

AGENDA ITEM

REPORT TO CABINET

15 OCTOBER 2020

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET INFORMATION ITEM

**Portfolio Title - Lead Cabinet Member – Councillor Nigel Cooke
Children and Young People – Lead Cabinet Member – Councillor Lisa Evans
Access, Communities and Community Safety – Lead Cabinet Member – Councillor Steve Nelson**

ECONOMY THEMATIC REPORT

SUMMARY

This report provides Cabinet with an overview of the impact of Covid-19 on the businesses and people of the Borough. The evidence suggests the need to respond to the issues presented by focusing on a clear set of priorities in the short-term; leading to the development of medium to longer term activities as part of developing an Inclusive Economic Growth Strategy.

A strategic and co-ordinated approach to Education, Employment and Skills (EES) provision is proposed (see **Appendix 2** for details) to respond to increasing need due to redundancies and a reduction in job vacancies in the economy and to harness any new opportunities that emerge in a collaborative way.

Where appropriate to do so we will link into any additional support that the TVCA Recovery Plan proposes, however our focus is very much about building on our current priorities to deliver local actions that support inclusive economic growth and inward investment; business development and job creation; and moving people into jobs.

REASONS FOR PRODUCING THIS REPORT

In lieu of the regular Economic Climate report this update provides Cabinet with an overview of the current economic situation. We would welcome Cabinet Members' support in championing the proposed EES provision with residents and businesses across the Borough.

DETAIL

Background and Impact

1. The impact of Covid-19 on the economy of Stockton-on-Tees continues to be significant. Currently many of the Borough's businesses remain under restrictions brought about by the global pandemic and as a result many of the Borough's residents have been furloughed through the Government's job retention scheme; although these numbers are reducing, whilst many more residents are claiming benefits due to redundancies and a reduction in job vacancies.
2. Covid-19 has impacted the economy and the people of the Borough extensively, in our deprived wards but also in our more affluent ones.
3. Covid-19 has required significant stimulus and social assistance packages from Government to help people and businesses that have been hit hardest by both the initial economic disruption and continued trading difficulties due to operating restrictions and health and safety measures. Over time these restrictions have been easing and the financial support has been reducing; with most ceasing by the end of October 2020.
4. Council Officers responded to over 600 calls from businesses in the first week of lockdown; with 2,500 telephone calls being handled by mid-July. Up to 21 September we had distributed payments of over £32m to support 2,815 business grant applications.
5. It is still unclear the extent to which all businesses are likely to find difficulties in re-commencing trading, the scale and length of the crisis, and the implications of any future national or local lockdowns. This could impact on the future viability of businesses due to the need to have continual cash-flow to operate and capital to invest.
6. The Government's furlough scheme has been a lifeline for many businesses and workers, and the immediate job losses that may have taken effect as a result of business operations ceasing without the funding, are yet to be fully known. Further redundancies may occur with employers expected to contribute to the furlough scheme from 1 August, and the end of the furlough scheme in its entirety at the end of October 2020.
7. The ability of businesses to trade varies by sector and whether the restrictions in place to tackle the pandemic apply to them and to what extent. There are some sectors and businesses that lost their entire capacity to provide goods and services and as a result ongoing costs have required businesses to seek additional financial support. For those businesses that have either continued trading throughout the crisis, or those that have more recently recommenced trading, they have had to respond to the requirement to provide safe and secure workplaces for their workforce. Alongside a reduction in sales, this has led to increased operating costs and potentially a reduced capacity to produce goods to previous levels due to altered shift patterns and to accommodate social distancing measures; impacting on businesses overall turnover, profits and capital investment.

8. The businesses in the Borough have historically benefited from a largely localised supply chain that has retained spend in the local area. However, at times such as now, this has meant that a larger number of local businesses have been impacted by the reduced need for goods and services, and particularly so as Stockton has a high level of service-based industries; the sectors that have been impacted the greatest by operating restrictions and which have seen the most businesses completely close.

Business Sectors

9. Some sectors are more able than others to respond and bounce back from the current crisis for a variety of reasons. It is clear that the Retail, Hospitality and Leisure sectors have continued to be most affected by the national restrictions and have received direct government support. There remains real concern for the future of many businesses in these sectors in the short, medium and long-term. The Construction and Manufacturing sectors have also been affected significantly but have potential to recover in the medium term.
10. To understand the scale of the potential impact (**Figure 1**) provides an overview of the approximate employment in individual broad sectors.

