

Appendix A

Report to: Cabinet, 11th February 2009.

Subject: Responding to the Global Economic Downturn

Report by: Chief Executive (Designate)

1.0 Purpose of the Report

1.1 To set out some of the key existing and planned services and activities that are designed to sustain the local economy and support businesses and local residents who suffer hardship as a consequence of the worsening economic conditions.

2.0 Description of the Decision

2.1 The Cabinet is recommended to:

- (i) receive the report for information
- (ii) agree the proposals set out in the Action Plan attached as

Appendix 2.

3.0 Background

3.1. The economic downturn that looked like a possibility earlier this year is now a reality. Following zero growth in the first quarter of the financial year and a 0.5% reduction in the three months to September, the National Institute of Economic Research, a leading think tank, are predicting a 1.5% reduction in the fourth quarter of the financial year. There are a number of causes for the economic downturn most of which are associated with declining confidence in the financial sector and the associated constrained credit conditions. The causes are comprehensively set out in the report to Policy and Co-ordination Review Committee in October which is attached as Appendix 1.

3.2. Initially, the impact of the downturn was most obvious in the financial sector and the regional and local economies were not greatly affected. However, as the global financial crisis has deepened and broadened, the local economy has started to show the signs of downturn. Recent figures quoted by Job Centre Plus (JCP) for Sunderland show that the number of Job Seekers Allowance claimants in Sunderland has increased by 1,800 people compared to the same time last year and the number of live, unfilled vacancies has reduced by 41% in the same period.

3.3 The council's Benefit Service has also seen an increase in its caseload over the last year from 37,038 to 38,110. This increase, and the anticipated further increase in caseload, has been recognised by Government, who announced in January that it would be increasing the Benefits Service grant to assist in meeting benefit administration costs in 2009/2010 and 2010/2011.

- 3.4 Downward trends in the retail, construction and manufacturing sectors over the last six months suggest that further redundancies and business closures are likely to continue in the first part of 2009; 1,700 job losses were announced during the first ten days of 2009. As demand and the availability of money in the economy reduce so businesses are more likely to slow production and lay off workers further reducing demand in the wider economy. This potential vicious circle could result in an increasing number of businesses and individuals facing financial difficulty and there is a need to do everything possible to ameliorate the worst effects of this on business and residents alike.
- 3.5. Notwithstanding the current trends it is worth remembering that Sunderland, like the rest of the region, is starting from a relatively strong position. The council has played a key role in the collective effort to transform the local economy. The transition from an economy based on a small number of large employers operating in declining industries to an economy based on customer services, finance and the automotive industry has been extraordinary. The transformation means that the local economy is now more diverse and this single factor should make the economy more resilient to the current circumstances. Also, putting the current downturn into perspective, the numbers of people claiming unemployment related benefits in the city in December 2008 was 7,969 (6.4% of the economically active population). Whilst the position is nowhere near as bad as in December 1984, when there were more than 28,367 people claiming unemployment related benefits (21% of the economically active population), the current position and outlook is still very serious certainly in the context of more recent times.
- 3.6. Of course the relative scale of the current increase in unemployment is not a reason for complacency and the council is committed to working with partners, both in the public and private sectors, to develop and deliver an appropriate and proportionate response. This report sets out the existing and planned responses that are designed to enable businesses and individuals to respond to the worsening economic conditions. The key 'Future Developments' being proposed are set out in Appendix 2.

4.0 Supporting Local Businesses

4.1 The council, working with partners that include Business and Enterprise North East (BENE, formally Business Link), North East Chamber of Commerce and Social Enterprise Sunderland, continues to offer business support services offering advice and information for existing and new businesses. Key services available include:

- Advice on the availability of financial support;
- Business planning support;
- Providing Business premises.

As part of the package of support the Council's Business Development Team manages a set of financial support measures that support inward investment and business growth proposals. Even in the economic

climate that has prevailed over the last 12 months the council is still on target to create 1,000 new jobs in the city by providing financial support. In the last year the council has provided financial support for 4Projects, Sekura, Washington Display and Wisecall Claims Assistance leading to the creation of approximately 150 jobs.

