

## **ECONOMIC CLIMATE UPDATE REPORT**

This report summarises the positive and negative economic changes that have taken place in the Borough during April 2012.

### **EMPLOYMENT AND BUSINESS**

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

##### **Positive**

- **UPDATE:** Teesdale-based, the **Px Group**, has secured a new contract with an industrial pigment producer on Humberside. The long-term contract has secured the jobs of the 11 employees at the power plant who they have all transferred to the Px group. Now employing more than 300 people at sites across the UK, Px is extending its company into the Middle East.
- **UPDATE:** On 16th April the **SSI Blast Furnace** was successfully re-lit and on 18<sup>th</sup> the first piece of iron was produced.
- **UPDATE:** Sims' £9m **recycling plant in Billingham** is expected to increase recycling targets for the UK with the capacity to handle 75,000 tonnes a year, which will come online by the end of April. The workforce will be doubled to 100, to include skilled technicians, an operations manager, yard managers, electrical, mechanical, lab people, and an administrative team.
- **UPDATE: Stockton-based Innov8 Disposal** has now taken on seven new recruits. The Best New Business Awards Winner has gained approximately 380 new clients in one year. The company is already recruiting for another recycling operative and part-time driver whilst offering a position for a new young apprentice.
- **TAG Energy Solutions** have become one of the first businesses in the UK to join the Government's new renewables initiative. The Prime Minister David Cameron unveiled plans for the new 'Norstec' industry partnership at the Clean Energy Ministerial Conference, which will bring together businesses looking to benefit from the North Sea's renewable energy source. TAG Energy Solutions is the only manufacturer of turbine monopile foundations in the UK - and has just secured the certification needed to compete in the German market.
- The Institution of Civil Engineers (ICE) North East has announced the winners of this year's prestigious Robert Stephenson Awards, celebrating six landmark projects. Also commended, for technical Engineering excellence and ingenuity in design, was the **Tees International Whitewater Course**, at Stockton, which again featured JN Bentley as contractor, working alongside consultants EPD and Patrick Parsons Ltd, on behalf of British Waterways and Stockton Council.
- Stillington-based **Darchem Engineering** has completed work on two giant exhausts for the Queen Elizabeth (QE) class aircraft carriers for client BAE Systems.

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

##### **Positive**

- **UPDATE: SIMON Bailes Peugeot, Church Road, Stockton**, is the only dealership in the North of England, and one of only six UK-wide, to have been chosen to pilot a groundbreaking new motoring scheme - 'Mu' motoring combines the idea of car hire and a car club - but is free to join. In addition, the Stockton dealership has also launched Simon Bailes Peugeot Car and Van Rental.
- **UPDATE: Stockton-based Additional Lengths** has opened a store in Leeds city centre after a period of growth thanks to its popular hair extensions and recent increased profile due to its work with reality TV programme Dancing on Ice. To cope with demand the workforce has been increased to 12 members of staff to work in both stores and to handle online orders, which they are receiving from around the world.
- BILLINGHAM-based **Pearson-Harper**, has received the Queen's Award for Enterprise for International Trade. The Queen's Award for International Trade is awarded to companies that have achieved substantial growth in overseas earnings and commercial success. As a result, more than

75% of the company's turnover is now generated from exports to a number of blue-chip clients including Chevron and BP and markets in Australia, Singapore, Angola and Kazakhstan.

- **UPDATE:** It has been confirmed that the **Game** store at Teesside Retail Park will remain open.
- **ALASTAIR Wade Optometrists** has expanded operations in to the Tees Valley with the acquisition of three new branches, one in Yarm, previously owned by Clifford Rees Opticians. The three branches will bring the total number of branches up to seven.
- The occupancy of Stockton Business Centre at the end of April 2012 is 81%. **LocalRus** are looking to downsize from 2 to 1 unit, whilst **Radiola Aerospace** is moving to Gamston Airport, Retford, Notts along side one of their major contractors. **Connor Black** has expanded but due to the lack of German speaking students in the area has moved to Newcastle and **Enterprise Revolution CIC** no longer require unit 202 due to lack of contracts. **Fire Pwny Digital** an online digital record company & music promoter has moved into unit 305, **Catering Design Limited** has moved into unit 104, and **RAD Total Fire Protection** has moved into unit 17.
- **Caffé Olivero** was awarded a £500 start-up business grant from SBC for the development of a café within Wellington House, Wynyard Park. The owner has taken on 1 Customer Service apprentice from Tees Achieve and is already looking to branch out and possibly take on another apprentice in the near future.

### Negative

- **HSBC** has announced 2,000 redundancies in the UK, as part of plans to cut costs across the globe. The bank, which is the biggest in Europe, employs more than 50,000 people in Britain. The total job cuts worldwide will amount to 10% of HSBC's total workforce. However, the bank has also expressed plans to begin recruiting staff again by 2013.

