. Examples include an increasing number of people applying for an extension to the 12 week exemption period. (it is assumed that people will be able to sell their houses within 12 weeks); and more claims for additional allowances for people with a disability.

#### **4.6. Impact on the Third Sector**

Wirral CAB is reporting a significant increase in contact from Wirral residents seeking support for a variety of reasons. Debt rose by 21% and Benefit advice by 17% respectively when comparing 2007/08 to 2008/2009.

The VCAW & WVCSN conference evaluation reported an increase of the affects on the sector due to the recession.

#### **4.7. JOB CENTRE PLUS (JCP)**

JSA benefit 'On and Off' Flows

- June 08 on flow 1779
- June 09 on flow 1944
  
- June 08 off flow 1452
- June 09 off flow 1963

Vacancies notified

- June 08 1669
- June 09 802

*(As a national average, Jobcentre Plus (JCP) has around half of the nationally available vacancies. However, that percentage rate can vary considerably when its gets down to regional and local levels)*

#### **4.8. Merseyside Fire and Rescue Service**

The recession is having a varying set of impacts in relation to the Merseyside Fire & Rescue Service. Historically commercial fires increase as businesses fail, and there is often an increase in vehicle fires. Domestic fires are known to increase as statistically and anecdotally unemployed people become at more risk from fires in the home. Anti social behaviour fires can be tracked to SOA's experiencing higher levels of multiple deprivation.

#### **4.9. NHS Wirral**

NHS Wirral commissions Wirral Citizens Advice Bureau (CAB) to provide an advice service for patients within general practice premises. Anecdotal evidence suggests that the take-up of this service has increased and in

particular from the non- affluent areas of Wirral. Anecdotally, the demand for mental health services, particularly some of the services offered through the voluntary sector, is increasing.

The NHS, both locally and regionally, are continuing to consider how the NHS can mitigate the impact of the recession through health inequalities prevention activities, service provision and corporate citizen role, e.g. recruitment and workforce and procurement.

#### **4.10 Business Link**

Feedback from the Business Link Advisers indicates that most businesses are taking more prudent measures with costs and many are looking for assistance with marketing. A number of the smaller businesses are moving out of business accommodation and into their domestic residence.

On a positive note feedback suggests some positive signs, with a fair number of businesses reporting steady state or growth.

### **5. Wirral Responding to the Recession**

5.1. The Council and its partners continue to meet to agree the best ways to support Wirral residents and businesses in the current situation. The interventions outlined below detail some of the existing and planned opportunities, developed in response to our detailed understanding of the impact.

#### **5.2. Business Support**

Monthly meetings continue between the Council and business leaders. In addition - as partners are aware from previous reports - a structured package of support to businesses has been developed and launched. This has received considerable interest from businesses. Two meetings of the grants panel have taken place to decide on applications up to £20,000. To date a number of awards have been approved, safeguarding 67 jobs.

In addition, a number of Think Big Grants for amounts in excess of £20,000 have been awarded. The support awarded to these businesses will result in the creation of 96 new jobs.

A special two day event was held at Invest Wirral offices as part of European SME week. Several Wirral based companies made appointments to participate in a series of face-to-face meeting with business advisory agencies, such as The Manufacturing Institute, Business Link Northwest, National Apprenticeship Service, and Wirral Council. Following the sessions all of the agencies are now continuing to work closely with the companies.

Latest information from organisations representing business suggests that whilst things were not getting any better, at this stage they did not seem to be getting any worse. The willingness of banks to lend seems to be improving slightly. However, the terms and conditions attached to loans are still more onerous than was the case in the past. Feedback also suggests that there is still a significant level of interest in investment despite economic downturn.

### **5.3. Employment Support**

Key partners (Wirral Council, Jobcentre Plus and the Learning and Skills Council) continue to co-ordinate activity through the Wirral Economic Development and Skills (WEDS) Partnership.

### **5.4. Apprenticeships**

The Apprenticeship Programme has now moved into delivery, with marketing to businesses taking place through the Business Networks.

This has resulted in a large number of businesses showing considerable interest in the programme. A wide range of apprenticeship opportunities have come forward with the majority from local SMEs who have never accessed the apprenticeship system before. Of the 100 opportunities, the project has had 156 employers come forward seeking assistance and a further 21 since the closing date.

The City Employment Strategy (CES) recently made available an unallocated £275,000 of ESF Complementary Strand and asked City Region partners to identify potential projects. Wirral proposed that the allocation should be used to fund an additional number of 17 apprenticeships for the Wirral Apprenticeship Programme with a focus on SMEs with no previous history of employing apprenticeships. Officers are pleased to report that Wirral's proposal was approved by the CES Board and that this additional ESF resource will enable funding of an additional 17 apprenticeships.

The implementation process for the Apprenticeship Programme continues and further information will be brought back to members at a future meeting.

### **5.5. Future Jobs Fund**

A separate report on this issue was discussed at Cabinet on 25<sup>th</sup> June. Wirral is working with City Region partners to develop a Future Jobs Fund proposal. This was submitted to Department of Work and Pensions (DWP) on 30<sup>th</sup> June. In early August, DWP confirmed that the Liverpool City Region application to the Future Jobs Fund has been successful. See DWP website for list of successful applications: <http://research.dwp.gov.uk/campaigns/futurejobsfund/>

The contractual details and overall level of funding granted to the partnership has yet to be determined and there are a number of further discussions to be had before we will be able to clarify the detail of the award. We expect to meet with City Employment Strategy lead officers in the next fortnight to discuss the implications of this announcement and to understand the timeline for agreeing contractual detail with DWP and Knowsley Borough Council (as the lead authority in the city region bid). Further information will be brought back to members in a future report.

## **6. Conclusions**

- 6.1. Wirral partners continue to take forward a co-ordinated and coherent response to the economic situation. The Council is co-ordinating regular meetings with key partners to develop effective and timely responses to the recession.

6.2. Our approach thus far is forming the basis of a 'Recession Plan', whereby consideration is being given to both formalising our robust understanding of the impact, and also to use this to inform strategic and operational service planning for the short and longer term.

**7. Financial Implications**

There are no implications arising as a direct result of this report.

**8. Staffing Implications**

There are no staffing implications arising as a direct result of this report.

**9. Equal Opportunities Information**

All of the activity outlined in this report promotes equal opportunities.

**10. Community Safety Implications**

None as a result of this report

**11. Local Agenda 21 Implications**

None as a result of this report

**12. Planning Implications**

There are no planning implications arising as a direct result of this report

**13. Anti-Poverty Implications**

None as a result of this result

**14. Human Rights Implications**

None as a result of this result

**15. Social Inclusion Implications**

None as a result of this report

**16. Local Member Support Implications**

None as a direct result of this report

**RECOMMENDATION**

Members are asked to:

- i.) Note the contents of this update report.
- ii.) Note the development of a Recession Plan, aimed at minimising the impact of the recession on Wirral residents and businesses, and planning for future recovery.

**J. WILKIE**

Deputy Chief Executive/ Director of Corporate Services

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