- 4.2 The availability of the support package is being promoted through a series of events across the city and this has been supplemented by the support that has been provided to the further development of the Sunderland Business Network.
- 4.3 A variety of measures are in place to actively promote the availability of Small Business Rate Relief to businesses in the city. These include sending out an application form with the first Business Rate bill, the distribution of leaflets and fliers on the subject to appropriate businesses in February and September each year, and visiting officers offering assistance to businesses with their applications as part of inspection visits.
- 4.4 Efforts that are intended to promote local businesses in foreign markets and raise the profile of the city as a destination for inward investment from home and abroad are ongoing. It is important that a positive image of the city is sustained through promotional activity so that we can maintain confidence in the city and benefit from investment decisions that will be made as the economy improves.
- 4.5 The council's procurement practices seek to enable local businesses to compete for council contracts, including through advertising locally. In addition, recent measures taken include taking steps to ensure at least one quotation for goods and services to be procured by the council comes from a local supplier and that relevant community benefit clauses are included in future tendering exercises.
- 4.6 The council recognises the importance of maintaining cash flow to small businesses and has a policy in place to pay suppliers within agreed payment terms or within 30 days of the invoice date of an undisputed invoice. Measures are in place to ensure good performance in this area. Performance in respect of the council's payment processes is measured by the previous BVPI 8 and this shows that currently over 97% of undisputed invoices are paid within 30 days of the invoice date. Based on the date of receipt of invoices, a high percentage of invoices are paid within 10 days and on average, invoices are paid within 14.25 days. Plans are in hand to reduce the average to 10 days.
- 4.7 In addition to the above, the Council has always responded positively to any case made for earlier payment where financial hardship is demonstrated and will continue to do so.

- 4.8 Council representatives from the Business Development Team, Benefits Service and Welfare Rights Service are supporting Job Centre Plus (JCP) in the delivery of a Rapid Response Scheme (RRS) that provides employees threatened by redundancy with opportunities for further training that will enhance skills, improve employability, and also to assist in claiming any benefits they may be entitled to. An RRS has been put in place as a response to the redundancies announced at Nissan and resources are available to respond to any further medium to large scale redundancies. The RRS is also being extended to cover small scale redundancies and this flexibility has been used recently to support companies in Houghton and Washington.
- 4.9 Sunderland's 12 Job Linkage service outlets also offer support to residents who are under formal threat of redundancy with advice and guidance in seeking alternative employment and also with funding to improve skills.
- 4.10 By way of increasing demand for local products and services it is proposed that a marketing campaign promoting the city as a short stay and day visit destination is initiated. This will be designed to take advantage of the likely growth in demand for UK based destinations that represent value for money.
- 4.11 It is important that local businesses are in a position to hold on to key staff and prepare for the economic upturn. With this in mind the Learning and Skills Council have recently relaxed the qualifying rules for the Train to Gain programme to enable more companies and individuals to benefit from resources that are available to support training costs to up-skill existing staff and this will provide the basis for adaptation, growth and enable businesses to prepare for the economic upturn. The Tyne and Wear Multi Area Agreement also includes a series of commitments that will make skills development activities more relevant to the needs of local businesses.

Future Developments

- 4.12 There is recognition of a need to improve the level of business support available in the city to respond to growing and changing demands. Representatives of the Council's Business Development Team are working with partners in the Region including BENE and ONE North East to add capacity to the current provision. In response to the changing pattern of demand for business support services the council is working with partners to repackage services, improve access networks and implement an effective promotional campaign. Specific developments that are being considered include:
- Putting in place a single point of contact for business support services;
 - Staging an event that provides advice from business support and financial advisors on reducing the impact of the recession.

4.13 The availability of loan finance and credit at affordable levels is clearly an issue for businesses and it may be necessary for partners in the region to consider how existing financial support schemes can be adapted to respond to the conditions. The Government has recently announced the introduction of a package of measures designed to address the cash flow, credit and investment needs of small and medium businesses. The support package consists of loan guarantees and a new Enterprise Fund aimed at helping companies access finance for working capital and investment. Whilst the new measures are welcomed it may also be necessary to develop an effective regional lobby to:

- promote the need for the banks to take a more helpful attitude to local business in terms of loans and loan guarantees.
- request government to reduce or suspend some businesses taxes. For example, government have made some changes to ease the burden on Empty Property Rate Relief, but these changes have been made for one year only in 2009/2010, and will not assist businesses in the longer term unless the relaxations are extended.

4.14 At a strategic level the Council is at the core of the work that is being done at a regional and city region level to improve the use of resources that the government allocate to economic development, transport, regeneration and employment and skills in the region. Our role is to ensure that the decisions that are made at the regional level are informed by the needs of Sunderland residents and that the initiatives developed are made available locally. An example of the measures that are emerging from this involvement include a proposal to introduce an Emergency Retention Fund that will provide support in the form of a wage subsidy to companies in financial difficulty.