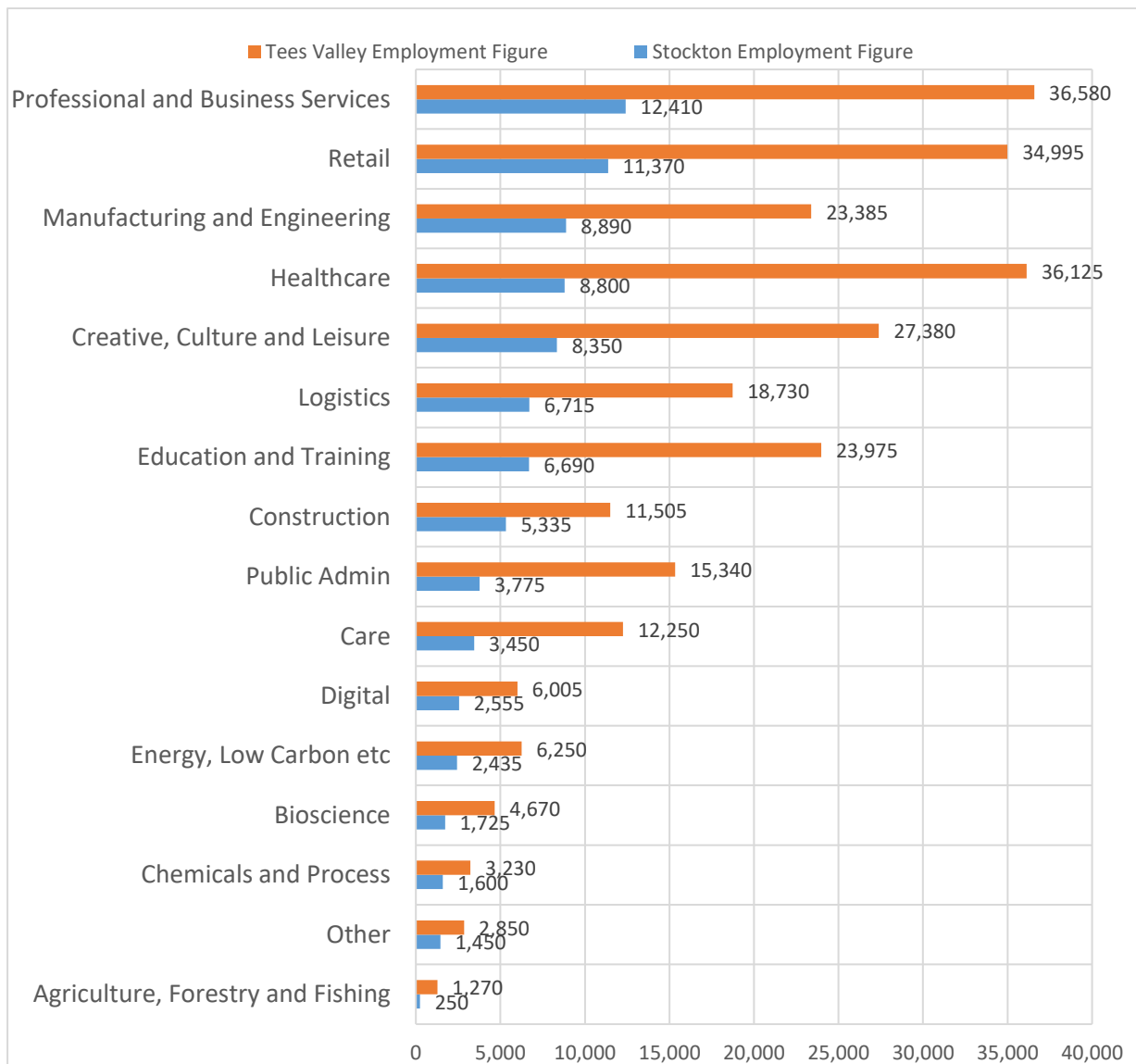


Figure 1 – Employment by Industry, Source: ONS BRES / Stockton-on-Tees Borough Council

CLAIMANT COUNT

11. The latest Claimant Count¹ figures reveal (**Figure 2**):

- The trend seen in Stockton-on-Tees is the same as trends seen in the wider region and rest of the UK
- **8,825** residents (or 7.3%) made up the Claimant Count in August 2020
- This was an increase of **180** on the previous month, and the largest monthly increase since April/May 2020 figures
- Between March and August 2020 the claimant count **rose by 66.2%**
- Data suggests, however, that Stockton-on-Tees has not been hit as badly as some other local areas; with the **gap to the Tees Valley having widened** from 0.7% to 1.0% over the March to August 2020 period
- Over the same time period the number of male claimants rose by **67.3%**, with female claimants seeing a **64.3%** rise
- The number of residents making up the Claimant Count is at a **24-year high**

