

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

4th DECEMBER 2008

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

**REGENERATION & DEVELOPMENT – LEAD CABINET MEMBER CLLR. ROBERT COOK
HOUSING & COMMUNITY SAFETY – LEAD CABINET MEMBER CLLR. STEVE NELSON
ACCESS & COMMUNITIES – LEAD CABINET MEMBER CLLR. DAVID COLEMAN**

THE IMPACT OF THE CREDIT CRUNCH ON THE BOROUGH

Summary

The credit crunch and global economic slow down which began in the construction and financial industry is now having an impact on Council services and individual households. This report seeks to assure Members that the Council is taking a lead role to establish the impact for Stockton Borough and put in place immediate and longer term plans to help local residents and businesses mitigate the effects of the economic slow down.

Recommendations

1. That Members note the content of the report and support the work undertaken to date.
2. That monthly updates be presented to Cabinet and made available to all Members.

Reasons for the Recommendations/Decision(s)

The global economic slow down is having a significant effect on local businesses, residents and Council services.

3. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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RECOMMENDATIONS

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INTRODUCTION

1. The credit crunch and economic slow down is developing into a global recession. The problems faced by businesses, rising unemployment and mortgage repossessions are an almost daily feature in the national media and many households and businesses within the UK are now experiencing increasing financial pressure and hardship.
2. The North East region's economy is predicted to suffer up to 70,000 job losses over the next 2 years. Despite this though, a recent report produced for the Local Government Association has predicted that the North East's recent growth and industries such as the process industry and new technologies, will position it relatively well to cope with the effect of the recession, second only to the South West.
3. Stockton Borough Council is proactively taking on a leadership and coordinating role, working with regional and local partners to put in place measures to help mitigate some of the effects of the economic downturn and be prepared for when the economy improves in the future. The Association of North East Council's (ANEC) is now having fortnightly meetings with the regional Minister to monitor the economic conditions, providing SBC with the opportunity to feed directly into central Government to influence the direction of government support. The credit crunch is also now on every Corporate Management Team (CMT) meeting agenda.
4. Although this report deals primarily with the issues regarding the local economy, regeneration and housing, most services within the Council are being effected to differing degrees and future reports will be presented to Cabinet to provide updates and more detail on specific issues from all Service Groups as appropriate. Paragraphs 30 and 31 provide

examples of some of the impacts on Council services to date and the mitigation measures that have been implemented.

LOCAL AREA AGREEMENT

5. The Local Area Agreement (LAA) contains a range of targets which could be affected by the changing economic climate. The Quarter 2 Performance report being presented to this Cabinet meeting, provides the latest performance position for the LAA and highlights where there has already been or could be an impact on performance due to economic changes. Officers continue to monitor the LAA and a further report will be brought to Cabinet at year end.

EMPLOYMENT AND BUSINESSES

6. Higher costs and reduced consumer spending are having a dual effect on businesses. Many are having to make cost savings as a result of a reduced demand for goods and services which will inevitably result in job losses.

Employment

7. The construction industry has been one of the hardest hit so far. The problems in the housing market detailed below have led to redundancies ranging from between 35% up to 90% within house building companies at all levels of the organisations, and within the supply chain, including Caterpillar in Stockton, where 75 workers have lost their jobs. Nationally Virgin Media has recently announced 2,200 redundancies over the next four years and BT a further 6,000 by March.
8. As of October 2008, there were 4,286 people seeking Jobs Seekers Allowance in Stockton, 204 more compared to the previous month and 792 more compared to this time last year (Source: NOMIS). A business confidence survey by KPMG in October 2008 also found that 62% of senior executives in the North East region are thinking of making staff redundant.
9. Despite this, employment in the Tees Valley's oil, gas, petrochemical and engineering firms is currently holding up, contributing to the view that the Tees Valley may be less affected by the downturn than other regions. This is supported by significant new inward investment and local expansion announcements in the last few months. K. Home International has recently launched a recruitment drive after securing more than £6m of new work, Aker Solutions has secured new work and is creating 70 jobs, Ensus are recruiting 70 staff for its new £250m bioethanol plant and engineering firm RDS has opened an office at Wynyard and is initially creating 50 jobs. A summary document titled 'One North East Sector Snapshots' provides an overview of how the different sectors within the region are being effected by the economic down turn and a copy has been left in the Members Library for information.
10. Working with our partners, including the Learning & Skills Council and Job Centre Plus, the Council is utilising all available funding to mitigate the local impact of redundancies and ensure that advice, support and training will be available to those people affected. In addition, through the Communities Fund, holistic and intensive support will be provided over the next three years that will help individuals to move from benefits in to work.

Support for Business

11. Small businesses are particularly affected by the harsher borrowing conditions brought about by the credit crunch and reduced consumer spending. The occupancy rate at Stockton Business Centre is currently at 80%, it's lowest for a number of years, due to the number of businesses downsizing and returning to work from home. In response to the economic conditions the Council has agreed to allow small local existing businesses that

are struggling to temporarily take space in the Business Centre (normally only for new businesses) to give them an opportunity to recover and reposition their business within a supportive environment.

