

CABINET – 10TH JUNE 2010

Report of the Director of Governance & Procurement

ITEM 12 CHARNWOOD BOROUGH COUNCIL'S RESPONSE TO THE RECESSION AND THE ONGOING ECONOMIC ENVIRONMENT

Purpose of Report

The purpose of this report is to set out in summary the Council's response to the recession and the ongoing period of economic uncertainty.

Recommendation

Cabinet is asked to note the contents of this report.

Reason

To ensure that they are aware of the actions the Council has taken in response to the recession and to the closure of the local Astra Zeneca plant in particular, and the ongoing support and assistance that the Council is able to offer to its local communities.

Policy Context

One of the Council's overarching policy aims is that 'Prosperity Matters' (Corporate Plan 2009-12). This paper addresses many aspects of this Corporate Plan area around homes, jobs and economic regeneration.

Background

Economic statistics for the fourth quarter of 2009 and the first quarter of 2010 showed a small expansion in the UK economy following six consecutive quarters of contraction. Statistically therefore the recession is over – at least for now. The general consensus is that the economic recovery is fragile as the economy remains weighed down by a still fragile banking sector and high consumer and government debt levels. Tackling the government spending deficits without dragging the UK back into recession is the major challenge facing the newly elected Liberal-Conservative coalition government.

Charnwood's response to the recession, outlined in the following paragraphs, is considered in two parts. The first is the response to the specific challenges thrown up by the announcement of Astra Zeneca that they plan to close the Loughborough plant, a major local employer who currently provide around 1,500 local jobs, while the second describes the more general responses to all residents and businesses who may be affected by the current economic conditions. In both cases however, we recognise that Charnwood Borough Council is a small organisation with limited financial resources and that the best way to respond to the current economic climate is through working with partners.

Impact on Charnwood – planned closure of the local AstraZeneca plant

In March 2010, AstraZeneca (AZ) announced that, following a global review of its research and development (R&D) operations, its facility in Loughborough would close by the end of 2011 with employment gradually phased out in the run up to that date. This will mean the loss of 1,200 permanent posts plus up to 300 contractors (scientific, technical and support services). Many of these staff are highly qualified. Some will be offered jobs at AstraZeneca sites elsewhere (UK or abroad). The site occupies 69 acres and contains a number of highly specialised buildings as well as ones that might more easily be converted to other uses.

AstraZeneca is the largest private sector employer in Charnwood, a key employer in the region and is the second largest business investor in research and development in the region after Rolls-Royce.

Most pharmaceutical companies are making similar global Research and Development cutbacks to AstraZeneca, which makes it potentially much harder for the scientists currently employed at AstraZeneca to find other jobs in a similar field.

Following the announcement of the AZ plant closure an initial meeting was convened by the Borough Council to which all regional and sub-regional partners were invited including AstraZeneca. Following that meeting an East Midlands Development Agency (emda) led Task Force was established.

The Task Force will operate at three levels and the Borough Council will be represented on each of these:

- A Steering Group - chaired by emda;
- A Delivery Group - chaired by emda;
- A Community Stakeholder Group - chaired by the Borough Council.

The Taskforce will coordinate a multi-agency response to the proposed closure of AstraZeneca's Charnwood site. It will take action in the following areas:

- Assess the economic impact of the closure on the local, regional economies and communities.
- Put support in place to help AZ employees affected by the announcement to find new jobs, to set up in business for themselves, or to gain new skills.
- Work with AZ to find a new use or uses for the Charnwood site.
- Identify new investment, enterprise and employment opportunities that can be created in the local economy, maximising the opportunities from the skills in the AZ workforce.

The Taskforce will develop an action plan on this basis, which will set out:

- The responsibilities of the member organisations for delivery.
- How resources will be allocated in order to ensure effective delivery.
- How the Taskforce's impact and effectiveness will be measured, monitoring and evaluated.

The Taskforce will provide regular reports on progress to the AZ Community Stakeholder Group and will take on board feedback from that group.