## ECONOMIC INDICATORS

An overview will be tabled at Cabinet as the indicators are not due for publication until 16 May 2012.

## SUPPORT FOR BUSINESSES

- The **Vela Group** is opening up significant opportunities to small and medium businesses via a new online tendering process in collaboration with **Constructionline**. In the year 2011/2021, Vela put out to tender construction work worth nearly £2 million. Now, instead of having its own Approved Contractor Lists, Vela will use Constructionline, a Government database of assessed contractors and consultants, to target smaller contracts at local SMEs. To update existing and potential contractors about its new tendering procedures, Vela is holding an Open day for information and awareness purposes on Thursday May 17 at Wynyard Park, Wynyard.
- The deputy Prime Minister has outlined plans for a £1.2 billion **Business Finance Partnership** (BFP), as part of the Government's credit easing package. The BFP proposals include allocating finance to senior loan funds, with £100 million earmarked to support non-bank lending channels such as peer-to-peer lending and mezzanine finance. The Department of Business, Innovation and Skills will be responsible for distributing a proportion of this finance, which aims to increase the supply of capital through alternative channels. It is hoped that the new programme will help to stimulate the development of deeper and more diversified non-bank lending market for UK businesses with a turnover of less than £500 million.
- Manufacturing, engineering and technology firms are to be given the opportunity for their share of £2 billion of investors' money. The first '**Investor Pitch**' expo is aimed at businesses with an annual turnover of more than £5 million looking to secure business funding. Dozens of venture capital and investment firms will be in attendance, in a bid to seek out new and exciting investment opportunities. The event, which has been organised by Chris Silverwood of Ethos Corporate Finance, will be held at the Royal Armouries in Leeds on the 21 September.

- **TVU** is inviting Expressions of Interest from local companies looking to expand, grow or create new jobs, with funding available through the **Regional Growth Fund** and the Advanced Manufacturing Supply Chain Initiative.
- **The Tees Valley Sector Action Plans** are due to be launched on 31 May 2012. The Action Plans focus on creating sustainable growth by identifying the challenges and opportunities in the sectors of Advanced Manufacturing, Health & Social care, Logistics, and Digital.

### SUPPORT FOR PEOPLE

- **The Communities Fund** contracts came to an end on 31 March 2012 and since the start of the project in April 2009, the three providers have engaged with 3,660 people, helping 1,950 people into work of whom 856 have sustained that employment for six months.
- **Durham University** is undertaking an evaluation of the In Work Support Project. Research has been completed with the report being expected in early June 2012.
- **TVU** is through to the next round (invitation to submit a full tender) of the **Department of Work and Pensions Innovation Fund**. The fund will provide up to £3million to help young people in the Tees Valley unable to access learning and skills opportunities receive personalized support, making a big difference to their longer term employment prospects.

### OTHER ECONOMIC NEWS

- Official data from the **Office for National Statistics** shows that the UK had technically entered a **double dip recession**, i.e. experienced two quarters of GDP contraction. The UK GDP came in at -0.2% in the first three months of 2012, following the 0.3% fall in the last quarter of 2011. It was the first double dip recession since 1970, and surprised markets with economists anticipating a 0.1% gain. The main drag on activity was a 3% drop in construction, with the UK's dominant services sector expanding at a meagre 0.1%.
- Japan is to invest more than £200 million into the UK economy, creating almost 1500 jobs, whilst safeguarding thousands more. The Prime Minister David Cameron made the announcement on a UK trade delegation to Japan. In 2011 UK exports of goods to Japan were £4.4billion – up 7% on the previous year. Japanese inward investment was worth more than £26 billion, safeguarding over 130,000 jobs. Key proposals include investment in **Nissan's Sunderland plant** to secure the production rights for an all-new hatchback model from 2014, a £2 million investment by Panasonic in a new fuel cell and development centre in Cardiff, and an £89 million investment for Edinburgh by Mitsubishi to scale up a new type of wind turbine generator. North East automotive manufacturer **Calsonic Kansei** has also received a £15.3 million investment, which will help them to create 145 new jobs and see the company expand its range of products.
- New research indicates that a third of businesses in the North East are set to increase **apprenticeship numbers** in the run up to Summer 2012. According to a Yorkshire Bank survey, four in every ten businesses operate an apprenticeship scheme. Of these, a third expect to increase apprentice numbers over the next 12 months. While two fifths of businesses expect their staffing levels to remain on a par with 2011, an overwhelming 85% majority of businesses agree that using apprentices is an excellent way to develop talent. The **National Apprenticeship Service** also indicates apprenticeships are on the increase in the **North East** but the recovery is patchy. Engineering is increasing but the Construction Industry is lagging behind.
- The North East property market has failed to improve during March, despite improved conditions in other parts of the country due to the stamp duty holiday. According to the latest **RICS UK Housing Market Survey**, 26% of surveyors witnessed a decrease rather than an increase in demand (no local comparable date available). Despite this however the North East property received a boost, with a net balance of 27% more respondents reporting rises in new instructions. Regional differences were also evident in the survey, which showed that the North East, East Anglia and Scotland had suffered the biggest price drops, in comparison to other parts of the country which have seen a steady increase.

