

## ECONOMIC CLIMATE UPDATE REPORT

This report summarises the positive and negative economic changes that have taken place in the Borough during December 2011.

### EMPLOYMENT AND BUSINESS

#### **ENGINEERING/MANUFACTURING/CHEMICAL**

##### Positive

- Industrial gases and engineering business **BOC** is to double the capacity of the hydrogen facility on Teesside which was opened in March this year. The unit compresses hydrogen gas into specially constructed road-trailer units for distribution to customers around the country.
- **United Biscuits KP factory** on Cowpen Industrial Estate has achieved an environmental landmark, announcing it is now sending zero waste to landfill.
- **Francis Brown Ltd** on St. Ann's Industrial Estate has achieved sales of around £6 million, a trend attributed to the increased need for fabrication services in the oil, gas, sub-sea and renewables industries. With this success, the precision engineering company has announced the creation of 22 new jobs, after a 30% increase in turnover in the past year.
- **Caterpillar's Building Construction Products Division** announced a £50m investment in their assembly plant at Desford, Leicestershire and fabrication facility on Preston Farm Industrial Estate. The investment will fund increases in manufacturing capacity to meet growing customer demand for their products, including an extension to the premises to house additional plant and machinery in Stockton, as well as further investment in new products, and research & development programmes. It will lead to additional jobs down the line for the Stockton site where over 400 people are currently employed.
- Bill Scott, the head of the **Wilton Group** at Port Clarence has been named North East Business Executive of the Year 2011.

##### Negative

- Thai steel manufacturer **SSI** has reported widening losses of £60M prior to firing up the blast furnace at the Redcar site, the date for which has been put back again but no new date has yet been given.

#### **SERVICE SECTOR/RETAIL**

##### Positive

- Emma Vinter of **RBS Insurance (Churchill)** on Teesdale won the prestigious North East Contact Centre People Development Hero Award ahead of workers at 145 contact centres based in the region. Also, **Swiftcover Insurance Services** in Stockton was named as runner-up in the Best Use of Technology Award.
- **Marks and Spencer's** £2.5m expansion at its Teesside Shopping Park store has now opened, creating 50 jobs.
- Following a £500,000 investment **Wynyard Hall** country house and hotel will unveil its new spa on January 2. In addition the Hall is celebrating after its restaurant; The Wellington Restaurant was honoured with two sought-after AA rosettes for the excellence of its food and service.
- **Squegg**, located in Stockton Business Centre, has recently won a high profile branding project, to work with SK Chilled Foods Ltd on the repositioning of the company's brand.
- Stockton based **Elite Services UK**, which specialises in providing serviced apartments and chauffeuring services, has joined forces with the Travel Bureau (Gosforth) in an effort to help both companies expand their customer service packages.
- Global construction consultancy **Driver Group** is to move to a 2,500sq ft office suite within Wynyard Park's Evolution complex after vacating premises in Yarm. From a standing start with two or three people about two years ago the company now employs over 25 people.
- The **Co-operative Bank** announced it is set to take over the 632 branches Lloyds. This would make the Co-op a challenger to the big four banks, with nearly 1,000 branches. The effect on Stockton branches is not known at this stage.

- **Asda and Clipper Logistics** are investing around £15m in a warehouse distribution facility at Wynyard Park for the George brand of clothing. It is estimated that between 400 and 500 people will be employed on the site once it becomes fully operational, scheduled for September 2012. The facility will have a footprint of 350,000 sqft but with mezzanines the operational space will be over 1M sqft. A Planning Section 106 agreement is in place to maximise the job opportunities for residents of the Borough.
- **Debenhams** is to invest in the refurbishment of its Stockton High Street store frontage, with work due to take place around spring/summer 2012. This sign of confidence in Stockton town centre will help to further rejuvenate the area adjacent to the Globe Theatre.
- The estimated occupancy at **Stockton Business Centre** at the end of December 2011 is 78 %; this figure is calculated from the number of vacant units. Four new businesses have recently moved in: Events4Fun Limited, Connor Black Consulting, Posh Boutique and Squegg Brand Consultants.