12. At a regional level, One North East has made an additional £10m available, which can be accessed through Business Link North East (BLNE), to bolster firms' growth plans, create and protect jobs, cut energy bills and extend a scheme to help companies experiencing tax and credit difficulties.
13. Locally, the Council's Head of Regeneration and Economic Development is taking the lead role with partners such as One North East, BLNE, the North East Chamber of Commerce and the Confederation of British Industry (CBI), to closely monitor the impact and provide extra support and advice for start up and existing businesses.
14. To enable us to better understand business needs and to keep in touch with key issues during these difficult economic conditions the Council is meeting with local businesses on a regular basis to be able to develop solutions where possible and provide ongoing support. The Local Strategic Partnership Board will play a key role in supporting and monitoring the impact of the economic down turn on the Borough, specifically through the Economic Regeneration & Transport Partnership where the issue will be reported at every meeting.
15. £2M from the Communities Fund and a further £800k of ERDF (if approved) over the next three years will further support enterprise within schools and colleges, establish neighbourhood enterprise gateways with business coaches, start-up grants and workspace and provide intensive support to existing small businesses that are able to grow and expand.
16. The Council has also begun exploring the feasibility of paying suppliers quicker and providing more procurement and sub-contracting opportunities for local businesses.

HOUSING AND DEVELOPMENT

17. As elsewhere in the country, the rate of house building and construction in Tees Valley has slowed considerably in the last 12 months. Difficulties in accessing credit and reducing numbers of house sales due to tighter mortgage lending have caused house builders and the construction industry to pull back on the amount of building being carried out, to mothball sites (down tool and pull off mid way through construction) and make significant redundancies at all levels.
18. To put this in context, by the end of Quarter 2 2008, there was a 44.6% reduction in sales when compared to the same period in 2007. The down turn in sales is expected to be more pronounced in Quarters 3 and 4 as the knock on effect of the slow down in new build starts and completions takes full effect. Tees Valley Local Authorities have reported a reduction of between 78% and 84% in the number of starts in Quarter 2 of the current year compared to the same period last year. At the end of Quarter 2 2008, there were circa. 842 new build properties complete and unsold, 341 of these were within Stockton on Tees.

Tees Valley Housing Recovery Task Force

19. To respond to the worsening housing market, the Tees Valley Housing Recovery Task Force has been established to assess the impact and future implications of the credit crunch and explore potential means of mitigating some of the effects. The group includes representatives from of the 5 Local Authorities, Tees Valley Living, Registered Social Landlords, the Homes and Communities Agency (HCA) and the Home Builders Federation. It has developed a programme of interventions and 'Asks' for the new HCA which include additional funding to purchase unsold market housing, the introduction of fully flexible tenures and funding to provide a deposit scheme for prospective owner occupiers.

20. The Tees Valley sub region has been ahead of the game through its establishment of the Task Force and the intention is to be proactive and forward a report to the new HCA so that the Tees Valley is well positioned for any additional funding or flexibility in the use of existing funding streams.

Town Centres and Retail

21. The redevelopment of Thornaby Town Centre continues to progress well and it is likely that this scheme was too far progressed when the credit crunch began to incur any significant impact. As well as the ongoing physical progress on the ground, a number of new national retail stores including New Look, Lidl and Peacocks have recently been secured.
22. At Billingham Town Centre, the Local Authority interest was sold to enable sole ownership and investment by our development partner. Although the redevelopment scheme is continuing, it is taking longer to complete deals with national retailers and as a result progress has slowed. However, the £15m Council led refurbishment of the Forum is on schedule to commence July 2009 and will bring a significant boost to the local economy.
23. The next stage of development of Stockton Town Centre is the implementation of the recommendations from the recent study undertaken on how to transform it in to a more vibrant place. It is unlikely that this can be progressed whilst the slow down continues due to a lack of financial capacity within the private sector and falling retail sales. One of the key challenges for Stockton Town Centre is to try and maintain the economic activity it currently has as retail spending continues to fall. For example, Roseby's has already closed and nationally Woolworths has announced that it is suffering financial difficulties and is in talks regarding the sale of its retail business although it is not know yet if and how this will impact Stockton.
24. The fall in retail sales across all of our town centres, does however appear to be leading to a direct increase in market trading as consumers change spending patterns in reaction to rising costs. Anecdotally, market traders have advised that business is thriving. Stockton market is still fully subscribed, whilst the Christmas market is over subscribed, resulting in additional trading space being created to accommodate the higher than anticipated demand.

The Impact on Key Housing and Regeneration Sites and Schemes

25. At North Shore the outline planning application has been delayed due to economic pressures which require further negotiation. To help progress the scheme, One North East (ONE) have come on board as a partner and are now acquiring some of the 3rd party sites.
26. House sales on the Councils 3 major housing regeneration schemes at Mandale, Hardwick and Parkfield, are very slow, although Mandale is reported by our developers to be doing better than most sites in the North East region. High level meetings are ongoing with the Managing Directors of all developers and a number of plots have been swapped from private to social rented to try and keep the build programmes going, reduce redundancies and contribute to the local economy. The additional social housing will also help to relieve the pressure on the Housing Register detailed below. A more detailed report on housing regeneration schemes will be presented to Cabinet early next year.
27. Sites with major housing planning consents including Queens Park North, Allen's West and the Corus site have not progressed to a start on site, whilst other sites have been mothballed, such as Parkfield Foundry. Ongoing discussions with developers advise that they are unable to even begin site preparation works due to a lack of available finance to purchase land and cover upfront costs. In addition, sites bought during the boom period are no longer financially viable.

