

ECONOMIC CLIMATE UPDATE REPORT

EMPLOYMENT AND BUSINESS

Following the report to Cabinet in December 2008 a regular update of the local economic climate was requested to be reported to each Cabinet meeting. The following is a summary of the positive and negative economic changes that have taken place since the previous 8th January update.

ENGINEERING/MANUFACTURING/CHEMICAL

Positive

- A £20M investment has created 55 jobs at a Billingham based crane company **Mammoet UK**.
- Middlesbrough based **Balfour Beatty** have secured an Emirates Aluminium smelting contract. 200 jobs recruited for across the Tees Valley.
- **Cleveland Bridge** in Darlington to create 200 new engineering jobs.
- **Marlow Foods** in Billingham will be investing £35m in the Tees Valley.
- **Paul Wurth** has taken 5,000 sq ft of office space at Preston Farm, Industrial Estate, employing up to 40 staff.
- **McGill Services Ltd** based at Billingham has secured two Royal Navy contracts worth £27.4m which will secure 40 existing jobs.

Negative

- **Nissan** announced plans for 1,200 job losses. As a result of this, a supply chain company, **Nifco**, has made 45 redundancies and now employs 180.
- **Babcock and Brown Infrastructure**, the owner of PD Ports, who operate at Teesport, has said that it would now consider selling PDS Ports. The company had previously said it was not for sale but pressure has increased for more asset disposals to shore up the company's balance sheet.
- **Growhow UK** which employs around 200 in Tees Valley, has temporarily suspended production at its Billingham plant. No redundancies anticipated at present.
- **Fine Organics**, of Billingham, has been subject of a management buyout for an undisclosed sum. The company has reduced its workforce by 34 to 184.
- **Katmex**, specialists in supplying construction equipment manufacturers, has announced a reduction of half of its workforce to 50.
- A Wilton chemical plant operated by **Invista Textiles UK Ltd** is to close. 300 jobs lost.
- **Dow Chemicals** announced it would permanently close 20 of its plants and temporarily halt production at 180 more worldwide (230 Tees Valley based employees).
- **Arngrove Construction Services Ltd**, Teesside Industrial Estate, have entered into administration. 50 jobs lost.
- **Atkins Design and Engineering** has announced 260 job losses nationally. The redundancy programme will affect the Stockton office, but no further details have yet been announced.
- **Corus** have announced a loss of 2,500 jobs in the UK - 47 jobs confirmed lost at Corus' northern engineering service on Teesside. The impact on Corus Tubes at Hartlepool is currently unknown. A buyer is lined up to take a majority share in the Redcar plant which should secure its future until 2014.

- Announcements that the work on the **SeaDragon Project** could be moved to Singapore, with the potential for jobs being lost in the Tees Valley.
- Bob Coxon OBE and Chair of NEPIC, addressed 440 Business leaders and executives at the NEPIC Annual Awards Dinner held on 16th January 2009 outlining the challenges faced by different sectors of the chemical industry resulting from the current economic climate.
 - **Base Chemicals** companies are volume suppliers to the large users of chemicals and materials. They are driven by the main economy and are thus greatly affected by wider downturn.
 - **Fine & Specialty Chemicals** companies in the sector report that in many ways it is business as usual, and that there are still many new business opportunities worldwide
 - **Pharmaceuticals** companies report that they have not yet seen the impact of the credit crunch. Production continues at normal levels but they do continue to feel the impact of globalisation
 - **Biotechnology, Renewables & Recycling** companies have seen a number of new projects come to the region, some new investments but also some investments have been deferred.

The conclusion made is that while the downturn provides extra challenge for the NE process industry the region has a firm foundation and spread of companies and sectors.

SERVICE SECTOR/RETAIL

Positive

- **Wellington Square** expects occupancy to be at 83% in the New Year. **FX Currency**, **O'Briens** Sandwich Bar, and **Waremart** are due to open.
- **HobbyCraft** has opened a new store on Teesside Park creating 30 new jobs.
- A successful jobs fair was held on the 15th January where 200 service sector jobs were made available by 15 employers predominantly situated within the new **Thornaby Town Centre** development. 1205 residents attended.
- **Swiftcover.com** are recruiting 100 staff to their Teesdale call centre, increasing the workforce to 309.
- **Go Outdoors** will open a new shop in Portrack Lane in March 2009. The Sheffield-based firm currently has 550 employees nationally.
- **Wolviston Management Services**, recruitment company supplying the oil and gas, engineering and project management industry, are recruiting 12 staff following a relocation to Preston Farm and take over of rival firm Manning.

