BRECKLAND COUNCIL

Report of the Strategic Director of Services to the Overview and Scrutiny Commission – 18th June 2009
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Economic Impact of Recession in Breckland

1. Purpose of Report

1.1 This report gives an overview of the current Economic situation in Breckland and how the recession has impacted the local economy so far.

2. Recommendations

2.1 There are no recommendations as this report is for members information only

Note: In preparing this report, due regard has been had to equality of opportunity, human rights, prevention of crime and disorder, environmental and risk management considerations as appropriate. Relevant officers have been consulted in relation to any legal, financial or human resources implications and comments received are reflected in the report.

3. Information, Issues and Options

3.1 Introduction

3.1.1 Officers have gathered economic intelligence using data from Jobcentre Plus and EEDA Labour Market Statistics and by obtaining information and feedback from a cross section of businesses in Breckland as part of the ED service Business Engagement Programme.

3.1.2 It is important to keep in mind that these are interim results as conditions are constantly changing. However we can offer an insight as to what it’s really like out there at the present time. A comprehensive analysis would need to be undertaken retrospectively when the current recession is behind us.

3.1.3 This report gives an overview of the current Economy in Breckland and identifies current trends using figures published since February.

4 Economic Overview – Current Trends Identified

4.1 The rate of growth in unemployment has eased in the last 2 months

4.1.1 Unemployment is still rising in Breckland but at a much slower rate than in previous months. Between January and March the claimant rate in Breckland rose from **2.9% (2,190)** to **3.5% (2,674)** but between April and June claimants have actually reduced slightly and remained at **3.5% (2,654).** This is however a **94%** increase on the same time last year. (Jobcentre Plus Labour Market Statistics).

4.1.2 Most forecasts suggest that unemployment is likely to rise slightly throughout 2009. Even when business conditions start to improve, businesses are unlikely to expand their workforces until they are confident of a sustained recovery.

4.1.3 A significant part of the growth in unemployment had been due to new entrants to the labour market looking for work and not being able to find it. However, vacancies being reported are increasing according to Jobcentre Plus figures.

4.2 Reduced number of redundancies and businesses seeking advice on redundancy

4.2.1 There has been a notable reduction in redundancies notified to Jobcentre Plus over the last three Months in the Eastern region. In January 2009 **821** redundancies were notified to Jobcentre Plus whereas in April 2009 there were only **264.**

4.2.2 Fewer businesses are seeking guidance on making redundancies from Business Link East. Enquiries and advice on redundancies has slowed significantly and no enquiries about business closure were received in April or early May. We can look at this as improvement, but it is difficult to quantify as the high number of redundancies early in the recession may have been relative to the quantity in employment at the time.

4.2.3 In Breckland 0.3% of registered businesses are classed as Large Companies with over 250 employees. Due to the large percentage of SMEs in Breckland, the probability of large scale redundancies is lower than that of an area with more Large Companies however, the impact that closure of one of these companies would be significant. Whereas Large Companies should be better equipped to deal with recession, the closure of the Tulip factory in Thetford which led to 450 redundancies overall illustrates the critical impact this has.

4.3 Rise in Job vacancies in Breckland across sectors

4.3.1 In January 2009, there were **102** vacancies notified to Jobcentre Plus in Breckland compared to **229** in January 2008 a difference of **55%**. In April 2009, there were **328** vacancies notified to Jobcentre Plus in Breckland compared to **360** April 2008 which is only a difference of **9%.**

4.3.2 These figures show that although vacancies notified to Jobcentre Plus are less than 12 Months ago, they are increasing.

4.3.3 Despite the number of redundancies in the area, companies such as Watton Produce, Bowes and Recyclite are experiencing growth whilst others remain stable. A number of businesses are taking the option of Agency staff to avoid the commitment of employing retained staff.

4.4 Despite an increase in the supply of available labour, skills shortages remain.

4.4.1 Many companies are holding on to their most skilled workers, particularly in the manufacturing sector where companies are concerned that they will have difficulty recruiting skilled workers in the upturn if they maker their skilled workers redundant. The increased pool of available labour from rising unemployment has not therefore minimised the skills shortage problems faced by many companies.

4.4.2 Companies continue to invest in Training and Development for their workforce to increase skills and there has also been a marked increase in applications to enter higher education. (Insight East, ED Business Engagement).

4.4.3 Our region as a whole suffers from poor training and learning within the workforce, which leads to lower levels of workforce productivity than the region's overall GVA would indicate. The latest NOMIS figures available with regard to qualifications are:

Qualifications (Jan 2007-Dec 2007)

	Breckland (numbers)	Breckland (%)	East (%)	Great Britain (%)
NVQ4 and above	11,900	16.0	26.0	28.6
NVQ3 and above	22,200	29.6	43.4	46.4
NVQ2 and above	39,900	53.4	62.2	64.5
NVQ1 and above	55,200	73.8	78.2	78.1
Other qualifications	7,400	9.9	9.3	8.8
No qualifications	12,200	16.2	12.5	13.1

4.5 Business confidence remains low, but is less pessimistic since 2008 Q4

4.5.1 Construction, Manufacturing, Insurance and Financial, and Retail have been the sectors most affected by the recession in Breckland.

4.5.2 The feedback from businesses has generally been mixed with some Manufacturing companies reporting increases in their order book by concentrating on high value – low volume production SBS Belting who produce specialist personalised belting solutions for hospitals and industrial cleaners.

4.5.3 Food processing companies such as Watton Produce and Bowes have won major Supermarket contracts which have strengthened their position; however Health & Safety and stringent accreditation measures enforced by these supermarkets increase pressure on management to conform and subsequently increases the cost of production further squeezing proft margins.

