

ECONOMIC CLIMATE UPDATE REPORT

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 16th April update.

EMPLOYMENT AND BUSINESS

ENGINEERING/MANUFACTURING/CHEMICAL

Positive

- **The Tees Alliance Group (TAG)**, at Billingham's Haverton Hill shipyard, announced that it is close to a contract agreement to construct a drilling rig in a deal likely to be worth hundreds of millions of pounds.
- **John Baarda** a commercial tomato producer in Billingham is hiring 50 temporary workers for the summer peak period.
- A Knowledge Transfer Partnership between Teesside University and engineering firm **Stockton Casting Company** boosted sales by at least 30%. The graduate placement also earned the university an outstanding mark from external assessors.
- Stockton based engineering firm **Aker Solutions** has been named as a preferred supplier for work on a nuclear power station in South Africa.
- Stockton manufacturers **Cleveland Cascades** and **Tracerco** of Billingham both received the Queen's Award for Enterprise 2009 – Britain's highest accolade for business success. Building on this success **Tracerco** have plans to create 15 new jobs.
- **UPDATE:** 30.4.09 - Corus commented that a takeover deal, which would protect the future of its 2,000 workers, was still on the table.

Negative

- **Cape Industrial Services** a scaffolding firm in Billingham notified Job Centre Plus (JCP) that 40 redundancies (unconfirmed) would be made up to 30.04.09.
- **Doncaster Parolloy**, a steel foundry in Billingham, notified JCP of 9 redundancies (unconfirmed).
- **Simpsons Enclosures** in Billingham have made 9 redundancies.
- **Tolent Construction** of Thornaby notified JCP of 35 redundancies (unconfirmed).
- **Tetley GB** in Stockton has made 34 redundancies.
- **UPDATE:** 30.4.09 - **Elementis** announced that its Eaglescliffe facility would close the last remaining chromium plant in the UK with the loss of 138 jobs in June 2009.

SERVICE SECTOR/RETAIL

Positive

- The world's first designer clothing portal has been launched by a new Stockton firm, **DesignerClothing.com**.
- The owner of Stockton based property specialists **Snail Homes** is to launch a new car valeting venture, creating up to 50 jobs. Snail Homes has been bought by property management and advisory firm **Town & Country** in Billingham.
- Retailer **Wilkinson** created 55 jobs at its new store in Thornaby, investing a seven figure sum in its 5,000 sq ft store.
- **Cornerstone Business Solutions** of Thornaby is employing three additional staff following six recent contract wins.
- **Court Homemakers** of Portrack Lane has reported an 80% increase in footfall (January to March 2009).

- Upmarket food retailer **Lewis & Cooper** is to move out of its concession in Strickland & Holts to a stand-alone outlet in Yarm High Street.
- Builder's merchant **JT Dove** has opened a depot at Portrack Lane, investing £1.5 million.
- **UPDATE:** Beer monitoring company **Brulines** based in Stockton is expecting end of year profits to be in line with the £5.2m predicted by analysts as it looks to expand its services in the petrol station market.

Negative

- 1,000 jobs at risk nationally after the announcement that fashion chain **Bay Trading** announced administration proceedings. A store is operating in Wellington Square.
- The **Somerfield** supermarket in Yarm is to close in May following a buy out by the Co-Op, 44 staff facing redundancy.
- Stockton shop fitting firm **Newman Scott** notified JCP of 15 redundancies (unconfirmed) during April to June 2009.

ECONOMIC INDICATORS

GENERAL INDICATORS

- Profit warnings from North East companies more than doubled during the first quarter of 2009. 19 profit warnings have been issued, with an increase of 8 since December 2008.
- An RBS Purchasing Managers Index North East report points to the non-replacement of leavers as one method companies are using to reduce employee numbers.
- The North East Chamber of Commerce Business Barometer states that since November 2008 businesses maintaining or expanding their workforce has increased by 30% (to 80%).
- Stockton Business Centre Management is currently in talks with businesses (3 to relocate to the Centre), and 2 (acquiring additional space).

Numbers on JSA	Mar-08	Feb-09	Mar-09	% WA pop	Change in Month	%	Change in year	%
Stockton	3,726	6,072	6,155	5.2	83	1.4	2,429	65.2
Tees Valley	15,665	23,324	23,813	5.8	489	2.1	8,148	52.0
NE%	50,910	82,790	84,344	5.3	1,554	1.9	33,434	65.7
GB%	818,295	1,416,213	1,478,196	4	61,983	4.4	659,901	80.6

- JSA figures for March 2009 increased by 83 claimants in Stockton, now representing 5.2% of the working age population, an increase of 0.1% from Feb 2009. The total in the borough now stands at 6,155 on the JSA register.

