

# THE HIGHLAND COUNCIL

25 June 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 May 2009, is summarised below. It provides information on the state of business conditions from companies across all sectors of the UK economy between late March 2009 and late April 2009:

- The pace of contraction in consumer spending had eased.
- The pickup in housing market activity had continued - albeit from a low base.
- Investment intentions remain very weak.
- Credit conditions remain tight but British banks 'appetite' for lending had increased a little.
- Manufacturing export volumes have shrunk further (slowdown in global demand outweighs gains from sterling's depreciation).
- Business services turnover remains significantly lower than same period last year.
- Construction activity had continued to contract sharply.
- Labour demand had continued to shrink with employment intentions continuing to be scaled back with cuts in average hours, lower bonuses and commissions, low pay settlements.
- On average little change in the rate of inflation in materials prices.
- Consumer goods price inflation remained positive but modest.

1.2 This confirms recent indicators which reflect the impact of the economic downturn, both locally and nationally. The UK economy contracted by -1.9% during Q1 2009 whilst the Scottish economy contracted by -1.7% for Q4 2008. In Q4 2008, the service sector fell by 0.8 per cent, the production sector declined by 4.7 per cent and the construction sector fell by 4.7 per cent. The Organisation for Economic Cooperation and Development have forecast that UK economic output will plunge by 3.7% this year, while independent economists, Fraser of Allander Institute, have forecast that the Scottish economy will contract by -2.6% in 2009 and again by 1.2% in 2010. The FAI also expect unemployment in Scotland to increase to 7.9%

in 2010 and remain above 7% until 2012. The Bank of England base rate now stands at 0.5%.

- 1.3 The number of people unemployed in Highland (as measured by Jobseekers Allowance) began to rise in late 2008 and in April 2009 stands at 3901 or 3% of working age people (Scotland 3.9%). All local authority areas across Scotland saw a significant increase in the number of claimants during 2008 with the rise of 80.4% in Highland greater than that across all of Scotland 72.3%. As Members will appreciate the unemployment rate varies across Highland from 1.6% in the Black Isle to 5.5% in Inverness Central.
- 1.4 While the general rate of economic decline appears to be slowing, these economic indicators do not present a positive economic picture. It is also expected that the unemployment situation will worsen before it stabilises and recovers. The tourism sector offers some optimism as VisitScotland are reporting a general upbeat industry and positive signs for the key tourism season ahead.
- 1.5 At the recent Highland Economic Forum meeting held on 26 May 2009, Professor Donald MacRae of Lloyds TSB Scotland, underlined the severity of the recession but confirmed the view as expressed by the Bank of England, that credit conditions are easing and that funds for investment will be available once business confidence returns.

## **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:
  - Seminar on Housing infrastructure held with development interests and work ongoing to review the East Lothian model.
  - The focus on delivering the Council's capital programme secured spend of £73.2m, an underspend of £1.5m on target.
  - Additional investment provided by the Council delivered an extra 7.2% of customers receiving general and welfare advice and a 15.5% increase in money advice.
  - The Resources Committee agreed to assess the potential of a Highland-wide credit union and a report is due after the recess.

- Employability Strategy approved on 10 June 2009 detailing the Council's approach to Supporting People and Progressing Employability Services (£1.959m in 2009/10). This includes a potential bid for the UK Government's Future Jobs Fund.
- Approval 'in principle' secured for £1.4m ESF and £1.365m of ERDF over 2009 – 2011 for employability projects to assist people move towards and into employment.
- Council signed Local Employment Partnership Initiative on 10 June 2009.
- Business Gateway service launched in Highland, delivering support to 220 business enquiries in first two months.
- The Council's wholly owned Enterprise Trust – Highland Opportunity Ltd. launched its £1.4m Highland Business Growth Fund for interest free loans and start-up support.
- The Nigg Masterplan has commenced its second public consultation exercise for a ten week period commencing on 1 June 2009.