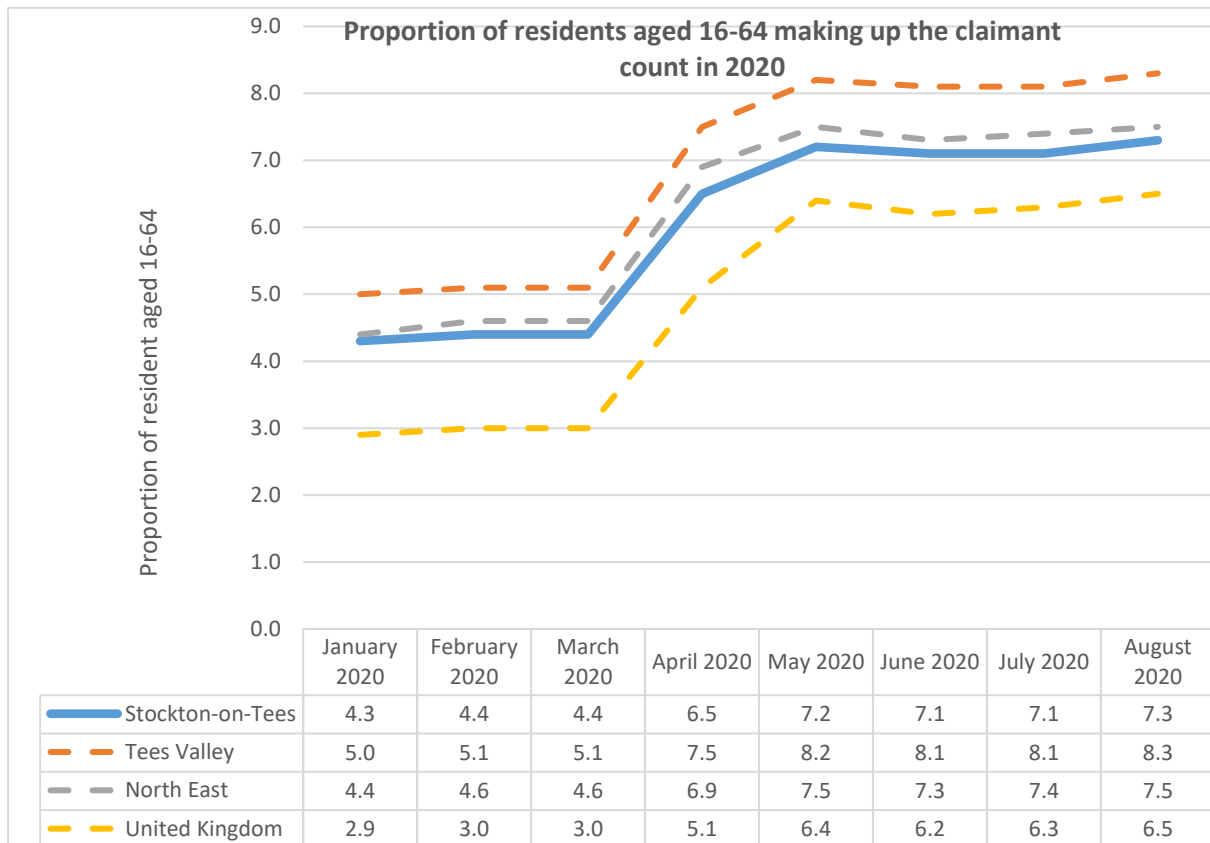


Figure 2 - Proportion of working age population claiming JSA/UC equivalent [accessed via Nomis](#)

- There has been a significant rise in claimants across all age groups (**Figure 3**)
- The **18-24 year old age group**, with the highest numbers of pre-pandemic claimants have seen the highest rise in actual numbers of claimants with an additional 735 of this age group making up the Claimant Count (64.2% rise)

¹ The Claimant Count is an administrative measure of the number of people claiming benefit principally for the reason of being unemployed, using individual records from the benefit system. It counts the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit and are required to seek work and be available for work. The Claimant Count references to a count date, which falls on the second Thursday of each month so July figures (released in August) relate to July 9th.

- **25-29 year old age group** saw the smallest percentage increase with a 52.4% rise
- The **50-54 year old age group** saw the largest percentage increase in claimants between March and July 2020 at 82.5%

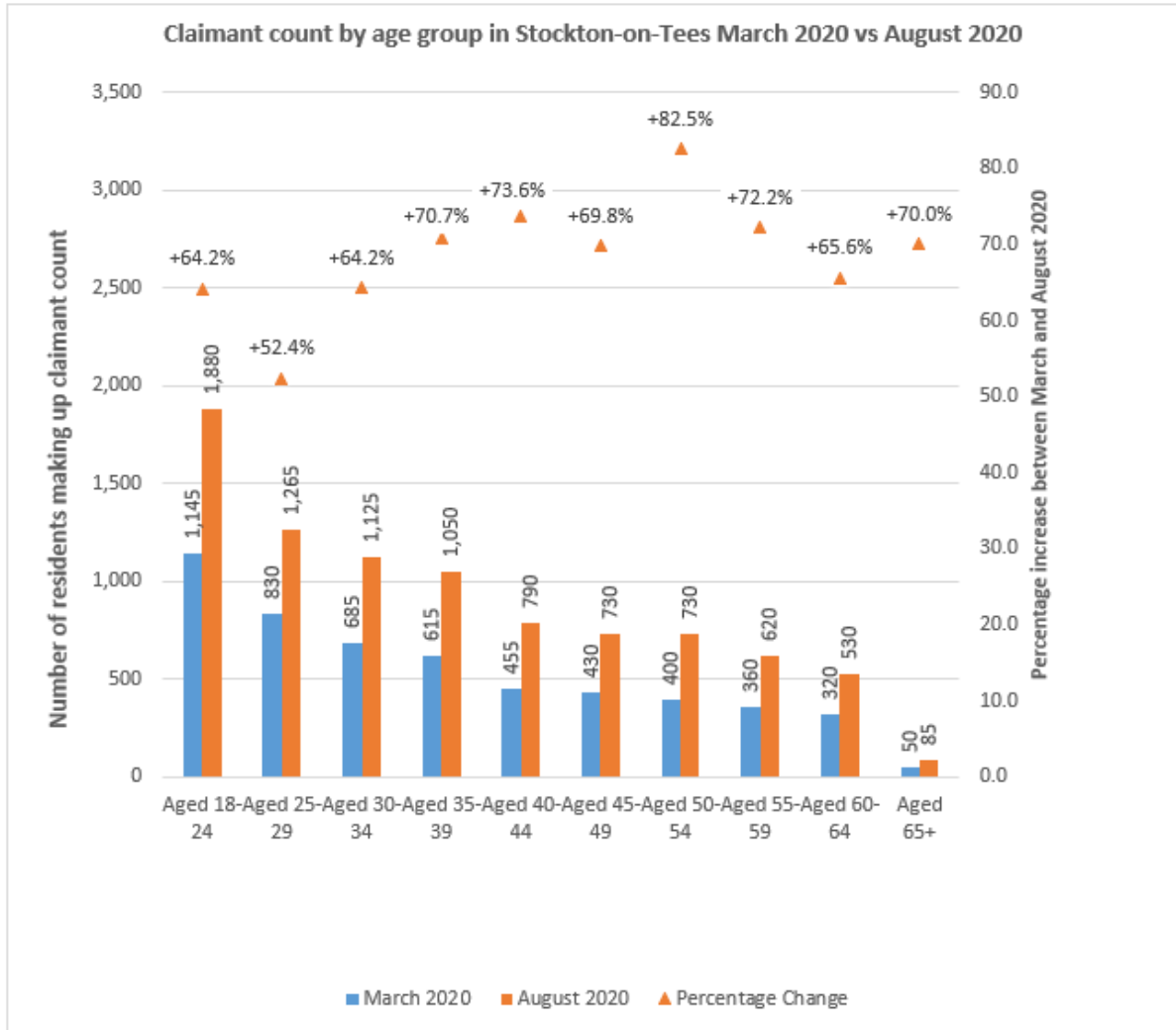


Figure 3 – Claimant Count by Age Group [accessed via Nomis](#)

- The Wards that have seen the highest rises in the number of claimants over the same time period were Mandale and Victoria, Parkfield and Oxbridge and Ingleby Barwick East (**Appendix 1**)
- The former 2 Wards were in the top three with the largest number of claimants before the pandemic, and the latter was in the lowest ten
- Mandale and Victoria Ward is now joint highest with Stockton Town Centre for the number of claimants; although the latter remains the highest for number of claimants as a proportion of the working age population
- **Appendix 1** shows that some of the most affluent areas of the Borough have seen the highest percentage and number of claimant rises; albeit from a low baseline position, such as Hartburn and Northern Parishes. Ingleby Barwick East and Ingleby Barwick West.