### Negative

- **Thomas Cook** is likely to close 200 of its 1,100 UK travel shops, with the loss of 1,000 jobs as part of a restructuring exercise after banks granted a £200m lifeline. The company has shops on Stockton High Street and at Teesside Retail Park.
- Despite posting a slump in profits in its half year results, data monitoring firm **Brulines** says it is well positioned for growth. The Surtees Business Park based business, which collects information for the pub, garage forecourt and vending machine markets, saw pre-tax profits for the six months to September slip to £1.62m from £1.95m a year ago.
- Government plans to close 39 **Driver and Vehicle Licensing Agency (DVLA)** offices, how this will affect 22 staff at the Teesdale Office is unknown at present. Consultation ends on the 6<sup>th</sup> March 2012.
- **Arcadia Group** announced a 40% slide in pre-tax profits. It plans to close 250 stores when their leases expire over the next three years, with the closures mainly being stores in high streets rather than in shopping centres. The effect on the Stockton Evans / Top Shop stores is unknown at this time.
- **Pastimes and Opus**, both in Wellington Square, have announced they are to close their shops in the New Year. Also, **Jonathan James** in Castlegate has closed its doors & **Ethel Austin** will close on 24 December.
- Peel Airports Limited is to sell its majority shareholding in **Durham Tees Valley Airport (DTVA)**. Peel Airports has made this decision as the airport no longer fits within the company's strategic plans for its portfolio of airports. The airport will continue to operate as normal whilst a buyer is sourced. 75 per cent of DTVA is currently owned by Peel Airports Limited with the six local authorities owning the remaining 25 per cent. This follows earlier reports that the local authorities would have to find £4.3m to retain their current stake.

### ECONOMIC INDICATORS

Number of claimants	November 2010	October 2011	November 2011	% WA pop	Change in month	%	Change in year	%
Stockton-on-Tees	6,151	6,621	6,588	5.3	-33	-0.5	437	7.1
Tees Valley	24,498	26,880	26,649	6.2	-231	-0.9	2,151	8.8
North East	78,485	87,422	87,826	5.2	404	0.5	9,341	11.9
Great Britain	1,356,439	1,502,528	1,499,383	3.8	-3,145	-0.2	142,944	10.5

- In the last month the number of claimants has decreased marginally in Stockton (-0.5%) slightly above that of Great Britain (-0.2%). At the same time the North East saw a slight increase (0.5%).

New Claimants	November 2010	October 2011	November 2011	Change in month	%	Change in year	%
Stockton-on-Tees	1,205	1,475	1,175	-300	-20.3	-30	-2.5
Tees Valley	4,690	5,340	4,040	-1,300	-24.3	-650	-13.9
North East	16,365	18,510	14,530	-3,980	-21.5	-1,835	-11.2
Great Britain	299,470	358,575	272,820	-85,755	-23.9	-26,650	-8.9

- The decrease in the number of new claimants in Stockton over the last month reflects the regional and national trend. This is likely due to seasonal employment requirements.

Numbers on JSA (18-24 years)	November 2010	October 2011	November 2011	Change in month	%	Change in year	%
Stockton (18-24 years)	1,925	2,300	2,230	-70	-3.0	305	15.8
Total JSA Claimants	6,151	6,621	6,588	-33	-0.5	437	7.1
% (18-24)	31	35	34	-1	-2.6	3	2.0

- There has been a reduction in the number of JSA claimants aged 18-24 in Stockton (-3.0%) during the last month.

Vacancies Notified	November 2010	October 2011	November 2011	Change in month	%	Change in year	%
Stockton-on-Tees	981	1,164	1,129	-35	-3.0	148	15.1
Tees Valley	3,106	4,946	3,417	-1,529	-30.9	311	10.0
North East	15,113	19,824	14,660	-5,164	-26.0	-453	-3.0
Great Britain	352,697	477,965	368,162	-109,803	-23.0	15,465	4.4

- There were **1,129** vacancies notified in Stockton in November 2011, **35** less than in October 2011, including **685** in Banking, Finance and Insurance, **100** in Distribution Hotels and Restaurants, **111** in Public Administration, Education & Health, **48** in Other Services, **57** in Manufacturing, **58** in Construction, **45** in Energy and Water and **1** in Agriculture and Fishing.