- A new scheme to turn Britain's high streets and independent shops into a single on-line retail force is being piloted in Hereford. **'OpenHighStreet'** combines the convenience of doorstep delivery with the quality and choice offered by local retailers, and if successful will be rolled out across the UK. It will also promote sustainable shopping as it allows consumers to lower their carbon footprint by removing the drive to the shops.
- The number of applications to **'Year in Industry'** schemes has increased by over 45% from pre-University students. The 'Year in Industry' (YINI) scheme, which is run by education charity EDT, suggests that sponsorship from companies is luring students to opt for this type of gap year.
- Pubs, bars and leisure properties are trading well on the North East market, despite the economic downturn. In the last quarter, Sanderson Weatherall LLP has reported a number of successful deals on leisure properties. Interest is coming from parties looking for alternative use opportunities from the re-development of former pub and bar sites, as well as smaller regional leisure operators looking to extend their local portfolios.
- 40% of exporters saw an increase in **export sales** over the last three months, according to the DHL/BCC Trade Confidence Index. The survey is a measure of the UK's exporting health, revealing an almost 8% increase on the same quarter last year, and that many businesses are expecting the trend to continue in Q2 2012.

## HOUSING AND DEVELOPMENT

**Monthly Benefit Service Workload** - After a significant increase in workload in January and February following the introduction of the new system of direct notification of changes to Department for Work and Pensions benefits, March has seen the figures reduce for the first time. It is too early to establish whether this is to become the norm and workload will be closely monitored.

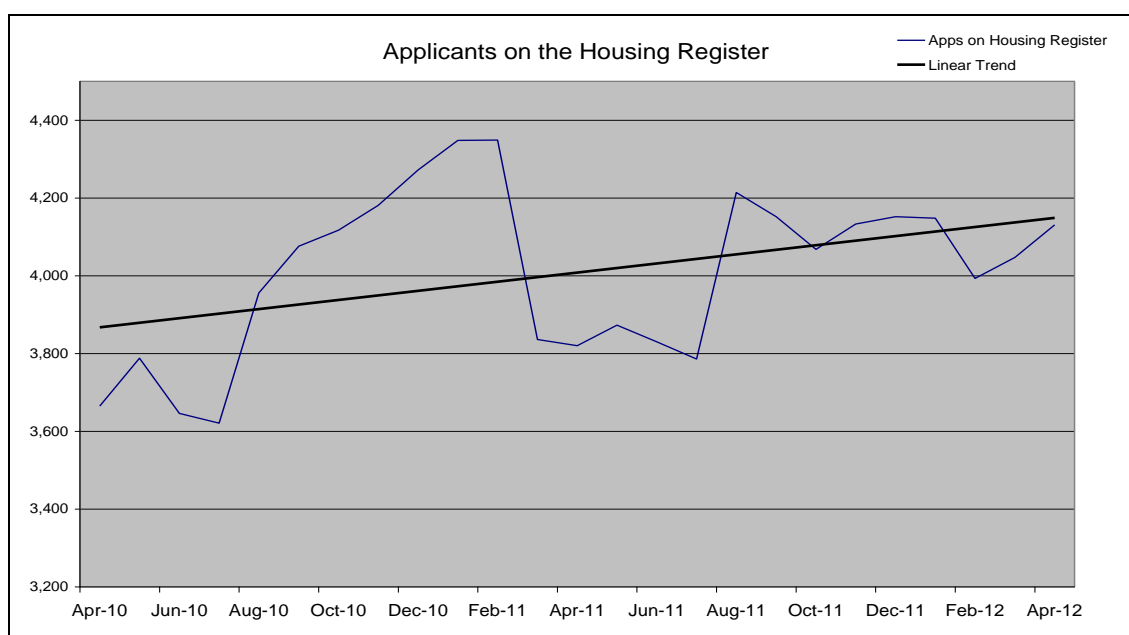
<b>Monthly Benefit Service Workload</b>	
April 2011	7,927
January 2012	12,452
February 2012	16,170
March 2012	9,675
April 2012	13,692

**The Housing Register & Homelessness Data** - The trend in the number of applications on the Councils Housing Register continues to increase. This is anticipated to continue due to a combination of factors including; the current economic climate, increasing issues of affordability, welfare reform implications, a reduction in available housing stock and increased demand for the private rented sector.

