

# THE HIGHLAND COUNCIL

5 March 2009

Agenda Item	
Report No	

## COUNCIL RESPONSE TO THE ECONOMIC DOWNTURN

### Report by Director of Planning & Development

#### SUMMARY

This report provides commentary on the current economic situation before detailing progress with the implementation of the Council's Economic Downturn Action Plan.

The Action Plan supports the Council's Programme to create sustainable communities with more balanced population growth and economic development across the Highlands and to build a fairer and healthier Highlands.

#### 1. Economic Update

1.1 The latest Bank of England Agents' Summary of Business Conditions, published in February 2009, is summarised below. It provides information on the state of business conditions from companies across all sectors of the UK economy between late December 2008 and late January 2009:

- Consumers' expenditure has continued to contract with signs that the post Christmas pickup in non-food sales was short-lived.
- Investment intentions remain weak.
- With external demand continuing to slow the volume of manufactured goods now exported is lower than a year ago.
- Continued concern over the cost and availability of working capital.
- Employment intentions are continuing to be scaled back with average hours worked been cut and permanent staffing levels been reduced with more redundancies expected in early 2009.
- Growth in labour costs has slowed with expected 2009 wage settlements lower than those made during 2008 and some planning pay freezes.
- Annual input and output price inflation has fallen further.
- Retail goods prices may rise if sterling remains at current level as the cost of imported finished goods prices remain elevated.

1.2 This confirms recent indicators which reflect the impact of the economic downturn, both locally and nationally. The UK economy contracted by -1.5% during Q4 2008 whilst the Scottish economy contracted by -0.8% for Q3 2008. Independent economists, Fraser of Allander Institute, have forecast that the Scottish economy will contract by -1.1% in 2009 before growing again in 2010 (+0.7%). The Bank of England base rate now stands at 1%.

1.3 The number of people unemployed in Highland (as measured by Jobseekers Allowance) began to rise in late 2008 and now stands at 3639 or 2.8% of working age people (Scotland 3.4%). All local authority areas across Scotland saw a significant increase in the number of claimants during 2008 with the rise of 45% in

Highland similar to the Scottish rate of 46.4%. As Members will appreciate the unemployment rate varies across Highland from 1.3% in the Inverness South Ward to 4.7% in the Wick Ward.

- 1.4 While these various economic indicators and recent local redundancy announcements do not present a positive economic picture, anecdotal comment received from business representatives at the joint Council/HIE inaugural Economic Forum in January 2009 and elsewhere, suggest that not all businesses or sectors are experiencing an economic downturn. For example, in the tourism sector, self catering bookings appear quite buoyant as visitors continue to seek quality but also value for money.

## **2. Action Plan**

- 2.1 The Council's approved Action Plan details short, medium and long term actions across six headings:

- Housing
- Capital Programme
- Money Advice and Support to Individuals
- Employability and Support to Individuals
- Business Advice and Support
- Wider Economic Initiatives/Other Actions

The Council's Member Leadership Group has met to review progress with delivery of the Action Plan.

- 2.2 Members will note from the comments section on the attached Action Plan that significant effort has been directed to deliver on the actions proposed. While a wide range of activity is underway across the Council, actions worth noting include:

- £5m additional funds have been allocated for affordable housing with another £2m for land purchase for low cost housing.
- A focus on delivering the Council's capital programme and accelerating high impact aspects of the programme on weaker local economies.
- Additional investment in 2008/09 (£47k) and 2009/10 (£108k) onwards for Money Advice and Welfare Rights Services as approved at Resources Committee on 18 February 2009. This supports the recently produced guide to money advice and benefits prepared by the Finance Service.
- Encouraging, by direct mail and advertising, eligible businesses to apply for reduced rates through the Small Business Bonus Scheme.
- The Council's wholly owned Enterprise Trust – Highland Opportunity Ltd. are awaiting Scottish Government confirmation of an ERDF supported Loan Scheme.
- The Nigg Masterplan has received 22 consultation responses and an update report will be presented to the March 2009 PED Committee.
- Partnership working with the other public bodies in the Highlands is focused on mitigating the impact of the recession.
- Promotion of the Action Plan and its measures through the local media including radio and the Council's own publication.

### **3. Resource Implications**

- 3.1 There are no direct additional budgetary implications detailed in the Action Plan that can not be accommodated for in current or emerging Service budgets.

### **4. RECOMMENDATION**

- 4.1 Council is recommended to note the continuing development of the Council's Economic Downturn Action Plan, particularly:
- The development of new ideas and solutions to the housing market conditions
  - The progress with money and welfare advice to individuals
  - The work on the development of Business Gateway and other measures to assist small businesses
  - Ongoing work with partners in the public sector to prepare joint strategies and action plans

Signature:

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Date: 26 February 2009

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# THE HIGHLAND COUNCIL

## Response to the Economic Downturn Action Plan

### Introduction

This Action Plan identifies a number of short term (within the next six weeks), medium term (within the next three months) and long term actions (beyond the next three months) for the Highland Council. A lead Director/officer is identified for each action and these will be reported to the Council on a regular basis.

