

Cabinet

26 March 2009



Responding to the Economic Downturn Key Decision BSE/RED/01/09

Report of Ian Thompson, Corporate Director, Regeneration and Economic Development Cabinet Portfolio Member for Economic Regeneration – Cllr Neil Foster

Purpose of the Report

- 1 To update Cabinet on how the economic downturn is affecting County Durham, to provide a high level summary of what is being done to mitigate the impacts and to set out what else could be done in partnership.

The Economic Downturn

- 2 What started as a crisis in the financial sector continues to affect the wider economy. The UK is now in recession for the first time since 1991, official figures released in January 2009 show a 1.5% drop in Gross Domestic Product in the last three months of 2008 after a 0.6% drop in the previous quarter. Forecasts for the future are constantly changing; currently most forecasters are predicting the economy will continue to shrink, seeing an average contraction of 2.5% in 2009 with recovery starting in 2010/11.
- 3 Unemployment is rising nationally with 1.23 million people claiming Job Seekers Allowance (JSA) in January 2009 (the highest figure since July 1999). In County Durham 13,093 people (4.2% of the working age population) are claiming Job Seekers Allowance, an annual increase of 88.7%. The rate of increase has been the highest in the region for several months. The underlying upwards trend suggests we could see the total number of people claiming JSA rising to over 20,000 by December 2009.
- 4 The contribution made by County Durham to the regional economy has followed a downward trend over the period 1995-2006. County Durham's 2006 Gross Value Added (GVA) was at 61% of the national average and only representing 15.2% of the regional total compared to 17% in 2005. There is a consensus that areas that were suffering before the economic downturn will be affected more severely¹.
- 5 The report published in January 2009, "The impact of the Credit Crunch in County Durham²" analyses latest trends and implications for County Durham. The rising cost of living, rising unemployment and low

¹ DCLG, The Credit Crunch and Regeneration: Impacts and Implications, January 2009

² 'The Impact of the Credit Crunch in County Durham' report is available for additional evidence.

confidence have resulted in reduced consumer and business spending which is severely affecting the whole of the local economy. 22.1%³ of all employee jobs in County Durham are construction and manufacturing – some of the worst hit sectors⁴ in terms of the economic downturn.

- 6 The credit crunch and recession are creating downstream implications for the public sector, affecting the full range of different services. Examples of consequential implications include incremental demand for healthcare, impacts on the social care sector with more family breakdowns and an increase in demand for residential places for the elderly; and resource implications associated with the increase in benefit enquiries, and increased eligibility for free school meals.
- 7 There is a co-ordinated regional response of ONE North East, the Learning and Skills Council, Jobcentre Plus and Local Authorities through groups such as Skills and Employment Response Group (SERG) and joint task forces for major redundancies. Here in Durham we are working collaboratively with our partners to support local people and businesses.

The context for action

- 8 The public sector is a major employer in the County. The contribution to the local economy and community is substantial when the County Council as the largest employer in the County and a major purchaser of goods and services, is considered alongside other public sector bodies, such as the health service and the University. The public sector has wide-ranging powers, such as the Local Authority ‘wellbeing power’ to intervene for the economic well being of its residents.

Tackling the downturn: short-term

- 9 Under the banner “Real help for People and Business”, a range of new help is being made available through partnership working for those who need it - from homeowners with difficulties paying their mortgages, or people seeking employment or training, to small businesses with cash flow problems and larger businesses needing working capital.
- 10 In addition to core service delivery supporting local people and business, the County Council is currently promoting mainstream interventions relating to the economic downturn. This includes a major article in the next edition of Countywide that concentrates on signposting local people and businesses to sources of information and advice both from within the County Council and from key partners.
- 11 The following are examples of what support is available in County Durham through national, regional and local bodies.

³ ONS Annual Business Enquiry 2008, 2007 data

⁴ ONS GDP Growth Preliminary Estimate, Jan 2009 shows construction and manufacturing output decreasing by 1.1% and 3.9% respectively in Q4 2008

Businesses

- Businesses wanting advice and to understand the support available are directed to **Business Link**.
- **Train to Gain** - helps businesses of all sizes, in all sectors, to increase the skills of their workforce and improve the performance of their business.
- The Strategic Account Management programme operated by **County Durham Development Company** is able to flag up potential problems and bring together relevant partners quickly. The programme has seen Rapid Response funding being secured in a number of cases in the last year.
- **Paying business rates** – information and advice is available for local businesses struggling to pay their rates.

Employment

- People who are in work, but may be at risk of, or worried about redundancy and wanting advice on changing jobs or gaining new skills are directed to **Next Steps (Learning and Skills Council service)**.
- People who have been made redundant or who are out of work are directed to **JobCentre Plus**.
- **Be Enterprising (LEGI)** provides the residents of Derwentside, Easington, Sedgefield and Wear Valley with the opportunity to take up self-employment and boost enterprise.