Economic impact assessment (EIA)

This is a key component of the Task Force's work and will inform partner decisions and the content of the Action Plan. SQW, a consultancy, have been appointed to carry out the EIA and their report is due to be completed by the beginning of August.

Borough Council officers and other partners will be heavily involved in gathering information for the EIA. The study will be in two parts. The first will provide an independent assessment of the impact of the closure of the AstraZeneca site and the second will assess at least 3 or 4 options for the use of the site post December 2011.

The economic impact assessment will focus on answering the following questions:

- What are the impacts of the closure on employment and gross value added at local (the district of Charnwood) and regional levels? Are there disproportionate impacts on other neighbouring districts? Is there a potential national impact in the loss of R&D roles and how will the employment market be impacted?
- What are the implications of the closure for AstraZeneca's supply chain in the region and nationally?
- What are the implications of the closure for innovation activity more broadly and the objectives of regional innovation policy?
- In addition to these economic impacts, what are the social impacts on the surrounding community?
- What are the likely impacts on the supply of land for commercial and technology use?

The options to be considered are likely to include:

- Replacement pharmaceutical/other R&D company;
- Pharmaceutical/R&D incubator/science park; and
- Alternative single/multiple site occupier.

The work will also address

- the scale and nature of "spin out" opportunities, based on research areas and projects that will no longer be undertaken by AstraZeneca,
- the interaction with the scientific community (especially universities in the region) and nationally and
- the potential impact of the closure upon employment land in Leicestershire.

The Need for a Local Response – a Charnwood Action Plan

There is no doubt that the local impacts of the closure of AstraZeneca will be severe. As well as the direct loss of jobs there will also be a knock on effect on local businesses, services and employment through the loss of those incomes. These

losses need to be seen in the context of a deteriorating local population/jobs balance.

There will also be social impacts including for staff who are not relocated or redeployed, and for local communities schools and organisations. In addition there is the challenge of a 69 acre site containing many specialist buildings to find uses for.

It goes without saying that the key elements of the Borough Council's response will be to continue to cooperate with our partners in the Task Force and to provide full support to AstraZeneca and their staff. However, it is considered that there also needs to be a tailored and coordinated response and a local Action Plan to try to address the specific impacts of the closure.

In this regard, preliminary discussions have already been held with Prospect Leicestershire about the purpose and content of an Action Plan and Prospect are keen to work closely with us to develop this.

The **objectives** of the Action Plan would be to create the conditions necessary to attract new jobs to replace those lost and to try in particular to attract high-tech, high quality jobs.

In order to support those objectives, the creation of a local Action Plan to support the Task Force actions should have the following **aims**:

1. To ensure that the appropriate policy framework is in place
2. To ensure an adequate supply of suitable employment land and buildings
3. To meet the particular needs of high-tech businesses
4. To encourage inward investment
5. To improve local infrastructure
6. To regenerate the main priority areas
7. To raise the profile of Loughborough
8. To improve the quality of the environment
9. To secure additional resources for delivery
10. To ensure that physical workspaces (on or off the AZ site) and relevant financial and specialised business support mechanisms are available to allow former AZ employees to set up spinout companies. This would ensure that as many as possible of the highly skilled AZ staff are retained in the area.

A range of potential actions have been identified which would help to achieve each of these aims. Many of them are actions which the Council has already identified in its planning, economic development and regeneration work. They are shown in the table at Appendix A.

Impact on Charnwood residents - general

The planned closure of the Loughborough Astra Zeneca plant notwithstanding, compared to many areas of the UK Charnwood remains relatively affluent with an unemployment rate of below 3%. Nonetheless, the number of claimants of jobseekers allowance within the Borough¹ has increased from 1,607 in January 2008

¹ Claimant totals within the Loughborough and Charnwood parliamentary constituencies. Source: Office of National Statistics.