<b>Contents</b>	<b>Page</b>
1. Housing	2
2. The Council's Capital Programme	3
3. Money Advice and support to individuals	4
4. Employability and support to individuals	6
5. Business advice and support	7
6. Wider economic initiatives/other actions	9

<b>1. Housing</b>				
<b>Issue</b>		<b>Responsible Officer</b>	<b>Timescale</b>	<b>Comment</b>
1.1	Council to forward fund affordable housing elements of mixed tenure developments ahead of Scottish Government Funding	Director H&P	Short Term	£5million of additional funds allocated. (Projects in Inverness, Fortrose, Aviemore and Fort William)
1.2	Enabling developers to build low cost housing first by providing flexibility in planning	Director P&D	Short Term	Ongoing work through local offices. New pre-application advice for major projects starting with meeting on 24 February.
1.3	Encouraging mortgage to rent schemes	Director H&P	Long Term	There are issues with banks resulting from economic climate which inhibit this action. A seminar on bank funding for shared equity to be organised for local banks and financial advisers.
1.4	Land purchase for low cost housing	Director H&P	Short Term	£2m of land purchase at present
1.5	Consideration of direct provision of housing for rent by the Council	Director H&P	Long Term	Not doing so in short term because of HRA implications.  <a href="http://www.highland.gov.uk/NR/rdonlyres/96F2DB63-A92F-485A-B711-58F3291348D1/0/hsw0909.pdf">http://www.highland.gov.uk/NR/rdonlyres/96F2DB63-A92F-485A-B711-58F3291348D1/0/hsw0909.pdf</a>
1.6	Consideration of innovative funding models for homes for rent.	Director H&P	Long Term	Meeting being set up at end of March.
1.7	Consideration of the Council's potential role as a funder of last resort	Depute CE	Short Term	The powers for local authorities to make advances for the purpose of increasing housing

				<p>accommodation, including housing loans to individuals) are contained in section 214 and sections 215 to 235 of the Housing (Scotland) Act 1987. A local authority may advance money to any person for the purpose of: a. acquiring a house, b. constructing a house, c. converting another building into a house or acquiring another building and converting it into a house, d. altering, enlarging, repairing or improving a house, e. subject to certain other criteria, facilitating the repayment by means of the advance of the amount outstanding on a previous loan made for any of the purposes specified in a. to d. above. When the Highland Council's Housing and Social Work Committee considered this matter on 14 August 2002, they noted that as part of the modernised Right to Buy introduced by the Housing (Scotland) Act 2001 it was no longer mandatory for local authorities to act as lender of last resort. The Committee agreed to a recommendation that no new applications for home loans be accepted from 1 October 2002.</p> <p>The Council would need to consider whether to assume a level of financial risk deemed unacceptable by other financial institutions. Council staffing structures and processes are not currently in place to address administrative issues and establishing these would generate on-going operational costs.</p>
1.8	The development of an action plan for	Director H&P	Short Term	Ongoing

	a further meeting with the property sector to discuss the way forward			
1.9	Tracking demand for low cost housing through housing waiting list	Director H&P	Short Term	Ongoing and monitoring any increase in homelessness through house repossessions.
1.10	Council funding infrastructure	Director H&P	Short Term	Seminar to be held on this topic with development interests.

<b>2. The Council's Capital Programme</b>				
<b>Issue</b>		<b>Responsible Officer</b>	<b>Timescale</b>	<b>Comment</b>
2.1	Ensuring successful implementation of this £60m+ pa programme has the potential to create several hundred construction jobs with multiplier impacts	all Service Directors coordinated by Depute CE	Short Term	Paper being discussed. All Service Directors have confirmed their intention to fully spend their Capital Programme allocations.
2.2	Additional private sector resources could be brought to bear to help deliver the programme eg on design and project management	all Service Directors coordinated by Depute CE	Short Term	Ongoing
2.3	The scope to accelerate some high impact aspects of the capital programme eg on areas with weaker local economies will be looked at	all Service Directors coordinated by Depute CE	Short Term	Ongoing, an example is the Thurso streetscape project between TECs and P&D