New Claims to JSA	Mar-08	Feb-09	Mar-09	Change in month	%	Change in year	%
Stockton	828	1922	1,300	-622	-32.4	472	57.0
Tees Valley	3220	6635	4749	-1,886	-28.4	1,529	47.5
NE%	11,444	25,448	17,599	-7,849	-30.8	6,155	53.8
GB%	189,646	474,127	336,234	-137,893	-29.1	146,588	77.3

- The number of new claims to JSA for March was 1,300, this is 622 less than the previous month.
- The total number of Employment & Support Allowance (ESA) claims in Dec (most recent locally collected data) is 164, and this is made up of 133 claims to the new ESA, and 31 new claims to transitionally protected IB. This compares to 98 new claims to IB in the same period in 2007.

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- 760 Job vacancies were notified to 3 Jobcentre Plus offices in Stockton for March 2009. The vacancies included 102 in Admin and secretarial, 280 in hotel and retail and sales services, and 40 in Financial Services notified by various recruitment agencies, with some for the motor trade. Also notified were over 100 in Health care, and education.
- There were 469 unfilled vacancies. The vacancies unfilled across Stockton, Billingham and Thornaby include 80 in health or childcare, 30 in healthcare professionals, 40 in engineering and 50 in retail or sales related.

ECONOMIC SUPPORT MEASURES

SUPPORT FOR BUSINESS

- The One NorthEast (ONE) 'Grant for Business Investment (GBI)' designed to help SME's in disadvantaged areas now totals £1m worth of funding over the next two years.
- Teesside University has secured £420,000 of the £27.5m 'Economic Challenge Investment Fund'. The fund would be matched by ONE and the University's business partners to a total of circa £900,000 to support businesses through the recession over the next 18 months.
- The HMRC Business Payment Support Service has, to date, helped 101,135 businesses nationally. Pre Budget Report announced a temporary increase from 1 April 2009 to the threshold at which an empty property becomes liable for business rates, from £2,200 to £15,000. Estimates state over 70% of empty properties will pay no rates in 2009-10.
- Pre Budget Report also announced that British small businesses stand to benefit from £4 billion of European Investment Bank (EIB) funding from 2008-2011 and that £1 billion would be available by the end of 2008. Confirm that UK banks have secured £1bn of EIB funds for lending to SMEs and a further £450 million is being negotiated. Banks are lending this money to businesses across the UK.
- In January, the Government launched the 'Enterprise Finance Guarantee', a £1.3bn loan guarantee scheme delivered through the banks that will enable an additional £1.3bn of lending to businesses up to end March 2010. To 11th March, over 1,000 businesses have been registered as eligible for support, with a potential lending value of over £110m.
- Business Link North East has assisted 563 Stockton businesses (January to March 2009), with 472 assisted in Quarter 1, 426 in Quarter 2, and 545 in Quarter 3. Total of 88 business start-ups in 08/09.

SUPPORT FOR PEOPLE

- From 6th April, for newly unemployed, job ready, JSA customers within Tees Valley District 1-day provider led seminars enabling them to conduct job searches, group sessions and 1-2-1 coaching are available.
- A package of support for JSA customers reaching 6 months of unemployment has also been implemented.
 - Recruitment and Training Subsidy (Golden Hello). Up to £2500 for companies that take on new recruits, made up of £1,000 recruitment subsidy paid in 2 sums of £500 (start of employment), and after 26 weeks, circa £1500 of training through Train to Gain once in work.
 - A volunteering programme aimed at maintaining skills and help keep in touch with the labour market.

- A new training package being delivered via FE Colleges, offering tailored support to improve skill levels, enabling quick re-entry into employment. £83 million of provision, providing approximately 75,000 additional places in FE support.
- On 1st April the National Apprenticeships Service (NAS) will be responsible for delivering the Government's policy on increasing Apprenticeships to 400,000, or 1 in 5 (currently 1 in 15) by 2020.