The number of monthly approaches to the **Housing Options** decreased April 2012, however, the month where Easter falls traditionally has fewer approaches due to the Bank Holidays. The same is true for customers seeking assistance with mortgage/rent arrears. The number of households accepted as homeless by the Housing Options service in 2011/12 was 69, a 53% increase on 2010/11 acceptances (45).

<b>Number of approaches to the Housing Options service</b>		<b>Applications on the Council's Housing Register (including transfers)</b>	
April 2011	216	April 2011	3,820
January 2012	291	January 2012	4,148
February 2012	217	February 2012	3,993
March 2012	233	March 2012	4,047
April 2012	178	April 2012	4,131

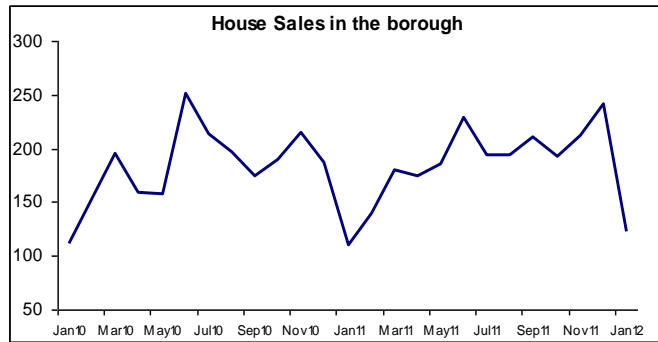
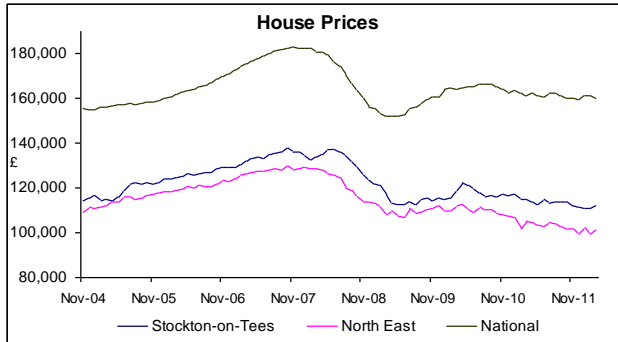
Number of households accepted as homeless by the Housing Options Service		Number of housing options customers seeking assistance with mortgage/rent arrears	
April 2011	4	April 2011	42
January 2012	2	January 2012	72
February 2012	7	February 2012	54
March 2012	6	March 2012	49
April 2012	2	April 2012	45



A positive and proactive approach is taken to **homelessness**; this includes services and initiatives developed to address other factors that have a detrimental effect on maintaining independence and sustaining accommodation. This can also include accrediting private landlords and tackling poor housing conditions in the private rented sector which can in some situations prevent homelessness.

Number of House Sales in the borough (source: land registry)		Average monthly House Prices in the borough (source: land registry)	
Jan 2011	108	March 2011	£112,253
Sept 2011	210	Nov 2011	£112,203
Oct 2011	193	Dec 2011	£111,756
Nov 2011	212	Jan 2012	£110,890
Dec 2011	242	Feb 2012	£111,005
Jan 2012	123	March 2012	£111,991

**House Prices and Sales** - Average house prices continue to be lower than the national average. The number of house sales in the borough increased by only 3% in 2011 from 2202 (in 2010) to 2264. Economic conditions have affected the potential for securing a mortgage and impacted on households entering into owner occupation. That said, there is a 14% increase in sales when comparing January 2012 to January 2011.



**Future planning** - The Council is currently updating its information on housing need and aspiration in the borough through the update of the Strategic Housing Market Assessment. The results will show the required demand for housing in the borough, and estimate the number of affordable homes required in future years. It will also assess the need for specialist/supported housing for specific groups, including older people, and will be used as evidence to inform housing and planning policies.

### STOCKTON BOROUGH COUNCIL RESPONSES

- Following the Communities Fund Exit Strategy presented to Cabinet in February 2012, an **ILM/Future Jobs Fund style initiative** has been developed by the Council, with delivery commencing in April 2012. The fund will support the creation of a wide variety of job opportunities between April 2012 and March 2013, for NEET and young unemployed people who face disadvantages in the labour market and will support salary costs at the national minimum wage, depending on age, for 39 weeks of a minimum 52 week contract. Organisations will be expected to pay the salary for the remaining 13 weeks of the 52 week period.
- To date **17 organisations** have submitted proposals for **87 posts** with job titles including Administration Assistants, Receptionist, Employability Administrator, Plumbing and Heating Trainee, Joinery Technician, Brickwork Technician, Events Coordinator, Therapist, Horticultural Assistant, Trainee Youth Worker and Multi-Skilled Operatives.