28. The Tees Valley's successful inclusion in the Growth Point programme will help to mitigate the impact on some of these key sites by providing significant inward investment to fund infrastructure works so that they are ready to be developed once the housing market begins to stabilise. Confirmation of the level of Growth Fund to be allocated to the Tees Valley is anticipated early December. The funding should offer the opportunity to try and kick start some development sites and create employment opportunities for local people.
29. Likewise, in addition to the £15m Billingham Forum refurbishment, there are other large scale public sector funded schemes led by the Council being delivered which will have a positive impact on the local economy and jobs including the £14.5m Infinity Bridge, £2.5m extension to Splash, £14m refurbishment of Billingham Forum and £3.5m upgrade of the Tees White Water Course.

WIDER COUNCIL SERVICE IMPACTS

30. The economic problems have begun to have a significant effect on individual households throughout the borough and it is therefore almost inevitable that this will lead to an increasing demand on Council services, particularly in relation to homelessness and social care referrals. In response the Council is actively monitoring demands on service and is already, and will continue to use its flexible forward planning processes to adapt and implement changes in service provision as required.
31. The information below provides examples of some of the emerging impacts on some services and the immediate responses implemented by the Council to mitigate these:

Impacts

- i) Demand for social housing increasing, numbers of applicants on SBC Housing Register:
 - 1st April 2007 - 3,187
 - 1st April 2008 - 4,139
 - 1st September 2008 - 5,101 (23% increase in 6 months)
- ii) Increased number of customers seeking assistance from Housing Options Service:
 - 435 homeless applications taken 2007/08
 - 323 April to September 2008, projected to rise to 646 by end of year (48.5% increase)
- iii) Teesside Court seeing an increase in mortgage possession claims:
 - Quarter 1 2008 - 458 claims, increase of 14% from same period last year
 - Quarter 1 2008 – Number of possessions made 310, increase of 18% from same period last year
- iv) Increasing workload for the Benefit Service:
 - August to November 2008 - 11% increase in workload and claims
- v) Stockton District Advice and Information Service (SDaIS) seeing an increase in client numbers, particularly from affluent communities.

Responses:

- i) Resources being directed to pressure areas through the in built flexibility of the medium term financial and service plans.
- ii) Referral process with SDaIS for help with debt advice.

- iii) Using discretionary housing benefit payments to safeguard housing for those most in need.
- iv) Financial Inclusion Forum Partnership established involving SBC, Tristar, Job Centre Plus and the voluntary sector, which has produced resident newsletters, is developing a website and providing financial capability training for staff.
- v) £30,000 of additional funding secured from Communities and Local Government (CLG) as a one off payment to procure a specialist service to tackle illegal evictions and mortgage repossessions – this will include attending court with clients.
- vi) Information to go into the next edition of Stockton News on how to cope with debt and mortgage repossession.
- vii) Radio interviews to promote housing advice.
- viii) Information given to all elected members to include in ward newsletters or use at ward surgeries on debt and housing advice.
- ix) Promotion of the Tees Valley Credit Union and encouraging additional collection points throughout the Borough.
- x) Using community centres and third sector partners to pilot skills swap - i.e. 1/2 a day gardening in return for 1/2 a days decorating and exchange events e.g. toys books games etc, promotion of lunch clubs, bulk buying food etc.

FINANCIAL IMPLICATIONS

32. The risks to the development schemes and increasing demand for Council services are likely to lead to financial issues for the Council. Already there are increases in access to specific services plus a reduction in income to the Council e.g. planning fees. These financial pressures will be picked up and reported as part of the Council's budgetary preparations and medium term financial planning.

LEGAL IMPLICATIONS

33. There are no legal implications at this stage.

RISK ASSESSMENT

34. The economic down turn poses risks to most of the Council's regeneration schemes and services. Specific items within this report are on the Council's corporate risk register and appropriate risk management strategies and contingencies are in place.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

35. The effects of the credit crunch will have an impact on the Council's ability to deliver against all of the themes of the Sustainable Community Strategy.

EQUALITIES IMPACT ASSESSMENT

36. This report itself is not subject to an Equalities Impact Assessment (EIA) as it reflects the current position as apposed to a policy change. However, we are considering the impact of the economic change on communities and using an EIA process.

CONSULTATION INCLUDING WARD/COUNCILLORS

37. The Leader and Cabinet Members for Regeneration and Transport and Housing and Community Safety and Access and Communities have been briefed on the content of the report.

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Background Papers - None

Ward(s) and Ward Councillors - All

Property

Land to be sold to developers on key development sites.