BUDGET 2009 KEY ANNOUNCEMENTS

- £1.7 billion has been given to DWP for JCP to offer a personalised service to individuals in delivering the Flexible New Deal programme. It will also guarantee a work placement or training for 6 months to every 18-24 year old who has been unemployed for 1 year.
- £800m brought forward from 2010/11 to 2009/10 for Priority School Finance - £300m additional investment for FE Colleges to fund new build projects.
- A £750m Strategic Investment Fund from BERR to support advanced industrial projects of strategic importance. £250m - development of the low carbon economy, £50m - to the Technology Strategy Board to fund innovation in areas of potential future growth in low carbon technology, advanced manufacturing, biotechnology and life sciences.
- Additional funding of £500m on housing developments including £100m for eco-friendly local authority housing. The remaining £400m will be used to kick-start stalled private sector house building.
- Additional funding for £80m for Homebuy Direct, a scheme that gives first-time buyers equity loans on new homes.
- £100m to support efforts to reduce carbon emissions by providing cavity wall insulation for existing social housing, and community energy schemes which support housing development.
- An extension to the Mortgage Rescue Scheme so that it is available to those in negative equity.

Further details on these announcements and the implications for the Borough have yet to be released.

HOUSING AND DEVELOPMENT

- According to the Nationwide, house prices in the UK fell by 0.4% in April, reversing the 0.9% rise seen in March.
- Recent research from the Council of Mortgage Lenders suggests that 5.2% of homeowners in England are in negative equity. In the North East it is higher at 9.2%.

KEY STATISTICS

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

Monthly Housing Benefit Workload	Applications on the Council's Housing Register (including transfers)
March 2008 - 6,689	April 2008 - 4,408
March 2009 - 9,382	March 2009 - 4,043
April 2009 - 7,337 (reflects reduced numbers during to Easter holidays)	April 2009 - 3,127
The number of callers to the benefits reception has increased by 25%.	The reduction in applications is most likely due to changes in circumstances of households that have been on the register for a number of years that mean they no longer require housing.

<p>Number of households approaching the service on homeless grounds</p> <p>April 2008 - 60</p> <p>March 2009 - 75 April 2009 – 62</p>	<p>Number of approaches to the Housing Options service</p> <p>April 2008 - 211</p> <p>March 2009 - 290 April 2009 – 240</p>
<p>Number of housing options customers seeking assistance with mortgage/rent arrears</p> <p>March 2008 - 11</p> <p>March 2009 - 35 April 2009 - 23</p>	<p>Number of House Sales in the borough (source: land registry)</p> <p>January 2008 - 215</p> <p>December 2008 - 162 January 2009 - 83</p> <p>House sales rose in December 2008 however dropped in January 2009 (which is traditionally a quieter month for house sales).</p>
<p>Average monthly House Prices in the borough (source: land registry)</p> <p>March 2008 - £133,762</p> <p>February 2009 - £117,789 March 2009 - £115,291</p> <p>House Prices have fallen in the Borough by 13.8% since March 2008.</p>	

FURTHER INFORMATION

APPROACHES TO STOCKTON DISTRICT ADVICE AND INFORMATION SERVICE

Statistical breakdowns are compiled on a quarterly basis, and SDAIS have reported that there is no significant change from those up to end of March 2009 (reported to Cabinet in April 2009).

STOCKTON BOROUGH COUNCIL RESPONSES

- The latest in a series of 'Busting the Credit Crunch Events' was held in Thornaby on the 30th April and was attended by over 100 people. Representatives from the Tees Credit Union, Housing Services, Stockton District Information Advice, Welfare Rights, Tristar Homes and Job Centre Plus were in attendance. The event provided residents advice on issues such as Benefits, Energy Bills, Housing, Money and Employment.
- The Open Technology Centre within Stockton Central Library hosted an event on 30th April, which was attended by 4 businesses. The event is aimed at anyone who would like to know more about starting a business. Representatives from various organisations (HMRC, Inbiz, The Five Lamps) attended to offer advice on topics such as, employing staff, tax laws, funding and writing a business plan. Another session will be held in Autumn 2009 to coincide with National Enterprise Week.
- The Business Development Team had undertaken 20 business engagement visits during April. On the 27th April, in partnership with the Emergency Planning Unit, Business Link, and Armstrong, the Business Development Team hosted an event for Teesside Industrial Estate firms regarding Business Continuity Planning and Business Health checks, and provided networking opportunities for the 14 in attendance. Those firms unable to attend will be offered a CD Rom covering the issues discussed on the day.
- The production of the 'Ease the Squeeze' link from Stockton Council's website homepage is due to completion during May. The information has been designed to offer up-to-date

signposting, advice and assistance on debt and money matters, housing issues, energy efficiency savings, support for businesses, and promotion of free activities in the Borough.

- A new mortgage arrears advice service, funded by Stockton Council and delivered by SDAIS, is available for residents of the Borough. Working alongside the Council's Housing Options team at Stratford House, the service provides free independent advice to any resident, regardless of income, who is at risk of losing their home due to mortgage arrears.