### **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 range and co-ordination of support for individuals who need assistance to get ready for work and overcome the barriers to employment.
  - The launch of the Business Gateway service and the associated Highland Business Growth Fund.
  - The improved performance and delivery of the Council's capital programme.

Signature:

Designation: Director of Planning and Development

Date: 10 June 2009

Author: Stuart Black (Tel: 2251)

# 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	5
3. Money Advice and support to individuals	6
4. Employability and support to individuals	8
5. Business advice and support	9
6. Wider economic initiatives/other actions	11

<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 and Director of F	Short Term	The powers for local authorities to make advances for the purpose of increasing housing 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.

				<p>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>It is considered inappropriate for the Council 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 a further meeting with the property sector to discuss the way forward	Director H&P	Short Term	Meeting held on 22 May – joint lobby action points agreed.
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 held on this topic with development interests - further work required on whether Highland Council can use model adopted by East Lothian Council.
------	--------------------------------	--------------	------------	--

<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 and Director of F	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 and Director of F	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 and Director of F	Short Term	Ongoing, an example is the Thurso streetscape project between TECs and P&D
2.4	Co-ordinating information across all public sector bodies on their capital programmes to seek better alignment with a view to: <ol style="list-style-type: none"> <li>1. shared services and co-locations opportunities;</li> <li>2. providing confidence in the construction sector</li> <li>3. supporting apprenticeships</li> </ol>	Depute CE and Director of F	Medium term	Request from the Convention of the Highlands and Islands end March 2009. Interim report for CPP Board 24 <sup>th</sup> June 2009. Fuller report for next COHI meeting September 2009.

<b>3. Money Advice and support to individuals</b>				
<b>Issue</b>		<b>Responsible Officer</b>	<b>Timescale</b>	<b>Comment</b>
3.1	Public information will be distributed on how to access advice from the public sector (Government, Council and community planning partners) and the third sector including independent advice agencies. This will show the choices available for: debt and money advice; benefit entitlement; energy efficiency measures; employment rights; business advice; housing advice; consumer advice; emotional support. This will be distributed through the newspaper supplement (December 2008), Service Centre for callers, web site and Service Point Network, libraries, Council offices and partner organisations.	CE	Short Term	Action complete.
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	<a href="#">Additional Council resource</a> approved at Resources Committee in February 2009. Funding to increase contact time, improve training and provide specialist employment advice.  Full 2008-9 statistics on contact with the service and levels of debt presented shown below.  CAB and Independent providers: total number of customer contacts for general and welfare advice for 2008-9 was 40,125. This compares with 37,421 for 2007-8. This is a 7.2%

				<p>increase.</p> <p>For money advice in 2008-9, 832 customers contacted advice agencies and 404 contacted the Council's in-house team (1236 contacts in total). This compares to 718 and 352 respectively (1070) in the previous year 2007-8. This is a 15.5% increase. In 2008-9 over £14m of debt was presented from 1236 customers (average debt of nearly £12k per contact, with 49% of all customers with incomes pf less than £10k per annum)</p>
3.3	The income-maximisation team to continue to promote benefits and also access social tariffs from energy providers.	Depute CE and Director of F	Short Term	Total gains generated by the in-house Customer Income Maximisation team for 2008/09 amounted to £402,355. To increase access to these services the Team will be providing a Saturday service at Inverness Service Point, commencing 1 May 2009.
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. Changeworks have offered to participate in Ward Forums.
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	<a href="#">Study findings</a> presented to Resources Committee in April 2009, recommending a pan-Highland Credit Union is developed. Work now in train to explore operational and financial requirements. Report due after recess.