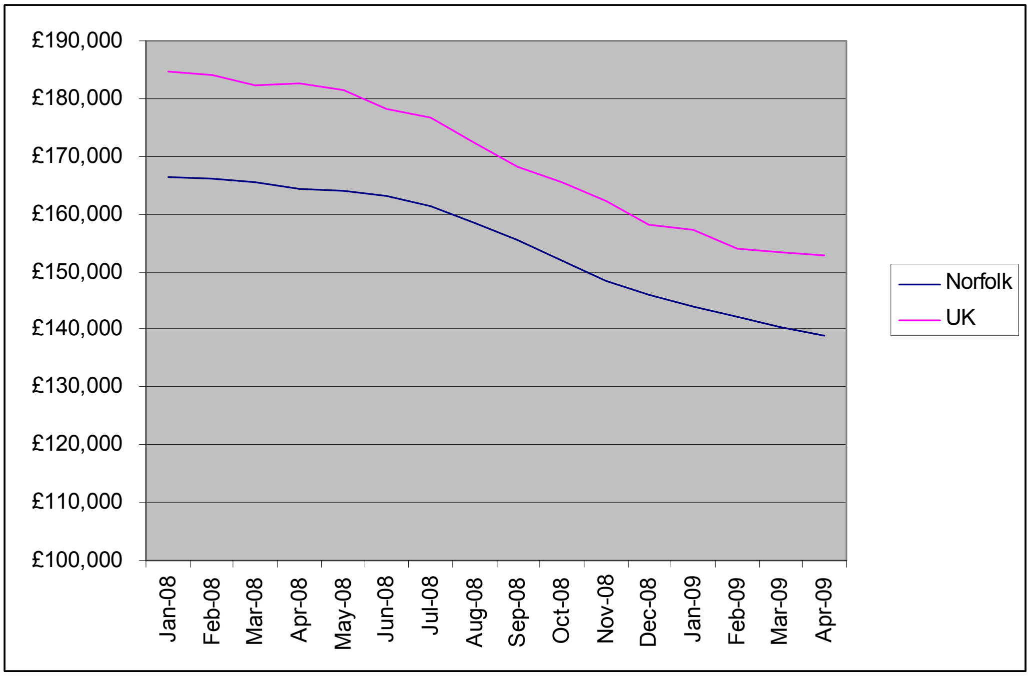
4.5.4 Businesses are looking at low cost ways to strengthen their position by working on partnerships with public sector providers and neighbouring businesses. Cost savings through resource efficiency and possible links through Business Engagement and Business Forums are some examples.

4.6 Whilst there is an increase in housing market activity, house prices continue to decline

4.6.1 House prices in Norfolk have been falling since February 2008, as indicated below. The average house price in Norfolk peaked at £166,289 in February 2008 and has since been on a downward trend, falling to £138,850 in April 2009.

4.6.2 Some activity is returning to the housing market. New buyer enquiries in the region in February were among the highest levels since 2006, according to the latest RICS housing market survey. This can partly be explained by improved affordability resulting from lower interest rates and falling house prices.

4.6.3 Mortgage approvals nationally showed signs of recovery rising by 19% in February 2009 compared to the previous month. However, this was still 44% lower than the same month in 2008.



Source: Land Registry

5. Summary

5.1 The outlook suggests that the recession is to continue throughout 2009, however evidence shows that the rate of decline is slowing and showing signs of improvement.

5.2 The rate of unemployment is slowing with fewer redundancies and more jobs becoming available. House prices are beginning to stabilise and borrowing is increasing.

5.3 Businesses are less pessimistic than they were earlier in 2009, however even when business conditions start to improve, businesses are unlikely to expand their workforces until they are confident of a sustained recovery.

5.4 A significant amount of support is available to Breckland businesses through the local enterprise agencies; Business Link and NWES (Norfolk and Waveney Enterprise Service). The Breckland Council Economic Development Service also visits businesses offering support and signposting services as well as initiatives such as BELA (Breckland Enterprise and Learning Account) and the annual BLISS campaign (Breckland Local Independent Shop Stars) as well as the Brecks Competition Dragons' Den Style. The Business Response Toolkit is an Economic Development product which is readily available to provide support to businesses facing administration and possible redundancy.

5.5 We will continue to support a significant amount of businesses through the development of Phase 2 of the REV project and through partnerships with local town councils and other strategic partners such as EEDA and Shaping Norfolk's Future.

(appendix 1)

6. Risk and Financial Implications

6.1 Risk

6.1.1 Not Applicable

6.2 Financial

6.2.1 Not Applicable

7. Legal Implications

7.1 Not Applicable

8. Other Implications

8.1 Not Applicable

9. Alignment to Council Priorities

9.1 **Prosperous Communities**:

- Promote the start up, growth and retention of local businesses and the strengthening of Breckland's entrepreneurial culture
- Promote the development of a highly skilled workforce

9.2 **The project also links directly to**:

- 2 Regional Economic Strategy priorities (3.5 & 3.6)
- 2 Norfolk Ambition Themes (Key themes 4 & 8)
- 2 Shaping Norfolk Future Goals (Strategic goals1 & 2)
- 2 Norfolk LAA outcomes (1 & 2).

10. Ward/Community Affected

10.1 District wide

Background Papers
In compiling this report reference has been made to Jobcentre Plus Labour Market Statisitcs from February, April and May.

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Key Decision Status (Executive Decisions only):
Not Applicable

Appendices attached to this report:
Appendix1: ED Team Briefing Note