Unfilled Vacancies	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
No's on JSA	6,634	6,491	6,469	6,467	6,634	6,687	6,621	6,588
Vacancies unfilled	740	732	901	838	923	935	630	741
Jobseekers per vacancy	9.0	8.9	7.2	7.7	7.2	7.2	10.5	8.9

- The number of unfilled vacancies in Stockton increased in November; leading to an overall decrease in the number of Jobseekers per vacancy compared to the previous month.

### Gross Weekly Pay – All Full Time Workers

Year	Stockton-On-Tees (£)	North East (£)	Great Britain (£)
2010	477.3	443.4	501.7
2011	495.7	450.9	503.1

- The latest weekly pay figures have just been released and show an increase in Stockton with weekly pay in the Borough slightly below the national average.

### SUPPORT FOR BUSINESSES

- Millions of pounds of repayments from previous Government and European funded loan schemes have been secured for the benefit of North East businesses. Agreement has been reached for future loan repayments from firms to be recycled and administered from within the North East. This will create a **small-business loan** pot which North East Access to Finance believes could be worth more than £100m once it starts in 2015.
- The regional European Regional Development Fund Competitiveness Programme is investing almost £5 million in a business support project which will create or safeguard around 1,500 North East jobs. The money will go towards the **Investment for Growth Project** which will be delivered by the Business & Enterprise Group. The project will provide up to six hours of advice to all eligible small and medium enterprises, including social enterprises, to help identify opportunities for businesses to sustain performance, develop and grow, and up to 40% financial contribution towards external advice or consultancy. The funds will be matched by SME contributions.
- A number of Stockton businesses - Parlour Furniture, Much Ado About Muffins & Hardy's Café, Russelled Up, Turbo Connect and Inspire Commercial Kitchen Solutions** have been shortlisted for the Local Business Accelerators competition. This nationwide campaign was launched in October by regional and local newspapers across the country. The winners, 1,500 firms, will receive a total of £15m of free advertising between them to help boost their businesses in 2012.
- Engineering skills body Semta's North East Regional Council** has organised **two events** entitled 'Maximising Your Business Growth' in response to the expected shortfall in qualified

science, engineering and manufacturing staff in the region due to people retiring over the next 6 years. The 2 events are aimed at businesses interested in discussing how the region can tackle the expected skills gap and its effect on the sector, which are being held from 10.00 a.m. to 12 noon at the Skills Academy for Manufacturing Innovation in Sunderland on 17th January and at the Excel Centre in Newton Aycliffe on 19th January.

## **SUPPORT FOR PEOPLE**

Youth Contract - £1billion package of proposals over the next three years to provide unemployed young people with extra help through the provision of nearly half-a-million new opportunities for young people, including apprenticeships and work experience placements. It also marks a substantial increase in the support and help available to young people through the Work Programme, Jobcentre Plus and Sector-Based Work Academies.

The key measures include:

- There will be 160,000 job subsidies available worth up to £2,275 each for businesses who take on an 18-24 year-old from the Work Programme.
- For those in receipt of JSA for three months, short term Work Experience placements of up to eight weeks for 250,000 places over the next three years, taking the total to at least 100,000 a year, offering a Work Experience place for every 18 to 24 year-old who wants one, before they enter the Work Programme.
- An extra 20,000 incentive payments worth £1,500 each for employers to take on young people as apprentices, taking the total number of payments available to 40,000 next year.
- Extra support through Jobcentre Plus in the form of weekly, rather than fortnightly, signing-on meetings, more time to talk to an adviser and a National Careers Service interview.
- The Government also announced a new £150m programme to provide support to some of our most vulnerable 16-17 year olds NEET (Not in Employment, Education or Training) from 2012. This will provide vital support to help them to get back into education, an apprenticeship or a job with training.