Residents

- **Advice for Homeowners** – There are a range of initiatives to help residents struggling with mortgage payments and facing repossession, information on relevant support is available through the Citizens Advice Bureau.
- **Benefit checks** – If family circumstances have changed, such as working reduced hours and family income is reduced, residents may now qualify for some benefits.
- **Pension credits** – Residents aged 60 and over are guaranteed an income of at least £124.05 a week for single people or £189.35 a week for couples.
- **Free school meals** – If circumstances change, children might be entitled to free school meals.
- **Voluntary and Community Sector** – Continued support for communities and responding to higher demand for welfare services, advice and counselling.

Tackling the downturn: medium-term

- 12 In terms of moving forward and in the context of the recent I&DeA report 'Positive local leadership in a recession' the following recommendations for further action in the medium-term are put forward:

Leading and communicating a coherent local response to the recession

- Ensure that appropriate corporate/partnership mechanisms are in place to co-ordinate activity and provide strategic leadership.

- Maintain a long-term vision as well as addressing short term issues.
- Continue to effectively communicate the multi-agency response and support on offer to local audiences.
- Continue with major capital investment such as Building Schools for the Future (total programme value in excess of £500 million) and maximise the regenerative impact of such investment across the County.

Delivering a local plan of action

- Pay invoices quicker.
- Review policies and practices around procurement to drive up local opportunities.
- Review recruitment and employment policies to maximise impact on local residents, such as young people.
- Ensure that the prioritisation of future capital expenditure considers opportunities for windfall acquisitions.
- Ensure that external sources of assistance such as LEGI, Performance Reward Grant, Single Programme etc, are used to maximum effect and are strategically aligned.

The way forward

- 13 It is recommended that a Task Force is established in order to drive forward the local response to the economic recession in a strategic, corporate manner. It will provide leadership and will be able to respond to issues quickly and pull together a co-ordinated public sector response. Specialists from different Services and partner organisations will support the work of the task force.

Recommendation and Reasons

- 14 Cabinet is recommended to agree the suggestions outlined in this report.

Background Papers

None

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Appendix 1: Implications

Local Government Reorganisation

There are implications of not addressing the issues contained within this report for the image and reputation of the new Unitary Authority.

Finance

Whilst finance implications are not addressed in detail there are major financial implications arising from the current and forecast impacts of the economic downturn. The use of the Local Area Agreement (2006-2009) performance reward grant has already been earmarked for use in tackling some of the implications highlighted in this report.

Staffing

To be determined.

Equality and Diversity

Equality and Diversity will be affected by the economic downturn although the full extent is not known – highlighting the need for a corporate steer to address these issues.

Accommodation

Reduced capital receipts will have implications on County Council accommodation. Where LGR creates unused accommodation that is not in a position to be sold, it could be considered how this physical space could be used to support residents and businesses.

Crime and Disorder

In response to the Credit Crunch report described earlier, the Chief Constable for Durham Constabulary informed the Strategic Partnership of an increase in crimes against the person over recent months and an increase in opportunistic crime.

Sustainability

In relation to capital investment it is important that Durham County Council begins to explore how to develop new working models in partnership with the private sector and how this can support objectives such as design quality and social, economic and environmental sustainability.

Human Rights

N/A

Localities and Rurality

The aforementioned report, 'The impact of the Credit Crunch in County Durham' examines the specific impact on rural communities. A corporate position in terms of response to the downturn would support the development of the Area Action Partnerships (AAPs) to prevent there being a disparate approach by multiple AAPs with each service provider.

Young People

Key issues of the effect on young people have been highlighted in the CMT paper of 11/02/09 on the impact to those Not in Education, Employment or Training (NEETs).

Consultation

"The impact of the Credit Crunch in County Durham" report published in January was circulated to partners through the CDEP and the strategic partnership. A seminar for Members on the Economic Development and Regeneration Landscape – Present and future is planned for 04/03/09, to be presented by the Chief Executive and the Corporate Director for Regeneration and Economic Development.

Health

N/A

Appendix 2 Risk Assessment: Responding to the Economic Downturn

Risk Description	Potential Impact	Treatment (if not already in place, state implementation date)	Risk Owner
<p>Failure to set up a task and finish group to examine the impact of the credit crunch on the County Council and ensuring that each service area is working together to mitigate the effects for residents, businesses and the effective running and reputation of the Council.</p>	<p>1. The reputation of the Council may be adversely affected by not implementing the recommendation.</p> <p>2. Without coordination and leadership the public sector response to the economic downturn will not be adequate to mitigate the affects for residents and businesses and prepare the county for the upturn.</p>	<p>1. The Corporate Director for Resources has already considered this issue in relation to the budget for 2009/2010. Budget implications will be shared through this group to ensure service delivery is prioritised (budget announced January 2009).</p> <p>2. The County Council is already engaged with regional and local partners such as the Regional Skills and Employment Response Group (comprising the LSC, One North East, Job Centre Plus), redundancy task forces (implemented).</p> <p>3. The Regeneration and Economic Development Service has published an evidence base for use by other services to support targeted delivery (implemented).</p> <p>4. Regular updates are sent to Government Office for use by the Regional Minister in interpreting the effect of the credit crunch on the County Council (ongoing).</p> <p>5. A seminar has been organised for Members to discuss the impact of the economic downturn (4th March 2009); to be presented by the Chief Executive and Corporate Director for Regeneration and Economic Development.</p>	<p>Corporate Director Regeneration and Economic Development</p>