PRE-COVID 19 AND NOW

12. Economic output

- As of 12 August 2020 the country was officially in a recession for the first time in 11 years
- Stockton’s contribution to the economy is significant at £4.8bn (2018 figures)
- Nationally, there have been large falls in the three months to April 2020, and the three months to May 2020 when compared to quarterly growth rates. This has resulted in the national economy shrinking by 19.1% at May 2020
- Scenarios of a 10% and 15% reduction to the size of the Stockton-on-Tees economy in 2020 would result in a £483m and £724m reduction in local economic output (based on 2018 values), though this assumes the local decline will reflect national trends and is based on [the latest available sub-regional GVA estimates](#), s (Figure 4).

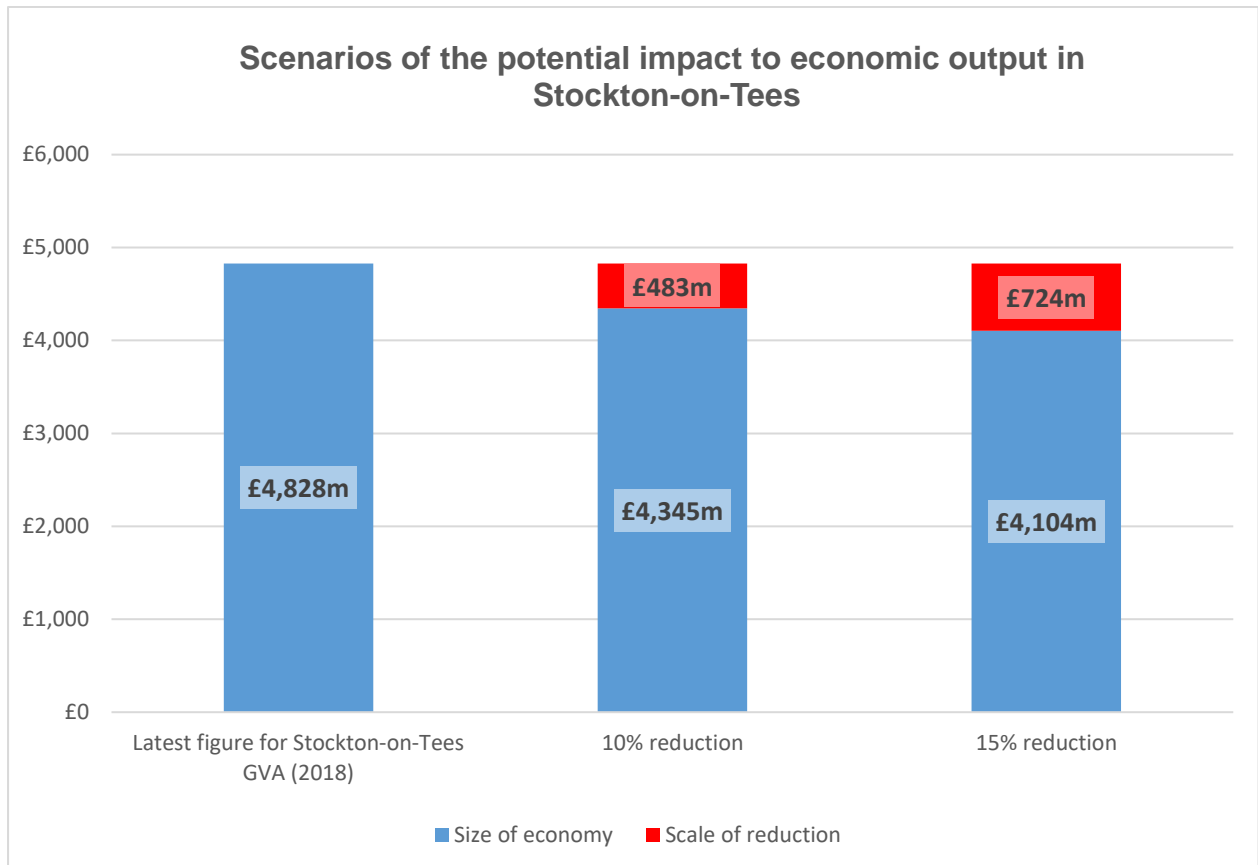


Figure 4 – GVA Estimates, Source: ONS Sub-Regional GVA Estimates

13. Business developments and feedback

- Business investments in the Borough have historically been positive; with over £100m of investment in the 2018/19 financial year towards the purchase of new premises, refurbishment of existing premises, and in machinery and equipment; leading to new job creation