4.15 There is an understanding that the charges that the council sets and the processes used to collect payments can impact on local businesses. Every effort is being made to ensure that businesses that have short term financial difficulties are treated with an appropriate degree of sensitivity. Where financial hardship is demonstrated and assistance is needed in the short term due to the economic difficulties being experienced the council will consider assistance including through deferring rent increases.

4.16 In addition, everything is being done to increase efforts to inform businesses of the benefits that are available. From February canvassers will visit companies to encourage them to apply for Small Business Rate Relief.

4.17 Plans are in place to advise businesses of the changes to Empty Property Rate Relief in 2009/2010, which government has introduced in order to help small to medium sized companies. A flyer is being included in any new bills from January 2009, and a newsletter, which

will include an article about the changes, is to be sent to all businesses, in February 2009. This will be supplemented by information on the change being put in the annual bills for 2009/2010.

- 4.18 A number of proposals will be brought forward in a revised Corporate Procurement Strategy to improve access for local businesses to council contracts. Developments include:
- Where possible at least one of the three quotes sought for contracts up to £75,000 will be from a local supplier.
 - A relevant community benefit clause will be considered for inclusion in all tender processes over £75,000
 - Where time allows all quotation opportunities over £20,000 shall be publicised on the official Government low value contract opportunity portal which provides improved access for small businesses to lower value contracts
 - WNF resources have been sought to create an electronic directory of local businesses to be used across the council when procuring through a quotation process.

Interim measures have already been put in place in relation to the first two bullet points above.

5.0 Improving employability

- 5.1. Working with JCP and organisations from the Voluntary and Community Sector (VCS), the council is continuing to provide community based services that enable people to rejoin the labour market. Services include access to retraining courses, counselling and job search skills. The services, delivered under the banner of Job Linkage, are based on a highly effective partnership between the Council, JCP and VCS. The partnership which has also resulted in the development of Children's Centre based services that focus on supporting lone parents who are returning to work. Resources have also recently been made available from the Learning and Skills Council to fund the childcare costs of lone parents who choose to do a job related training programme.
- 5.2 JCP has introduced a series of Welfare Reforms that are designed to encourage people to move from benefit to work. Benefit claimants will need to demonstrate that they are looking for work and people who have had to leave employment due to illness will undertake an employment assessment to determine what type of alternative employment might be suitable. Those assessed as being capable of employment will be directed to Job Seekers Allowance rather than Incapacity Benefit.
- 5.3 A selection of vocational diplomas have been added to the courses available to school pupils in the city. These have added significantly to the choices available to young people in the city and provide the opportunity for young people to improve future employability.

- 5.4 The Council has sponsored the Echo's Keep Wearside working campaign, an initiative that provides practical assistance to job seekers and has received a considerable amount of positive reaction.

Future Developments

- 5.3 The Working Neighbourhoods Strategy (WNS) includes a range of measures that will deliver enhanced services to people living in the most deprived neighbourhoods who are looking to enter employment. Specific initiatives include:

- Using community engagement officers to promote employability services amongst the target client groups;
- Co-ordinating and targeting the delivery of specialist provision that will enable clients to overcome the complex multiple barriers to employment and sustain a job;
- Deploying a team of Neighbourhood Enterprise Talent Scouts to promote enterprise and support individuals who want to start up in business.

- 5.4 It has been suggested that an enhanced public sector apprenticeship training scheme is developed to provide training and employment opportunities for young people. As part of this the council will commit to consider increasing the number of apprenticeship opportunities being made available to local people. The intention is to work with other public sector bodies to identify additional apprenticeship opportunities. The need for such a development may be more important in view of the reducing number of apprenticeships available within the private sector. A further intervention being considered is the possibility of subsidising apprenticeship placements within small businesses that are threatened by the financial downturn.

6.0 Helping people deal with financial problems

- 6.1 Advice agencies from the council, statutory, voluntary and private sectors provide information, advice and casework support for people needing benefits, debt and housing problems. First tier advice that involves providing answers to frequently asked questions, help with form filling, checking benefit entitlement and advising on money management is designed to prevent problems from becoming too serious. First tier services are often delivered from accessible community venues that are situated in the most deprived communities. Specialist services are also available in situations where problems have escalated and there is a need for representation in formal hearings.

- 6.2 Following a review of the welfare right provision in the city earlier in the year a Strategic Plan has been developed with the objectives of:
- Developing a more comprehensive city wide network of service provision
 - Improving access to services for vulnerable and other hard to reach groups
 - Increase access to specialist services.

An action plan is in place to realise these objectives.

