
ECONOMIC DOWNTURN UPDATE

Responsible Cabinet Member – Councillor John Williams, Leader

Responsible Director – Ada Burns, Chief Executive

SUMMARY REPORT

Purpose of the Report

1. To inform Cabinet Members of the latest economic downturn intelligence, assess the impact of the effects being felt in Darlington and review initiatives underway or proposed in response to the current situation.

Summary

2. Despite some early signs of economic improvement (both nationally and locally) a return to normal, let alone, strong conditions in the UK economy are likely to remain some way off. The Council and partners need to plan accordingly. Arrangements are in place, being maintained and reviewed to help mitigate the effects of the recession where possible and to plan for a sustained programme of initiatives in response. The Council and its partners are responding appropriately and will keep matters under review.
3. The Council has invested heavily in its partnership working and the strength of relations across the sectors is paying dividends in ensuring a co-ordinated response is being offered. The breadth and depth of partnership working means that a series of initiatives are planned or are already underway which will best serve the local community. Details of some of the most relevant responses are set out at page eight.
4. The key initiatives cover the following areas:
 - (a) Tackling worklessness and development of an employability framework;
 - (b) Implementation of the successful Future Jobs Fund (FJF) bid;
 - (c) Creation of apprenticeships in the public sector;
 - (d) Local business start up support;
 - (e) Promoting affordable credit and financial inclusion.
5. An open dialogue with employers means we are keeping abreast of developments with local businesses and demands for services. We are also contributing meaningfully to work at a Tees Valley and regional level on the full range of social and economic considerations.

Recommendation

6. It is recommended that Cabinet :-
 - (a) note the latest intelligence and research relating to the impact of the economic downturn and recession;
 - (b) note the range of initiatives underway and planned as part of the Council's response;
 - (c) continue to work with strategic partners to identify what more can be done to mitigate the impact on local businesses and communities.

Reasons

7. The recommendations are supported by the following reasons :-
 - (a) To make an effective contribution to the collective response to the economic downturn and recession.
 - (b) To ensure all key stakeholders are kept aware of developments.

Ada Burns
Chief Executive

Background Papers

Report: 'When it comes to the crunch – How councils are responding to the recession.'
(Audit Commission – 12 August 2009)

Report: Economic Review – How will the recovery shape up
(Deloitte – UK Economic Review Q3 – 10 August 2009)

John Bosson: Extension 2016
JB/jb

S17 Crime and Disorder	There is evidence that poor economic conditions can fuel an increase in crime
Health and Well Being	This report indirectly addresses the health agenda as the economic initiatives impact upon individual and community well-being
Sustainability	The proposals arising from this process will be implemented in accordance with agreed sustainability principles
Diversity	The proposals arising from this process will be implemented in accordance with our diversity duties and objectives
Wards Affected	All wards are being affected and will be subject to consideration as part of this process
Groups Affected	All people are affected by the downturn and recession although it can be expected that those on low incomes, under threat of redundancy or already unemployed will be particularly vulnerable
Budget and Policy Framework	This report does not recommend any change to the Budget or Policy Framework
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	The development of a co-ordinated response by the Council and its partners to the recession will contribute directly to the implementation of the Sustainable Community Strategy
Efficiency	Co-ordination of departmental and inter-agency working around this topic will ensure the most efficient use of resources

MAIN REPORT

Information and Analysis

8. A recent national economic review has identified that there is little doubt that the near-term outlook for the economy has improved. But there remains a huge amount of uncertainty about just what shape the recovery will take. The following summary is based on the 2009 Quarter Three Economic Review by Roger Bootle – Economics Advisor to Deloitte Consultants.
9. At least three key factors have driven the recent improvement in the economic indicators. But none seems to set the stage for a sustainable and strong recovery. First, financial sector confidence, particularly in the banking sector, has improved. But this could easily be dented again. Banks still face a raft of recession-related losses. Second an easing in the pace of destocking will boost growth for at most a couple of quarters. And third, the massive boost from fiscal and monetary policy is coming to an end. The effects of quantitative easing have so far been far from spectacular. And a severe fiscal tightening is likely after the general election.
10. Of course, something else could take over in driving the upturn, but it is hard to see what. Slowing pay growth is largely offsetting any boost from falling inflation to households' real incomes. And the real benefit from the lower pound is unlikely to be felt until global demand strengthens significantly.
11. Meanwhile, the UK is emerging not from a normal recession, but from a recession caused by a banking crisis. Credit remains a big problem – both its supply and demand. It could take years both for banks' risk appetite to return and for firms and households to want to borrow more.
12. At least the economy looks likely to be growing next year – an improvement on the outlook just a few weeks ago. But we expect modest growth of just 0.5% or so, followed by 1.5% in 2011.
13. Even if the economy's potential growth rate has been damaged by the recession, growth is unlikely to be strong enough to eliminate the large amount of spare capacity that has built up. Deflation, rather than inflation, therefore remains the bigger threat. The slowdown in wages growth presents the biggest risk in this respect.
14. As such, expectations of an early tightening in monetary policy look misplaced. It is anticipated that interest rates will stay at their record low until the end of 2011.
15. Overall, the shape of the recovery expected is probably best described as U-shaped, but a W-shape in which growth accelerates more quickly and then relapses is certainly possible. Whatever the letter, however, a return to normal, let alone, strong conditions in the UK economy likely remains some way off.