- Even during these difficult times there is still positive news stories with businesses reporting they are still investing in expanding their business operations, creating new inward investment, and job creation, e.g. Fujifilm, Marlow Foods (Quorn), Px Group, Acculabs Diagnostics UK, JMAC Group, Food Warehouse creating 30 jobs (part of the Iceland Group)
- However, it should be noted that the OECD predicts a significant downturn in Foreign Direct Investment
- Where possible businesses had moved their activities to on-line only or diversified their business model to operate with skeleton staff, home-working or reduced services. Some had even diversified into making new products or delivering alternative services, e.g. hand sanitiser, on-line business models
- The use of digital practises and ICT technology have been fundamental in the continued operation of business activity; with online meetings and phone operations continuing to take place remotely
- Businesses reported that although they had lost customers during the current pandemic, they were confident that they would return once the detail of sector guidance reports was known and once lockdown restrictions eased
- Although there continues to be uncertainties there is encouraging news that businesses are already planning for sector recovery; with some identifying capital funding requirements and training needs for ICT and digital applications and health and safety
- During times of rising unemployment and limited employee job openings, self-employment and new business creation tends to rise; as was observed during the 2008-09 recession. Evidence suggests that this employment growth is sustained by appropriate business support activities during both the business creation and early years phases of self-employment.

14. **Anchor Institutions / Local supply chain**

- The role that 'Anchor Institutions' have within the local economy, of which Stockton Borough Council is one, cannot be under-estimated. The term usually refers to large, typically non-profit organisations like hospitals, local councils, and universities whose long-term sustainability is tied to the wellbeing of the populations they serve
- The Council has well established procurement practices that are designed to maximise local spend within the context of European public sector procurement rules. Several techniques are used, including:
 - Maximising contract opportunities by restricting access to local companies (below the specified thresholds for advertising to the EU)
 - Splitting contracts into lots in a way that make them more attractive for smaller local companies
 - Using the Public Services (Social Value) Act 2012 to maximise opportunities to improve the social, economic and environmental wellbeing of the local area
- The Council spent approximately £200m on external goods, services and supplies in 2018-19 of which approximately £89m is spent within Stockton-on-Tees with a further proportion (approx. £16m) spent within the rest of Tees Valley and the wider North East. The majority of the exceptions to this are for goods and services that cannot be sourced in the local area (e.g. IT equipment)
- A recent announcement by Care Matters Homecare that it has won a contract to become a primary care provider for Stockton Borough Council and expects to recruit a minimum of 50 additional local carers is a good example of where local spend has created economic opportunities for local people. The contract has been

awarded for an initial two-year term. Care Matters Homecare is a privately-owned, local home care business with offices in Darlington, Stockton and Middlesbrough.

15. **Trading status of business sectors**

Insights from an the ONS Business Impact of Coronavirus Survey (BICS Wave 12) are noted below. It is likely that locally similar trends and patterns of change are happening (**Figure 5**):

- Of businesses not permanently stopped trading (less than 1% had permanently ceased trading), 36% of the workforce were working remotely instead of at their normal place of work
- Of businesses not permanently stopped trading, 53% reported having outstanding invoice payments due to them
- Across all industries, 6% of the workforce that were still on partial or furlough leave returned from leave in the last two weeks
- The accommodation and food service activities industry reported the highest percentage of businesses reporting their risk of insolvency was severe to moderate, at 23%, compared with 11% across all industries