- 6.3 Clearly there is likely to be greater pressure on these services over the coming period and contingencies have been established to bolster resources available should the demand for services become unsustainable within existing resources.

Future Developments

- 6.4 As with the business support services available at present there is an understanding that there is a need to improve the level and type of provision available. The economic downturn is creating a new type of client and it is important that services, and the methods / messages that are being used to promote the services, reflect the differing needs of this client group.
- 6.5 As a response to the emerging needs the council will work with partners to produce a circular that provides information on all benefits available from the council and others. This will include details of qualification criteria and application methods and information on all benefits, and debt advice services available through the council and its partners. As a companion to the benefits guide a 'Handy tips' guide setting out advice that will be useful during the recession will also be produced. This will include tips on how to use money effectively and set out the free and discounted services that people can access in the city.
- 6.6 The delivery of the circular will be supplemented by the organisation of a series of 'road shows' to take place in local community settings that will provide local people with access to money advice specialists and the council's annual benefit take up campaign at the end of February.
- 6.7 Working with the Tax Credit Office and JCP the councils Benefit Service will implement the 'In and Out of Work' pilot project in March. Using Government Connect the council, the Tax Credit Office and the DWP will be able to share in and out of work claims effectively and efficiently meaning that the customer has only to make one claim for 3 types of benefit and the claim is paid quickly and accurately. The project is to support the Government aim of providing claimants with the confidence to take short term work, knowing that their benefits will be paid as soon as their circumstances change. A number of other council services will be able to use Government Connect following the Benefits Service implementation.
- 6.8 Government has introduced a Mortgage Rescue Scheme to help people threatened with the loss of their home due to arrears; the scheme is targeted at the most vulnerable households, those on incomes of less than £60,000 pa who would be entitled to be re-housed under the Homelessness legislation.

- 6.8 A Homeowner Mortgage Support Scheme that will allow those who have lost their jobs or suffered a significant loss of income due to the downturn, to defer their mortgage interest payments for up to 2 years is also to be introduced. The interest payments will be added to the amount of the mortgage. The scheme will be available to those with loans up to £400,000 and the government will underwrite the risk of default. In addition applicants will be required to develop a Debt Management Plan. Aligned to this, Government has increased the level of income support for mortgage interest payments from £100,000 to £200,000.
- 6.9 The Council will promote the availability of the schemes and provide advice on eligibility and access.

7.0 Stimulating house building

- 7.1 The house building sector has been one of those that have been hit hardest by the economic downturn. Although demand for new or improved properties in the rented sector remains strong, demand for properties for sale has dropped as mortgages have become more difficult to secure and this has created an obvious downward pressure on house prices. The pace of property development activity has slowed to reflect the drop in demand and anticipated financial return. Not only will this impact on those sectors that are associated with the housing market it will also have an impact on aspirations to improve housing choice in the city and increase the availability of affordable housing.

Future Developments

- 7.2 The feasibility of developing a Local Housing Company (LHC) is being accelerated to mitigate the impact of the downturn, on the basis that a LHC model could stimulate house building activity by spreading the risk of development between the public and private sector. A financial appraisal of the LHC option should be completed by the end of February and this will provide the basis for a future decision.
- 7.3 A number of Assisted Housing Schemes will have a limited impact on the market but will be significant in providing affordable and appropriate housing for a vulnerable section of the community.
- 7.4 Gentoo intends to participate in the Government led Home Buy Direct scheme that will enable more prospective buyers to purchase newly built properties. Under the scheme, which is co-funded by the Homes and Communities Agency, buyers will be offered an equity loan of between 15 and 30% of the purchase price. The scheme is available to households earning less than £60,000 who cannot afford to buy a suitable property on the open market without assistance. The equity loan of up to 30% will be free of charge for the first 5 years.

8.0 Pursuing strategic regeneration investments

- 8.1 Regeneration investments have a dual role to play in the current climate. Firstly, regeneration projects can have the effect of stimulating

demand for local services and labour and the significance of publicly funded regeneration projects will become more significant in this respect as private investment in the city reduces. Secondly, the investments may improve business competitiveness in the short term and the prospects for economic growth in the medium to longer term by providing the physical and transport infrastructure needed to encourage private sector confidence and investment.