Summary of the Audit Commission National Report – How councils are responding to the recession (August 2009)

16. The recession is affecting each area differently; areas that were already deprived have been worst affected so far.
 - (a) Manufacturing, finance and distribution have seen the greatest falls in job numbers, and the NHS and education the greatest increases.
 - (b) Low-skilled jobs have been worst affected; these are often concentrated in deprived areas.
17. Most councils have taken sensible, low-risk steps to support businesses, labour markets and vulnerable households.
 - (a) More than two-thirds of single-tier and county councils believe current pressures are strengthening partnership working, but not all partnerships are operating as well as they might.
 - (b) A sound overall plan, understood by everybody, targeted on local issues and delivered in partnership, should make local action more effective.
18. Government action needs to widen from business support to tackling employment and social issues as the recession progresses.
 - (a) An extra 720,000 people registered unemployed in the 12 months to June 2009. Average forecasts are for 750,000 more registered unemployed by mid 2010, with unemployment not falling markedly until 2012.
 - (b) Debt problems and house repossessions are increasing, but broader social problems, such as homelessness and mental health issues, are expected to follow.
19. Many councils, including those that have escaped the worst effects to date, should be doing more to prepare for the future.
 - (a) There has already been greater demand for benefits, debt and welfare advice. Councils are anticipating increased demand for school places and for services for older people, children and people with mental health problems, but only a third have experienced them to date.
 - (b) The role of councils will become increasingly important as the recession spreads from businesses into communities. Councils should be preparing now for the social, financial and economic development challenges ahead.
20. Councils are very uncertain and concerned about the level of future funding.
 - (a) The three-year grant settlement has meant central government funding has been stable. But all councils' finances have been affected by the recession with lost income, for example planning fees, car parks and interest.

- (b) Addressing one pressure can exacerbate another; for example, over half of councils have redundancy programmes, which will increase local unemployment.
21. The report's recommendations for Local Government are that Councils should ensure they:
- (a) avoid complacency over the recession's impact, since the most substantial pressures have yet to emerge;
 - (b) fully understand their economy, and the impact of the recession on businesses, people, capital developments and demand for services;
 - (c) work with local partners, business leaders, property developers, neighbouring authorities and regional bodies to gather intelligence and agree a strategic response; and
 - (d) implement a strategy that has clear objectives, is tailored to local issues and focuses on both the coming social impact and the future recovery.
22. To date Darlington has largely met these challenges and will continue to plan to do so. The Council has invested heavily in its partnership working and the strength of relations across the sectors is paying dividends in ensuring a co-ordinated response is being offered. The breadth and depth of partnership working means that a series of initiatives are planned, now underway or coming to fruition, which will best serve the local community. Details of some of the most relevant responses are set out from page eight.
23. An open dialogue with employers means we are keeping abreast of developments with local businesses and demands for services. We are also contributing meaningfully to work at a Tees Valley and regional level on the full range of social and economic considerations.

Local Position

24. The following tabulation provides an overall summary of the latest data on performance indicators relevant to measuring the effects of the economic downturn and recession upon the Council and the community of Darlington.

Indicator	Performance
Unemployment	Claimant numbers up from 1,856 in July 2008 to 3,148 in September 2009, which equates to 5.2% of the working age population.
Business Rates	Debts over 2 months old – 391 cases accounting for £1,392,800 in September 2009. In year collection rates improving. [Numbers of empty Business Rate Properties relatively stable at 16.3% in August 2009].
Housing and Council Tax Benefit Claims	The number of new claims received April 2009 to August 2009 (2,646) compared to the same period the previous year (2,877) showed a decrease of 8%. Overall caseload however continues to rise to a new high of 12,112.