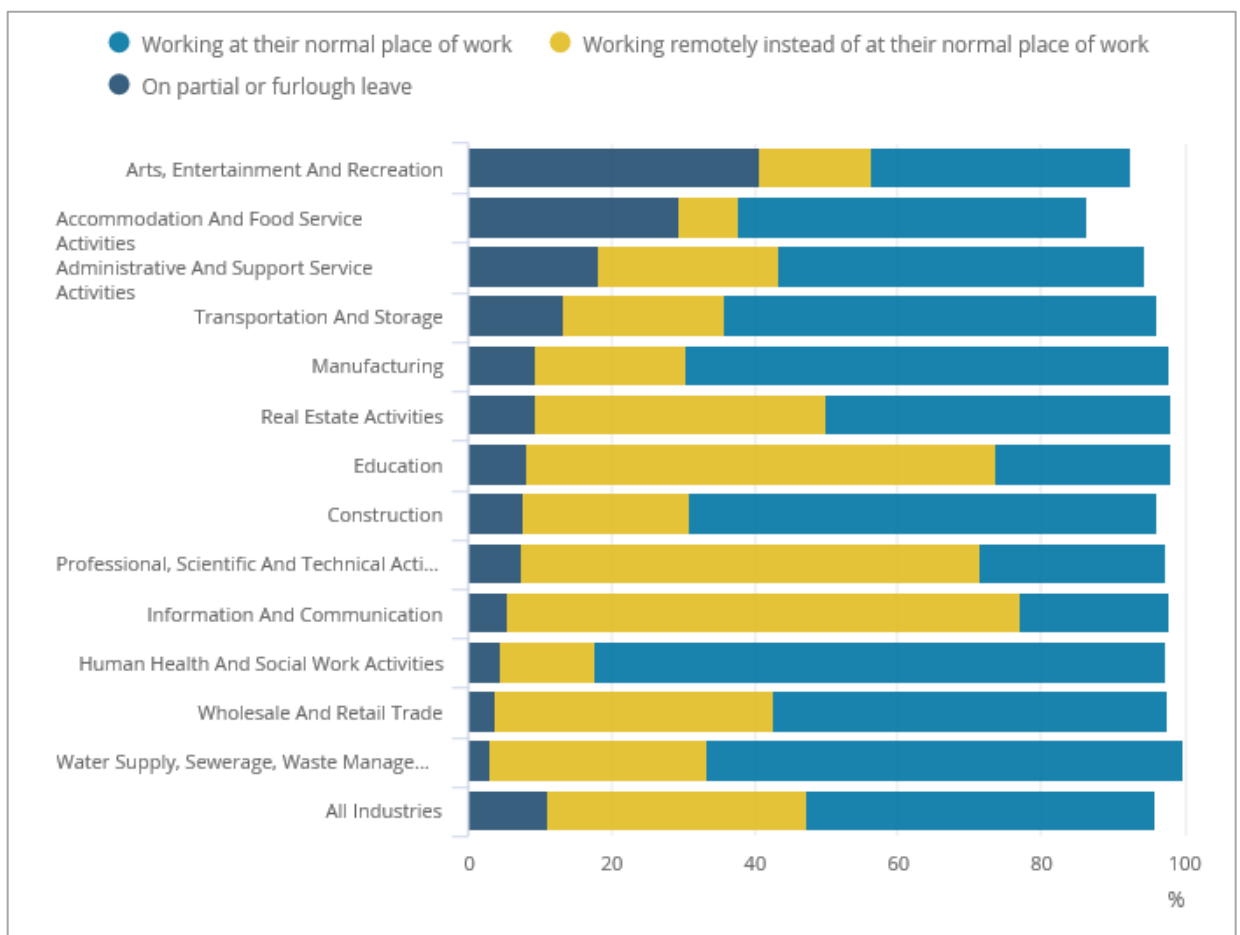


Figure 5 – Working arrangements by Industry – Source - Office for National Statistics – Business Impact of Coronavirus (COVID-19) Survey Wave 12

- Estimates suggest that the two sectors with the highest proportion of businesses taking up the Coronavirus Job Retention Scheme are 'Arts, entertainment, recreation and other services' and 'Accommodation and food services', although sectors represent 10% combined of employment in Stockton-on-Tees (**Figure 6**)
- The largest employment sector of 'Wholesale and retail; repair of motor vehicles' that accounts for 16.5% of employment locally has 41% of businesses accessing the Scheme
- The employment sectors of 'Health', 'Education' and 'Public administration and defence' have the smallest proportion of businesses taking up support from the Scheme, even though 'Health' is the second largest employment sector on Stockton-on-Tees.

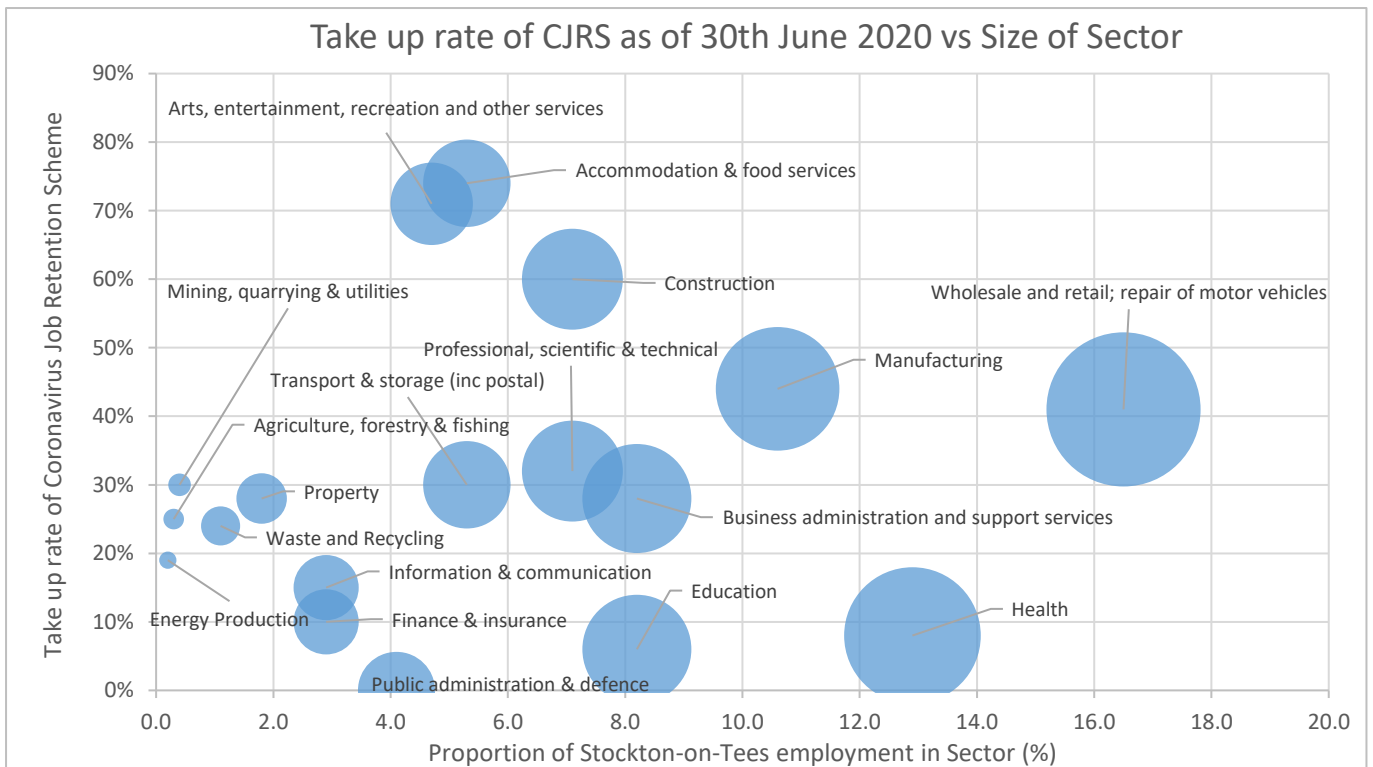


Figure 6 – North East furlough take up by 'Industry vs Size of industry' locally - Source: HMRC Corona Virus Job Retention Scheme (CJRS) statistics (July 2020) and ONS Business Register and Employment Survey (2018 figures via Nomis)