## **OTHER ECONOMIC NEWS**

- Teesside has been named as a national centre of excellence in offshore wind power. The area around the River Tees is one of five **Centres for Offshore Renewable Engineering (COREs)** announced by the Government, as a partnership between Whitehall and Tees Valley's Local Enterprise Partnership.
- Two surveys have revealed that the potential among North East firms to bring new products to market is as strong as ever, despite the threat of worse economic conditions. The **Yorkshire Bank survey** has identified more than a fifth of the region's businesses are planning to invest in new product development over the next 12 months and 48% also said they would invest at least 5% of their annual turnover in growth strategies. Also, a report by North East Chamber of Commerce (NECC) and Stanley Black & Decker has underlined the region's growing enthusiasm for research and development (R&D).
- The amount of new business placed with North East companies fell for the first time in 29 months last month. According to the **Lloyds TSB North East Business Activity Index**, new business fell for the first time since June 2009, the index dropped from 50.6 in October to 48, signalling a contraction in output in the region.
- The North-East is enjoying another record year of exporting, and is one of just four UK regions to record growth over the last 12 months. According to figures from **UK Trade and Investment**, the region had £3.326bn in exports in the period between July and September this year, bringing its total for the year to the end of September to £13.211bn. This is 16% more than in the previous 12-month period. In comparison, the national increase is just under 14%. The North-east joins the East Midlands, London and the South East as the only regions to boast export growth in a difficult year.

## Autumn Statement 2011

The key areas of support from the Autumn Statement relating to businesses are:-

- the Government will launch a package of up to £21 billion of credit easing measures to support smaller and midsized businesses that do not have ready access to capital markets.
- a new strategy for coordinating public and private investment in UK infrastructure. The Government will use the savings from current spending generated over the Spending Review 2010 period to fund £6.3 billion of additional infrastructure spending, of which £1.3 billion was announced earlier in the autumn.
- around £1 billion of new private sector investment in regulated industries will be supported by government guarantee.
- commitments to £5 billion of capital projects in the next Spending Review period, as part of the National Infrastructure Plan
- increase the Regional Growth Fund for England by £1 billion and extend it into 2014–15, to provide ongoing support to grow the private sector in areas currently dependent on the public sector. There will be 2 further rounds of RGF bidding with the next opening in February 2012
- introduce a National Loan Guarantee Scheme. Up to £20 billion of guarantees for bank funding will be made available over two years. This will allow banks to offer lower cost lending to smaller businesses, subject to state aid approval
- make available an initial £1 billion through a Business Finance Partnership, which will invest in smaller and mid-sized businesses in the UK via non bank channels
- launch a new Seed Enterprise Investment Scheme (SEIS) from April 2012, offering 50 per cent income tax relief on investments, and will offer a capital gains tax exemption on gains realised in 2012–13 and then invested through SEIS in the same year
- make 100 per cent capital allowances available in the Black Country, Humber, Liverpool, North Eastern, Sheffield, and Tees Valley Enterprise Zones;
- introduce an 'above the line' tax credit in 2013 to encourage research and development activity by larger companies.
- extend small business rate relief to April 2013.

The Autumn Statement documents, including an executive summary, can be found on the HM Treasury web site at [http://www.hm-treasury.gov.uk/as2011\\_documents.htm](http://www.hm-treasury.gov.uk/as2011_documents.htm). Regeneration & Economic Development will, when details enable, produce a document to further expand on how the Autumn Statement affects local businesses.

## **HOUSING AND DEVELOPMENT**

- The Council has teamed up with Community Energy Solutions (CES) to secure £3.9 million of private sector funding from Eggborough Power Ltd, in North Yorkshire, through the Community Energy Saving Programme. This will help more than 600 households in the Parkfield and Town Centre areas keep warmer for less in the coming years and cut the Borough's carbon emissions by more than 100,000 tonnes. Eligible households in Parkfield and the Town Centre will be offered improvements such as external wall and cavity wall insulation, loft insulation, high efficiency boiler upgrades and advice and support, all free of charge. Improvement works will start in January 2012.
- In November the Council secured an additional £1.5 million of Housing Market Renewal Transition funding from the Department of Communities and Local Government (DCLG) which will allow the Council to continue its long-term plans for the area to assist residents living in Parkfield's part-demolished area. The money, which will be match funded by the Council, will support the purchase of 34 properties and will allow the existing site to be cleared and made attractive with landscaping.