<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 Continuing Employment – to ensure it is ready to cope with likely increases in large scale redundancies.	Director P&D	Short Term	Work with HIE, Job Centre Plus and Skills Development Scotland in preparing a revised PACE strategy which details approach to redundancies, including smaller scale redundancies, and redefines role and responsibilities of all organisations (following recent organisational changes across partners).
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	Agreement in principle in October 2008. Arrangement to be finalised for Resources Committee in June 2009.
4.3	Need to develop integrated and coordinated approaches to partner programmes aimed at assisting people get ready for work and overcome barriers to employment.	CE	Short Term	<p>Following employability conference in November, new employability strategy developed -</p> <p><a href="#">Approach to supporting people</a> and <a href="#">Progressing Employability Services</a></p> <p>Strategy includes investment of £1.959m 2009-10 –</p> <ul style="list-style-type: none"> <li>- adults facing barriers to employment,</li> <li>- for young people aged 16 – 18 (including care leavers),</li> <li>- support to business and improvements to training / learning infrastructure;</li> <li>- Attract use of EU funding as part of a community planning approach;</li> <li>- Increased use of community benefit clauses in the Council’s procurement.;</li> <li>- Development of Action Plan to access Government Future Jobs Fund.</li> </ul>

<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. Business Gateway launched on 1 April. Roadshow events held in Inverness and Wick. Further events and marketing in the pipeline.
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	£560k of ERDF awarded to Highland Growth Fund operated by Highland Opportunity Ltd in March. This is part of a £1.4m fund for interest free loans and start-up assistance.
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	<p>£722,500 of FSF to be used as match funding for strategic bid for ESF, ERDF and LEADER programmes by end June 2009.</p> <p>Announcement by SG of new EU resource for Community Investment Scheme for business – but awaiting clarity on how H&amp;I can benefit – currently relates to Scottish Enterprise area.</p> <p>LEADER programme operational with £512k funds committed to 56 projects. Work ongoing with CNPA to determine whether LEADER funding could be secured for business grant and loan purposes.</p> <p><a href="http://www.highland.gov.uk/NR/rdonlyres/1FE6BBAD-9BC0-4E10-90DF-5C790784FA39/0/Item13res1409.pdf">http://www.highland.gov.uk/NR/rdonlyres/1FE6BBAD-9BC0-4E10-90DF-5C790784FA39/0/Item13res1409.pdf</a></p> <p>Approval in principle for £1.4m ESF and £1.365m of ERDF over 2009 – 2011 received for employability bid submitted by the Council on behalf of the</p>

				Community Planning Partnership.
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 - second meeting held on 26 May included presentation from Lloyds Banking Group and discussion of draft action plan.
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 and Director of F	Medium Term	Series of joint events planned for autumn 2009 with HIE and Enterprise Europe across 10 locations in Highland.
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 with £512k funds committed to 56 projects.
5.8	Small Business Bonus Scheme	Depute CE and Director of F	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>Advertising and promotion of the Scheme has been considered effective with 38.12% of all businesses in Highland receiving this relief.</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 and Director of F		The percentage paid within 10 days increased in the last quarter to 51.11% from 48.86% in the first quarter.

<b>6. Wider economic initiatives/other actions</b>				
<b>Issue</b>		<b>Responsible Officer</b>	<b>Timescale</b>	<b>Comment</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 for major applications introduced including colleagues across the Council.
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 responses to be discussed at May PED Committee.
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 and Director of F/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.

	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>To be a standing item on quarterly agendas. All partners accelerating capital programmes.</p> <p>The Council presented a paper to the Convention of the Highlands and Islands in March on the importance of community planning during economic recession. Alignment of capital programmes across the public sector to be reported to COHI in September 2009.</p> <p>New local outcome for SOA 2 is that the impact of the recession is limited and sustainable economic growth is supported</p>
6.5	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	CE	Short Term	Gordon Fyfe
6.6	To review the RAP with a view to the actions and issues identified in the COHI paper (e.g. identifying service pressures and how to adapt to them, financial risk to the Council and planning now for recovery.)	DP&D/CE		Feedback from Services being received on understanding Service pressures arising from the recession – this is also a new corporate risk.

J Stuart Black  
Director of Planning & Development  
10 June 2009