16. Business closures / job losses

- Unfortunately, some businesses, particularly those in the food and drink leisure sector and personal services sector, had no other option than to cease trading until lockdown arrangements were relaxed further
- However, insights from national business births/deaths research suggest that there are fewer business openings but also fewer business closures than prior to the pandemic, however, this is likely to increase as Government support is withdrawn.
- Although anecdotal evidence suggests that many apprentices have been taken off furlough and back into employment, most have been furloughed, and the future of their employment status is unknown due to changes to the structure of businesses and their operations; particularly impacting those apprentices that need to be physically located within a business to complete their framework
- Large national retailers have announced the need to restructure their business models due to reduced sales, for example tour operators, restaurants etc.; reducing the number of outlets needed and leading to redundancies, and this will

affect local branches across the Borough, for example Tui and Hays Travel closure of high street branches, WH Smiths, M&Co, Pizza Express, Virgin Money

- Most businesses have accessed the Government’s staff support packages; with much of them furloughing their entire workforce
- The Government’s support of offering business grants and business rates holidays has been taken up by many businesses, and the impact once the packages end is still uncertain
- Some businesses particularly in the manufacturing sector have faced difficulties with the supply of goods and services due to their suppliers not trading
- Businesses have suggested that they could continue in their current trading capacity for a short period of time, but most were reliant on the Government support packages to do this
- There is huge uncertainty about trading capacity of businesses in the medium to long-term and the ability for them to retain staff indefinitely or fulfil orders if operating restrictions continue and the impact of the global recession are felt.

17. **Job postings**

- The number of jobs being advertised is a good indicator of a buoyant economy. There are currently around 3,628 fewer job postings in Stockton-on-Tees between March to August 2020 compared with the previous year; with nurses, programmers and software development professionals and primary/nursery teaching professionals the three most common occupations in job postings; consistent with the industry groupings most likely to recover from the economic crisis (**Figure 7**)
- Currently the business sectors linked to the need to reduce carbon emissions and create a sustainable future are low as are the job numbers. However, it is more than likely that these will increase over time as more jobs are created by businesses to respond to this need.

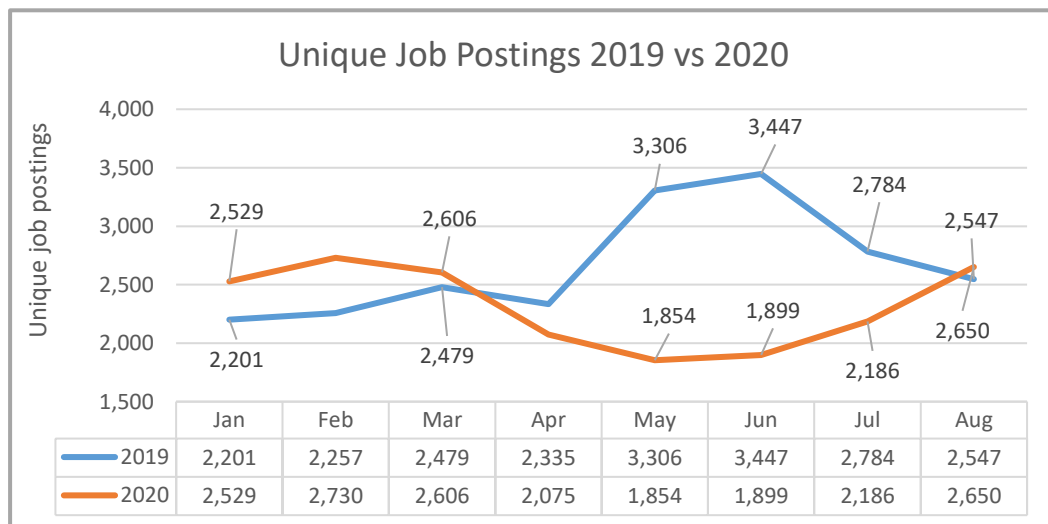


Figure 7 – Monthly unique job postings in 2019 and 2020 (August), Source: EMSI

Council Response

Members will be aware that the current Council Plan was reviewed in July and presented to Council. Many of the actions in the Council Plan are relevant in our response to supporting the local economy, both before, during and after the pandemic. The pandemic does mean however that there is an increased challenge, and this is a high priority to the Council. The Council Plan outlines:

- Increased priority and focus in attracting inward investment, not least through a place-based branding campaign
- Developing our approach to inclusive growth so benefits are felt across the whole Borough
- Reviewing our approach to economic development and business engagement, building on the excellent relationships in place
- Continuing our work around employability and skills, particularly through programmes such as Routes to Work

In addition, we are in the process of developing and establishing an Employment, Education and Skills “hub” that will, amongst other things:

- Bring together and co-ordinate the work currently ongoing across the Council
- Link with partners such as DWP
- Look to match people to available jobs
- Identify skills gaps and provide support for people into skills
- Be a Hub and spoke model with access for all parts of the Borough.

A more detailed feasibility proposal is shown in **Appendix 2**.

Name of Contact Officer: Chris Renahan
Post Title: Inclusive Growth, Planning and Development Manager
Telephone No. 01642 526025
Email Address: chris.renahan@stockton.gov.uk