<b>3. Money Advice and support to individuals</b>			
<b>Issue</b>	<b>Responsible Officer</b>	<b>Timescale</b>	<b>Comment</b>
3.1	CE	Short Term	<p>Action complete.</p> <p>Follow up action is to check with CSM that Service Centre and Service Points are recording calls for money and welfare rights advice.</p> <p>CAB and Independent providers: total number of customer contacts for general and welfare advice from April to December 2008 was 30,161. This compares with 27,922 for the same period in 2007. This is an 8% increase. However the third quarter figures are lower in 2008 than in 2007 (8878 compared to 9499).</p> <p>For money advice from April to December 2008: 551 customers contacted advice agencies and 285 contacted the Council's in-house team (836 contacts in total). This compares to 516 and 248 respectively (764 in total) in the same period in 2007. This is a 9.5% increase. However quarter 3 figures in both years are similar.</p> <p>Job Centre Plus (JC+) is keen to hold employment and benefit advice surgeries in Service Points in short term and in co-location in medium to longer term. Relevant staff to engage with JC+.</p>

3.2	The additional funding of £100,000 for welfare rights, money advice and benefit entitlement for 2009-10 will be brought forward into January – March 2009 with a £35,000 increase in this year's budget (around £1m). Total new investment will be £235,000 in 2008-9 and 2009-10. This can be targeted on extending advice provision where there are emerging pressures, specialist employment and housing advice, volunteer recruitment and development and an additional resource for the Council's in-house advice team.	CE	Planning – Short Term  Delivery – Medium Term	Options developed with advice providers. To be presented at meeting and then included in report to Resources Committee 18 <sup>th</sup> Feb 2009.  <a href="http://www.highland.gov.uk/NR/rdonlyres/B9D16B69-AB2F-4E5E-96E3-FDAA4175E29E/0/Item16res1709.pdf">http://www.highland.gov.uk/NR/rdonlyres/B9D16B69-AB2F-4E5E-96E3-FDAA4175E29E/0/Item16res1709.pdf</a>
3.3	The income-maximisation team to continue to promote benefits and also access social tariffs from energy providers.	Depute CE	Short Term	Total gains generated by the in-house Customer Income Maximisation team as at 31 December 2008 amount to £173k. The Team has produced an Essential Guide to Benefits and Money Advice which has been well received by customers and practitioners alike. This Guide is available from Council Service Points, libraries - including mobile libraries, and via the internet. Work is ongoing to extend coverage of this Guide. Both the Customer Income Maximisation and Money Advice Teams continue to provide energy advice and to secure social tariffs for customers. The attached statistical information illustrates that there has been quite a significant increase in the amount of debt being handled by the in-house Money Advice team. There has also been a shift in the profile of customers

				making use of these services. For example, 41% of clients in Quarter 3 of 2007/08 rented their properties from the Council, whereas for the same Quarter in 2008/09, this figure fell to 30%. A comparison of the same Quarters show that 54% of clients in 2007/08 had an income of less than £10k; this figure fell to 46% for the same Quarter in the current year.
3.4	Energy advice should be promoted and strengthened for tenants and residents.	CE/Director of H&P	Short Term	Meetings have taken place with Manager of Changeworks and joint work will be developed
3.5	A partnership feasibility study into affordable credit for the Highlands is nearly completed. The Council could support the preferred options, including the development of a new Highland wide Credit Union and better money guidance.	CE	Long Term	Study scheduled for completion by end march 09

<b>4. Employability and support to individuals</b>				
<b>Issue</b>		<b>Responsible Officer</b>	<b>Timescale</b>	<b>Comment</b>
4.1	The Council could take a lead role in the PACE initiative – Partnership Action for	Director P&D	Short Term	Work with HIE, Job Centre Plus and Skills Development Scotland

	Continuing Employment – to ensure it is ready to cope with likely increases in large scale redundancies.			
4.2	The Council will sign up to the Local Employment Partnership Initiative in February 2009 with Job Centre plus to help people on benefit into jobs or training with the Council.	Assistant CE	Medium Term	John Batchelor progressing this. Could aim for signing at April Resources Committee.
4.3	The Council hosted an employability conference on 18 <sup>th</sup> November. A new employability strategy will be outlined in February with public consultation to follow. This will set out what the Council and partners will do to help people facing barriers into work	CE	Short Term	<p>Successful conference. Draft Employability Framework to be presented to Resources Committee in April.</p> <p>Proposals for FSF funding for local areas and for types of service to be considered at ABM 4<sup>th</sup> February 2009 prior to inclusion in report above. This will include match funding potential and proposals on arrangements for project design and delivery at a local level.</p> <p>Scope for DWP Deprived Area Funds to be routed through the Council as part of FSF. Job Centre Plus offering secondment to Council to join up services to get people into work.</p>
<b>5. Business advice and support</b>				
<b>Issue</b>		<b>Responsible Officer</b>	<b>Timescale</b>	<b>Comment</b>