Indicator	Performance
Council Tax	Debts over two months old – 5,670 cases accounting for £3,266,900 in Sept 2009. In year collection rates in line with previous years. Empty property exemptions increasing.
Council Rent	Rent Arrears at mid September stood at £336,691 compared to £333,578 at the 2008/09 year end, a 1% increase. Substantial reductions achieved in July and August.
Housing Option Enquiries – General	A 24% decrease in all housing options enquiries (including homelessness applications) between April and July 2009 compared to the same period last year.
Housing Options Enquiries – Economic	Also a 24% decrease in applications for economic reasons between April and July 2009 compared to the same period last year.

Unemployment details

25. Darlington now has 3,148 Job Seeker Allowance claimants which equates to 5.2% of our working age population. The overall picture shows Darlington’s JSA claimant levels peaked in April 2009, levelled off in that first quarter, rose again over the summer and has dropped slightly in September (See figure 1 below). Monthly changes remain volatile but it is encouraging that Darlington was the only Borough in the Tees Valley to see any improvement with this latest release of data.

Figure 1: Darlington monthly unemployment claimant count

Month	Jul 2008	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	July 2009	Aug 2009	Sep 2009
Claimant Numbers	1856	2840	3096	3182	3219	3160	3120	3125	3225	3148
Monthly increase	--	+ 281	+ 256	+ 86	+ 37	- 59	- 40	+ 5	+ 100	- 77

26. Taking a medium term review Darlington has seen a significant increase in the numbers becoming unemployed within the last twelve months equating to just over an extra 1100 claimants. Proportionately this has been a marked increase from 3.4% to 5.2% of those economically active.
27. Within the global figure is a disproportionate number of young people (see figure 2 below). Currently 29.6% of claimants are within the 18-24 age range. Youth unemployment locally as well as nationally is emerging as a significant issue.

Figure 2: Unemployed by age & duration – Sept 2009 (Percentage of all unemployed)

	Total under 20 yrs	Total under 25 yrs	Unemployed over 6 months	Unemployed over 1 year
Darlington	10.3	29.6	31.2	10.3

28. There continues to be a wide variation in unemployment proportions at ward level (see figure 3 below). The gap between the five worst and five best wards in Darlington has now widened to 7% from less than 5% a year ago.

Figure 3: JSA Claimant rate by Darlington ward

	Jul 2008	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Aug 2009
Top 5	5.7%	7.4%	8.3%	8.5%	8.8%	8.7%	8.5%	9.1%
Bottom 5	1.1%	2.1%	2.1%	2.1%	2.0%	1.9%	2.0%	2.1%
Gap	4.6%	5.4%	6.2%	6.4%	6.8%	6.7%	6.5%	7.0%

Local Responses

29. In response to the economic downturn and recession the Council and its partners have taken a pro-active approach across a range of issues to address the effects being felt. An update on some of the key initiatives is set out below and covers the following matters:
- (a) Tackling worklessness and development of an employability framework;
 - (b) Implementation of the successful Future Jobs Fund (FJF) bid;
 - (c) Creation of apprenticeships in the public sector;
 - (d) Local business start up support;
 - (e) Promoting affordable credit and financial inclusion.

Tackling worklessness

30. Darlington has secured through the Tees Valley Joint Strategy Unit £150,000 Single Programme monies for supporting a “Darlington into Work Scheme”. This is aimed at people less than 12 months unemployed and seeks to assist in the removal of barriers to work and employment aftercare. This is a significant improvement in services for Darlington as this has been traditionally funded from Working Neighbourhood Funds for which Darlington has not been eligible. The scheme is targeted to support 300 people within the Borough.
31. Over and above this immediate response the Prosperous Darlington Theme Group are now co-ordinating the development of a local employability framework to provide a sustainable response to the long term issue of worklessness.
32. An employability framework provides a single accessible network of support that meets the needs of economically inactive people who want jobs, and employers who want to recruit individuals who are currently out of the labour market. It will create an employment journey that makes it easy for people to access help and provides a clear path from initial engagement activity through to better support for individuals once they have started work, to increase retention rates and ensure people go on to develop their skills and get better quality and higher paid jobs. It is based on an integrated model of support to assist individuals on the journey to work and incorporates support to sustain employment.

33. Key partners from across the public, private and voluntary sectors are being brought together to form a time limited project group to deliver this major piece of work and in order to progress swiftly to an action plan segmented by key target groups.

Future Jobs Fund

34. Darlington has been successful in its bid to the Department for Works and Pensions (DWP) for funding to administer a local scheme under the national Future Jobs Fund (FJF). This represents close collaborative working between the Council and eVOLution (on behalf of the voluntary sector) to deliver this scheme. 57 new jobs were identified in the Darlington bid, 13 of which will be hosted within the Borough Council. The Council received confirmation in September that the bid was successful. This means that approximately £370,500 of funding (57 jobs each with a £6,500 subsidy) will come in to the borough. The jobs are envisaged to start on a phased basis from November (each with a minimum duration of 6 months). Only 55% of applicants to the Fund have been successful. The next stage of the process is the completion of forms by each host employer, which are required by DWP – these have been completed by the relevant organisations and are presently being collated. Subsequent to the bid confirmation, a further 10 jobs have been identified through additional organisations. These will be reviewed for eligibility by DWP early in 2010.