**KEY STATISTICS**

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

<p><b>Monthly Housing Benefit Workload</b></p> <table border="1"> <tbody> <tr> <td>November 2010</td> <td>10,825</td> </tr> <tr> <td>August 2011</td> <td>11,284</td> </tr> <tr> <td>September 2011</td> <td>10,892</td> </tr> <tr> <td>October 2011</td> <td>11,223</td> </tr> <tr> <td>November 2011</td> <td>10,992</td> </tr> </tbody> </table> <p>The new system of direct notification of changes to tax credits direct from HMRC systems continues to increase workload</p>	November 2010	10,825	August 2011	11,284	September 2011	10,892	October 2011	11,223	November 2011	10,992	<p><b>Applications on the Council's Housing Register (including transfers)</b></p> <table border="1"> <tbody> <tr> <td>November 2010</td> <td>4,181</td> </tr> <tr> <td>August 2011</td> <td>4,214</td> </tr> <tr> <td>September 2011</td> <td>4,152</td> </tr> <tr> <td>October 2011</td> <td>4,068</td> </tr> <tr> <td>November 2011</td> <td>4,133</td> </tr> </tbody> </table>	November 2010	4,181	August 2011	4,214	September 2011	4,152	October 2011	4,068	November 2011	4,133				
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<p><b>Number of households accepted as homeless by the Housing Options Service</b></p> <table border="1"> <tbody> <tr> <td>November 2010</td> <td>5</td> </tr> <tr> <td>August 2011</td> <td>4</td> </tr> <tr> <td>September 2011</td> <td>8</td> </tr> <tr> <td>October 2011</td> <td>8</td> </tr> <tr> <td>November 2011</td> <td>11</td> </tr> </tbody> </table>	November 2010	5	August 2011	4	September 2011	8	October 2011	8	November 2011	11	<p><b>Number of housing options customers seeking assistance with mortgage/rent arrears</b></p> <table border="1"> <tbody> <tr> <td>November 2010</td> <td>24</td> </tr> <tr> <td>August 2011</td> <td>36</td> </tr> <tr> <td>September 2011</td> <td>70</td> </tr> <tr> <td>October 2011</td> <td>45</td> </tr> <tr> <td>November 2011</td> <td>53</td> </tr> </tbody> </table> <p>The increase in customers is reflective of the September increase in Housing Options customers overall and a possible response to increased awareness of the specialist homeownership service.</p>	November 2010	24	August 2011	36	September 2011	70	October 2011	45	November 2011	53				
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**Stockton and District Advice and Information Service (SDAIS) statistics**

<b>General</b>	<b>2009/10 Aug 10 – Oct 2010</b>	<b>2010/11 July 11 – Sept 11</b>
Welfare Benefits	2101	2882
Debt	3501	3614
Employment	530	635
Housing	682	853
Family	196	264
All Enquiries	7977	9307

Next update: January 2012

**STOCKTON BOROUGH COUNCIL RESPONSES**

- Between April and September 2011, 313 residents received a minimum of three hours enterprise coaching, 249 of these progressed on to receive intensive start up support and 74 went on to start a business through the Enterprise Gateway project. In the same period, 70 Stockton Council Start-up grants were awarded and 7 businesses located to the Business Centre. In total 128 business start-ups were assisted between April and September 2011 (23 of the new businesses received both a Council Start-up grant and support through the Enterprise Gateway).
- The Council has extended the contract with the Business & Enterprise Group to continue the Over the Threshold project until March 2012. This project works pro-actively with businesses to overcome barriers to growth. It is funded through European Regional Development Funds and the Communities Fund.