Negative

- **Garlands** Call Centre in Preston Farm. Likelihood of up to 90 redundancies from a workforce of 170.
- The **Officers Club** based in Wellington Square is to remain closed.
- Children's wear retailer **Adams** Stockton outlet based in Wellington Square has closed.
- **Celebration Holdings** parent company of the **Card Warehouse** has closed its remaining stores on 12th January, including two in the Stockton area.
- **Zavvi** based on Teesside Park has been saved as one of 14 stores purchased by HMV.

- **DeVries**, and its Honda dealership at Preston Farm, has entered into administration. 33 redundancies in total, 8 from the 30 staff at Preston Farm.
- **Land of Leather**, has 109 stores nationally, with 850 staff, has entered into administration. It is uncertain if this will affect the store located at Portrack Lane.
- **Stiller Group** employs 150 in Stockton - is planning temporary short-time working patterns, redundancies have not been ruled out.

General Indicators

- JSA figures for December 2008 show 4,838 claimants in Stockton, which represents 4.1% of the working age population. This is 346 more claimants than in November 2008 and 1,294 more than a year ago. 326 of the new JSA claimants last month were men.
- There was a 44% increase in JSA claimants in the North East between October 2008 to second week in January 2009. This was the lowest increase across the country, with the exception of London.
- Job vacancies notified to Jobcentre Plus offices in Stockton (December 2008) was 755, a reduction of 633 from 1388 in November. In the Tees Valley there were 2761 vacancies notified compared to 5001 in November.
- Council's section of NNDR collection rate is showing a very small decrease (87.25% up to December 2008) compared with 88.60% at December 2007. The empty properties percentage is showing 0.9% increase from June 2008. (14.5% compared to 13.6%).
- The current occupancy rate of the Stockton Business Centre is 77% - a reduction of 4% from the January update (one business taking premises, two exiting).

OTHER ECONOMIC INFORMATION

Support for Business

- A plan to assist small and medium-sized firms survive the downturn has been unveiled by the government, intervention measures include;
 - **Working Capital Scheme:** Will secure up to £20bn of short-term bank lending to firms with a turnover of up to £500m
 - **Enterprise Finance Guarantee Scheme:** Will secure up to £1.3bn of additional bank loans to small firms with turnover of up to £25m
 - **Capital for Enterprise Fund:** £50m from the government, plus £25m from the banks, to invest in small firms that need cash and have good growth potential.
- The Local Authorities, One North East, Jobcentre Plus, Learning and Skills Council and Business Link are working together to ensure that firms and individuals understand who to talk to about getting support and funding. These key agencies have joined forces to get a clear message of support out across the region.

- To help North East businesses, Business Link is hosting a series of free business efficiency breakfast events across the region, and will be launched in April 2009, at which representatives from Stockton Council will be present.
- Stockton Council will be working with Business Link who will be running a series of sub-regional economic downturn master classes on 19th February 2009, 8.00 a.m. to 10.30 a.m. at Wynyard Rooms. Topics to be covered include risk management, how to work better with banks and legal and financial advice.
- Firms in the Tees Valley are to be given access to a £125m fund Joint European Resources for Micro to Medium Enterprises Initiative (JEREMIE) designed to boost the region's economy. The five-year fund will come on stream in September 2009 and is supported by the European Investment Bank, the European Regional Development Fund and Regional Development Agency - One North East.

Support for People

- The 12th January saw the Government announce proposals which will see DWP invest an additional £500m over two years commencing in April 2009, to provide a package of support to those unemployed for six months or more, and to bring in an extra 6,000 frontline staff to help people from day one.