Apprenticeships in the public sector

35. A skilled workforce is vital for meeting the challenges of the global economy in the 21st century. With an ageing workforce, critical skills shortages and increasing unemployment in the 18-24 age group, the public sector has been tasked with increasing numbers, and in being more ambitious, in the use of apprenticeships.
36. The apprenticeship scheme offers the public sector a way to train its workforce in a cost effective way, whilst offering the individual a training structure and work experience. A number of public sector organisations throughout the country have implemented schemes that have not only increased the apprentice intake but have provided savings to the host organisation.
37. Following the launch of the new National Apprenticeship Service in April 2009, there has been a drive to encourage the public sector to take a lead in increasing apprenticeship numbers. The Borough Council is leading on examining the appetite for apprenticeships across the wider public sector in Durham and Darlington. At present, DBC employs 27 apprentices across a wide range of occupational areas. A scoping exercise and feasibility study are presently underway led by the Council's Economic Development Team. A key outcome of this work will be to set targets for each organisation individually and collectively, both with regard to the number of apprenticeships and financial savings. We will lead by example and encourage and influence the private sector to employ apprentices and Work with the 14-19 Partnership and the wider partnership e.g. private sector, National Apprenticeship Service (NAS) etc. to promote the use of apprenticeships in Darlington.
38. Following discussions with the University of Teesside, eVOLution and Jobcentre Plus, we have secured two graduate internships (funded through ECIF) to be hosted at the Town Hall for an initial 3-month period (Sept – Dec 2009). The interns have been tasked with looking at the issue of worklessness to assist in developing a strategy for Darlington. One intern is focussing on 'Mapping & Strategy' and the other considering 'Best Practices'; from across the UK and Europe. It is hoped that their work will feed in to Darlington's Worklessness

Strategy; a Work & Skills Plan and the Darlington Employability Framework, being developed by Jobcentre Plus as reference above. It is hoped that this will be the start of being able to offer regular graduate internships in the future.

Local business start up support

39. An application to NEESPR (Business Link's Service Provider Register), has been submitted in respect of 'Business Start-Up' provision (business planning). In addition, we are exploring the potential for European Regional Development Fund (ERDF) support in respect of 'Pre-Start-Up' provision (enterprise coaching), as part of a proposed wider Tees Valley package. A major development has been the potential to link in with Redcar & Cleveland Borough Council's Local Enterprise Growth Initiative (LEGI) team, who already have existing enterprise coaching provision. The benefits of collaboration include: utilising existing tools, techniques and materials; staff training; shared staff resources and most importantly, the potential to bring in a greater proportion of ERDF monies into Darlington - In addition, it is envisaged that eVOLution will also partner with us, providing enterprise coaching to those thinking of establishing social enterprises.

Promoting affordable credit and financial inclusion

40. Best practice elsewhere has seen the development of local Financial Inclusion Forums which bring together key players from across all sectors with a shared agenda around better serving those who are currently financially excluded. The financial services covered include money, debt and welfare benefits advice, banking, affordable credit, savings and insurance.
41. An initial scoping meeting to review the merits of developing such a forum in Darlington was held over the summer and convened by the Council. The meeting was chaired by Derek Ross of the Student Loans Company and was well attended by a good cross section of partners. It was agreed to establish a regular forum commencing from September 2009 and which will become a sub-group of the Prosperous Darlington LSP Theme Group. Such a forum has provided an ideal means of further developing and rounding out a draft Financial Inclusion Strategy which will be submitted to the LSP Board shortly for endorsement.
42. The Council has worked closely with the volunteers involved in creating a new borough-wide Credit Union. Following merger of the four previous smaller organisations operating in the town this new body will be capable of offering viable and real alternative savings products and affordable credit. The Council will continue in its support by helping to market and promote the services of the new Credit Union to local residents and employees.

Medium Term Corporate and Financial Plans

43. The Council is reviewing its Medium Term Corporate and Financial plans as it does annually (the subject of a separate report on today's agenda). Though there is much uncertainty regarding medium-term resource levels there is general widespread consensus that public finances and services will face significant pressures for some years to come. The Council's planning processes recognise these constraints.

Outcome of Consultation

44. Partners from across the LSP have been consulted over the context of this report and are supportive of the general approach, the initiatives underway and planned.