5.1	The Council should work with HIE to ensure there is no confusion about the delivery of business support whilst also continuing development of the Business Gateway	Director P&D	Short Term	Newsletter and helpline used to promote HIE's activity
5.2	Additional resources could be made available through Highland Opportunities Ltd to help with small business finance. An ERDF application is currently being considered by HIPP	Director P&D	Short Term	Advisory Group considered this and it now goes forward to February meeting of HIPP
5.3	The Council will seek to work with HIPP and partners to ensure the maximum spend from the EU Convergence programme in the Highlands	CE/Director P&D	Short Term	Supporting people into work and tackling deprivation to be proposed as one priority for EU engagement from 2009-11. To be included in reports to Resources Committee on 18 <sup>th</sup> February 09.  FSF seeking at least 75% leverage from EU funds (e.g. around £400k in 2009 and again in 2010).  LEADER shadow round completed.  <a href="http://www.highland.gov.uk/NR/ronlyres/1FE6BBAD-9BC0-4E10-90DF-5C790784FA39/0/Item13res1409.pdf">http://www.highland.gov.uk/NR/ronlyres/1FE6BBAD-9BC0-4E10-90DF-5C790784FA39/0/Item13res1409.pdf</a>
5.4	A joint economic seminar will be held with HIE, SCDI and the private sector early in the new year.	Director P&D	Medium Term	Highland Economic Forum (first meeting held)
5.5	The Council's support for tourism initiatives such as the Winter Festival and the £500k Highland 2007 legacy fund for events will be promoted.	CE	Short Term	Ongoing

5.6	The up-coming public sector procurement seminars could have an increased focus on dealing with the recession for local businesses and the third sector.	Depute CE	Medium Term	Joint event being held with Inverness Chamber of Commerce – Drumossie Hotel, 24 February
5.7	The Council will work with partners to manage the £14m LEADER Programme 2007-13 to benefit communities and businesses across Highland.	Director P&D		Ongoing – first round held
5.8	Small Business Bonus Scheme	Depute CE	Short term	<p>The Small Business Bonus Scheme was introduced in Scotland on 1 April 2008 to progressively reduce the rates burden for properties of which the combined rateable value across Scotland is £15,000 or less.</p> <p>Prior to implementation of this Scheme, the Highland Council wrote to all businesses with potential entitlement and invited them to apply for the Scheme. Advertising and promotion of the Scheme has continued post April 2008. In view of the economic downturn, businesses which have not applied for the Scheme and which have potential entitlement will be written to again. An advertising campaign will also be undertaken.</p>
5.9	The Council should ensure it pays bills promptly to avoid cash-flow problems for small businesses. The UK government has stated that it will try to pay invoices within 10 days rather than 30 for example.	all Service Directors coordinated by Depute CE		Ongoing
<b>6. Wider economic initiatives/other actions</b>				
<b>Issue</b>		<b>Responsible</b>	<b>Timescale</b>	<b>Comment</b>

		<b>Officer</b>		
6.1	The Council will emphasise its role in fostering economic development and inward investment through the effective delivery of its development services across Planning and Development, TECS and other services.	CE/Director P&D/Director TECS	Short Term	Ongoing. Talks to business groups etc. Pre-application advice for developers – new process starting in February.
6.2	The importance of the Council's leadership role in regeneration activities in areas such as the Nigg Fabrication yard, Caithness and North Sutherland and Dounreay de-commissioning should be emphasised.	CE/Director P&D	Medium Term	Ongoing. Nigg Masterplan consultation closes 16 February
6.3	The Council will produce regular reports with information at Ward level, drawing on data from DWP and in association with HIE and other partners, analysing changes in benefit claimants as a measure of changes in unemployment. This will take into account recent changes in benefit entitlement for an accurate measure of change.	CE/Depute CE/Director P&D	Short Term	Web site now has info on benefit claimants by Council Ward, up-dated monthly for Job Seekers Allowance and quarterly for other benefits (e.g. Income Support, DLA)  Information on benefit switching and the extent of over-reporting clarified from JC+.  To track the take-up of Council Tax benefit and Housing Benefit.
6.4	The Council should stress the importance of partnership working across the public and private sectors to address the economic downturn through delivery of the Single Outcome	CE/Director P&D	Medium Term	Ongoing and through new Economic Forum.  Discussion at CPP Performance Board on the work partners are doing in the Highlands to mitigate against effects of the recession.

	<p>Agreement. The inaugural meeting of the Highland Economic Forum to be chaired by Cllr Ian Ross is to be held on 27 January 2009.</p>			<p>To be a standing item on quarterly agendas. All partners accelerating capital programmes. Request for engagement with energy providers for same action. Some positive as well as negative issues emerging.</p> <p>The Council is also presenting a paper to the Convention of the Highlands and Islands in March on the importance of community planning during economic recession.</p>
6.5	<p>There is a need to produce a communications strategy to publicise the Council's action plan. This will include use of the Council's winter communication, regular press releases, and radio adverts. Efforts should be made to promote more locally consistent messages using both local media and spokespersons</p>	CE	Short Term	Gordon Fyfe

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 13 February 2009