As well as extra funds for Job Centre Plus to provide every job seeker who has been out of work for six months more intensive personalised support, the package will include:

- Employers Golden Hello's: incentives of up to £2,500 paid to employers to recruit and train unemployed people.
 - New training places: extra funding for training places to help unemployed people get new skills to maximise their chances of getting jobs from the 500,000 vacancies in the national economy.
 - Work-focused volunteering options: opportunities to volunteer to help people back into work habits
 - Help to set up a business – advice on creating a business plan, plus funding for the first months of trading.
- Job Centre Plus has produced a range of materials entitled "Find your way" which is aimed at helping both business with training, recruitment and redundancies and individuals who find themselves unemployed as a result of the economic downturn.
 - The Financial Service Authority (FSA) educational programme titled "Making the Most of Your Money" is being made available to Stockton Borough Council employees throughout January and February.
 - A drop in session is being held on Tuesday 10th February at Stockton Parish Church entitled 'Busting the Credit Crunch' attendance by representatives from agencies including Tees Credit Union, Housing Services, Stockton District Information Advice, Welfare Rights and Tristar Homes, and is available to all residents.

- The Redundancy Task Group Jobcentre Plus will be discussing packages of support from them and partners. They can arrange a meeting with relevant public sector organisations to discuss support to provide Job Kits and local contacts re. redundancy, claiming benefits and applying for jobs. BLNE may be able to offer to assist with training for employees who are still working dependant on criteria, and JCP may be able to help people who are under notice or are redundant.
- More funding is being made available for the Jobcentre Plus Rapid Response Service (RRS), which provides support on the ground when companies are looking to make people redundant.

HOUSING AND DEVELOPMENT

- **Mortgage Rescue Scheme** – Scheme extended across the country in January 2009 – details still awaited of how this will be implemented across the Tees Valley. Homeowners will either be able to sell a share of their home to a housing association, enabling a reduction in monthly mortgage payments, or they can sell the entire home to a housing association and remain in the property as tenants paying a subsidised rent. The scheme is anticipated to assist up to 6,000 households nationally.
- **Homebuy Direct** - In December the Government announced that they would be increasing the funding for the scheme to £400m. Nine housing sites have been allocated funding for Homebuy Direct providing an additional 194 affordable units in the Borough. The scheme will be administered by the Registered Social Landlords.

Details of both schemes were provided as a separate briefing to all Members in December 2008.

KEY STATISTICS

The statistics below show key data from the Housing Service and compares them with previous data.

Monthly Housing Benefit Workload

December 2007 - 4501
December 2008 - 5909

There has been a 30% increase in Housing Benefit workload in December 2008 compared with December 2007.

Number of households accepted as homeless

November 2008 - 92
December 2008 - 75

December is traditionally a quieter month for approaches. The service is also closed for one week.

Applications on the Council's Housing Register (including transfers)

November 2008 - 3998
December 2008 - 4231

Number of housing options customers seeking assistance with mortgage/rent arrears

November 2008 - 7
December 2008 – 12

Number of approaches to the Housing Options service

November 2008 - 215

December 2008 - 105

December is traditionally a quieter month for approaches. The service is also closed for one week. However in the first two weeks of January there have been 136 approaches to the service.

Number of House Sales in the borough (source: land registry)

September 2007 - 354

August 2008 - 152

September 2008 - 143

Average monthly House Prices in the borough (source: land registry)

November 2007 - £136,393

October 2008 - £132,115

November 2008 - £126,503

APPROACHES TO STOCKTON DISTRICT ADVICE AND INFORMATION SERVICE

There has been a significant increase in all enquiries received by the service. Key statistics for September to December 2008 (Q3) are shown below.

<u>Subject</u>	<u>2007/08</u>	<u>2008/09</u>	<u>Change</u>
Welfare Benefits	5313	5159	- 2.8%
Debt	5163	5550	+ 7.5%
Employment	920	1102	+19.7%
Housing	898	1589	+76.9%
Relations/Family	408	483	+18.3%
Health	299	311	+ 4.0%

STOCKTON BOROUGH COUNCIL RESPONSES

- Government information, materials and response packages are being actively promoted through business engagement visits, a regular E-Business bulletin, and as part of business workshops being arranged for other subjects, such as business continuity planning on a business park basis.
- The Tees Valley Local Authorities, Tees Valley JSU, One NorthEast, Jobcentre Plus, Learning and Skills Council, and Business Link are working together to identify gaps in provision and seek to procure additional activities including through supplementary European Social Fund co-financing programmes.
- Key messages have been issued to all SBC staff to reduce the number of days it takes to make invoice payments, which will assist in the cash flow of small businesses.
- Additional staff are being recruited to assist with the increase in the housing benefit workload.
- A two page feature has been produced for the January edition of Stockton News which outlines some of the steps that the Council and partner agencies are taking to help businesses and residents across the Borough.