- 8.2 A significant number of key regeneration projects are ongoing or committed for the future. These include the BSF programme, the Sunnyside regeneration, Turbine Park and the Sunderland Strategic Transport Corridor and these will increase in importance locally

Future Developments

- 8.3 The draft Single Programme Investment Programme (SPIP) for 2009/2011 is being discussed with One Northeast with a view to it being presented for cabinet approval in April or May 2009. Alongside these negotiations, all of the council's planned capital investment and the arc's business plan will be assessed to determine which implementation timescales could be brought forward should funding be available, including resources specifically released to invest in infrastructure and environmental projects.
- 8.4 The SPIP will be the basis for developing an integrated approach to investing in physical renewal, encompassing housing and transport, as well as economic regeneration, which will enable co-ordination of liaison with One Northeast, the Homes and Communities Agency and government providing the basis on which the city might benefit from the availability of additional public resources that might be made available by One Northeast or the government. The Plan will be kept under review as work proceeds on the Economic Master Plan.
- 8.5 Further work will be done to add a viable 'local labour' clause to capital project contracts to ensure that we maximise the benefit of capital investment projects to local people and local businesses.
- 8.6 Work will also be done to consider the training opportunities that could be created alongside a programme of local environmental improvement projects.
- 8.7 When complete, the Economic Master Plan will enable the council and partners to direct investment to projects that will make a measurable and understandable contribution to economic growth in the context of the regional, national and international markets. The interim economic assessment that is being produced will provide the evidence to support strategic development and investment decisions in the city.
- 8.8 The council will seek appropriate funding from government agencies and Europe whenever possible to support the initiatives mentioned in this report.

9.0 Governance

- 9.1 The management of the proposed Action Plan will be added to the Key Projects Meetings schedule.

10.0 Reasons for the Decision

- 10.1 The Cabinet's decision will provide the basis on which the council will make a measured and considered response to the impact of the economic downturn on local businesses and people.

11.0 Alternative Options

- 11.1 In view of the seriousness of the economic downturn and the possible impact on local people and businesses it is appropriate that the council should do what it can mitigate the impact on those residents and businesses adversely affected. The decision of Cabinet will facilitate the development of additional measures that will contribute to existing activities that support people and businesses affected by the conditions.

- 11.2 Alternative, additional activities will also be considered and added to the proposed action plan if deemed appropriate and feasible.

11.0 Relevant Considerations or Consultations

(a) Financial Implications

Additional resources may be required to progress some of the proposals contained in the Action Plan. Further work is required to identify the scale of the additional resource and this will be reported to Cabinet in due course.

(b) Implications for Other Services.

A variety of council services are accountable for delivering the proposals set out in the report. Those services have been responsible for identifying the proposals included in this report.

(c) Consultations

All relevant Directorates and partners have been consulted on the proposals in the report.

Appendix 2: Responding to the Global Economic Downturn – Future Developments Action Plan (February 2009)

Theme		Action	Lead
Supporting Businesses	Local	Create a single point of contact for initial business help enquiries in the city.	Head of Business and Investment Team
		Work with partners to produce a comprehensive, understandable and coordinated business support offer. Produce and disseminate promotional materials to communicate the business support services in the city.	Head of Business and Investment Team
		Organise and promote a event setting out advice for businesses in the city on how to reduce the impact of the recession	Head of Business Investment Team
		Promote the availability of Small Business Rate Relief	City Treasurer
		Introduce measures to the council's procurement practices that will enable small, local businesses to access council contracts more easily.	City Treasurer
		Develop and implement a promotional campaign to attract leisure visitors to the City.	Head of Corporate Communications
Improving Employability		Introduce the measures set out in the Working Neighbourhoods Strategy.	Head of Strategic Economic Development
		Develop proposals to double the number of young apprentices recruited by the council and work with other public and private sector partners to increase the number of apprenticeship opportunities	Corporate Head of Personnel

	available in the city.	
Helping people deal with financial problems	Work with partners to produce a comprehensive guide to the benefits available through the council and other sources	Strategic Change Manager, Health, Housing and Adult Services
	Produce a 'Handy tips' guide setting out advice that may enable people minimise the impact of the recession.	Strategic Change Manager, Health, Housing and Adult Services
	Organise a series of money advice sessions that provide access to specialist, independent advice services to be delivered in local community facilities.	Strategic Change Manager, Health, Housing and Adult Services
	Introduce the 'In and Out of Work' pilot initiative.	City Treasurer
	Promote and provide advice on the government's mortgage support products.	Head of Housing
Stimulating House building	Accelerate the consideration of the Local Housing Company option.	Head of Housing
Pursuing strategic regeneration investments	Review the schedule of planned capital projects with the purpose of identifying those that can be brought forward.	Head of Strategic Economic Development and City Treasurer
	Encourage the employment of local labour and local businesses by identifying opportunities to increase the use of the 'local labour clause' in appropriate council tenders to	Head of Business and Investment Team