Appendix 1: Claimant Count figures by Stockton-on-Tees Electoral Wards

2018 Electoral Wards	March 2020	August 2020	March to August percentage increase	March to August Number Increase	Estimated 16-64 population in each Ward	March 2020 claimants as proportion of 16-64 population	July 2020 claimants as proportion of 16-64 population	March to July percentage point change in claimants as proportion of 16-64 population
Newtown	430	615	43.0%	185	4,551	9.4	13.6	4.1
Roseworth	245	425	73.5%	180	4,441	5.5	9.6	4.1
Village	180	330	83.3%	150	3,927	4.6	8.2	3.6
Parkfield and Oxbridge	575	785	36.5%	210	6,614	8.7	12.3	3.6
Western Parishes	50	110	120.0%	60	2,092	2.4	5.7	3.3
Norton North	230	360	56.5%	130	4,077	5.6	8.8	3.2
Billingham Central	200	345	72.5%	145	4,633	4.3	7.4	3.1
Hardwick and Salters Lane	340	495	45.6%	155	4,637	7.3	10.4	3.1
Billingham East	265	415	56.6%	150	4,369	6.1	9.1	3.1
Norton South	225	385	71.1%	160	5,341	4.2	7.3	3.1
Mandale and Victoria	580	835	44.0%	255	8,472	6.8	9.8	3.0
Billingham South	195	325	66.7%	130	3,912	5.0	7.9	2.9
Stockton Town Centre	680	835	22.8%	155	4,972	13.7	16.6	2.9
Stainsby Hill	250	370	48.0%	120	3,622	6.9	9.8	2.9
Yarm	95	265	178.9%	170	6,292	1.5	4.1	2.6
Norton West	50	140	180.0%	90	3,262	1.5	4.1	2.6
Hartburn	40	120	200.0%	80	3,365	1.2	3.7	2.5
Ingleby Barwick East	85	290	241.2%	205	6,975	1.2	3.7	2.5
Bishopsgarth and Elm Tree	105	195	85.7%	90	3,647	2.9	5.3	2.4
Grangefield	80	190	137.5%	110	4,012	2.0	4.3	2.4
Billingham North	105	225	114.3%	120	5,367	2.0	4.1	2.1
Fairfield	70	135	92.9%	65	3,053	2.3	4.4	2.1
Northern Parishes	20	65	225.0%	45	2,520	0.8	2.8	2.0
Eaglescliffe	90	215	138.9%	125	6,264	1.4	3.3	1.9
Ingleby Barwick West	75	255	240.0%	180	8,568	0.9	2.7	1.8
Billingham West	45	105	133.3%	60	2,670	1.7	3.5	1.8
Stockton-on-Tees Total / Average	5,305	8,830	66.4%	3,525	121,655	9.5	7.3	-2.2

Proportion of working age population claiming JSA/UC equivalent by Electoral Wards [accessed via Nomis](#)

Appendix 2

PROPOSAL FOR THE ESTABLISHMENT OF AN EDUCATION, EMPLOYMENT AND SKILLS (EES) HUB

1. It is anticipated that the global Covid-19 pandemic will result in a severe economic recession, high levels of unemployment and the loss of several businesses. Indeed, the effects of the pandemic have already been felt in the Borough with large increases in those claiming Job Seekers Allowance or Universal Credit and redundancies at businesses in several sectors.
2. Whilst higher than average unemployment and a relatively high claimant count are not new issues for this Borough, the scale of these issues will be significantly increased. As we emerge from the pandemic and the existing Government support packages currently in place come to an end the support that we and partners put in place would need to be flexible enough to respond to both changes in individual's needs as well as the geographic locations of support where intelligence suggests those areas have been more adversely affected by Covid-19. The requirement for the Council and delivery partners to be in the best possible position to support the Borough's residents and businesses is of paramount importance.
3. The need to develop a more strategic, co-ordinated approach to respond to the issues presented by the Covid-19 pandemic has created a more pressing need to establish a 'hub and spoke' model based on a single point of engagement and referral for our EES provision along with flexible community-based provision at locations where intelligence suggests there is the greatest need as a result of Covid-19. Following discussions with internal groups, neighbouring Authorities and partner organisations it is proposed that physical and virtual 'hub and spoke' services are developed to provide a 'one stop shop' approach for residents of all ages across the Borough that can link up to and access the wider network of opportunities. This approach would bring together internal colleagues from Economic Development (employability/enterprise), Learning & Skills, Schools and Early Help, Partnership and Planning alongside VCSE organisations (e.g. Catalyst) and the likes of JCP/DWP. It would be complemented by targeted input from colleagues in other Services such as Welfare Support and Public Health.
4. The overall objective of the 'hub and spoke' approach would be to gain employment for residents of the Borough and would provide, amongst other things:
 - A central location (Hub) that is easily accessible for all residents of the Borough
 - Provision of support in other Towns or communities ("the spokes") in partnership with organisations already active in those locations that have been adversely affected and that could easily be scaled up or down as need determines
 - A triage service to sign-post people to the most appropriate employment opportunities and support
 - A base for both internal teams and external partners (DWP/JCP etc.) to have access to those residents that need support and advice

- Flexible rooms of various sizes to accommodate confidential diagnostic assessments, interviews and careers advice
 - Allow training courses, careers events and programmes of activity to be delivered on site
 - Provide a location for businesses to hold recruitment days
 - Provide a location for other drop-in support, advice and guidance (such as health and wellbeing or welfare support)
 - A friendly reception/waiting area with TV display showing videos of the local offer, upcoming events, careers profiles
 - Be fully ICT enabled for video conferencing, remote training and a computer suite for client use.
5. The central hub and community-based provision would be complemented by a virtual offer, making particular use of social media channels to engage, promote and signpost. This would include remote provision of support, for example, through distance learning.
 6. The TVCA has proposed that a central hub approach is one that should be supported moving forward (with the 'Grangetown Hub' often cited as best practice).
 7. DWP/JCP are keen to work collaboratively with Local Authorities and partners to support young people post Covid-19. They hope to do this by establishing 'Youth Hubs' in each Local Authority in a central location where young people will be able to engage in an informal environment and access the support specific to their needs.
 8. As of September 2020, a short-term 'Youth Hub' is being established and will locate into a vacant retail unit in Wellington Square, Stockton Town Centre. The service will work directly with those young people in the Borough that are looking for education, employment or training opportunities. The opportunity will be taken to pilot and promote the concept of an all-age hub as part of that. An officer Working Group has been established to take this work forward.