(immediately prior to the contraction in the UK economy) to 2,768 in January 2009 and 3,592 by January 2010 clearly illustrating the impact of the recession on our local communities. This is also reflected in recent statistics from our Benefits and Revenues service:

Recent Benefits and Revenues statistics

	<i>January 2009</i>	<i>January 2010</i>
Housing and Council Tax Benefits claims (Number)	14,812	17,251
Rent Allowance – Private Landlords (£/month)	£8.86m	£12.05m
Housing Benefit – Council tenants (£/month)	£7.71m	£8.33m

In common with the rest of the country the property market is depressed across the Borough evidenced by a marked reduction in the Council's income from planning fees and land charges from both private individuals and commercial organisations.

The Borough's retail sector is also suffering. The closure of 'Big W' in the Ruses Shopping Centre was a local impact of the collapse of Woolworths nationally while we have also recorded increasing numbers of our local businesses struggling to pay National Non Domestic Rates (NDR) and a marked increase in NDR 'write-offs'. Although the situation has improved in the Ruses Shopping Centre, since Tesco's took on the old 'Big W' site, on the streets of the Borough we can observe an increasing number of void retail properties reflecting the struggle our local retailers have to stay in business.

Generally, while Charnwood has not suffered as much as other areas in the UK it is clear that the recession has had an adverse impact on life across the Borough. While statistics are now showing that economic recovery has started, the weakness and fragility of this recovery seem likely to create a challenging environment for Charnwood residents for the foreseeable future.

Impact on the Council

At precisely the time when the Council would like to expand its operations to support residents struggling under the impact of the recession the Council's own financial resources and prospects have suffered significant deterioration. Key income streams derived from planning fees and land charges have diminished while the state of central government finances suggest that our core government grant funding is likely to come under severe pressure from financial year 2011/12.

Comparative income levels – extract from latest Medium Term Financial Strategy

	<i>Movement between 2007/08 and 2008/09</i>
Planning and building control fees	DOWN £159,000
Land charges	DOWN £161,000
Interest received	DOWN £136,000

The outturn for 2009/10 indicates that planning and building control fees, and land charges remain depressed at 2008/09 levels while interest received has decreased further due to the exceptionally and persistently low interest rates.

The Council receives approximately two-thirds of its income (some £12.5m for 2010 /11) through formula grants from Central Government, principally the centrally allocated share of National Non-Domestic Rates and the Rate Support Grant. The allocation for

future years has yet to be announced but whatever government is in power at that stage it is unlikely that the grant will be increased significantly; for the purposes of financial planning our central case assumes that the grant will be frozen, representing a small cut in real terms.

Further detail of the Council's financial position and future projections is set out in the Council's current Medium Term Financial Strategy. This was presented to Cabinet in October 2009 and remains relevant.

Charnwood's general approach to the recession – supporting customers

In the context of the range and depth of the recent recession, and the ongoing economic fragility, Charnwood Borough Council is a small organisation. Even in total, and at a local level, the Council's financial resources are not sufficient to provide any material mitigation of the impact of the adverse economic environment on residents. The Council's approach has therefore been to participate fully in national initiatives, offer additional and specific local support where this is cost effective, and provide 'signposting' to other resources and sources of support.

A recent audit report on the Council's response to the recession – undertaken as the failure to respond effectively was identified as a strategic risk – found that while the Council has responded at a service level the evidence of overarching co-ordination was limited. To address the lack of evidence of co-ordination an exercise has been completed creating a single area within the Council's website where residents can find out about the range of support offered by the Council and signposting to other resources. This is:

http://www.charnwood.gov.uk/pages/recession_support_and_advice

The range of Council initiatives and signposting to other resources to support residents and local businesses through the recession is summarised below under five principle headings:

Summary of support for residents and local businesses

Area of support	Direct Council support and resources	Signposts to other resources
Benefits and Council Tax discounts	Appointed Benefits Take Up Officer to increase awareness of benefits available to residents.	
Debt counselling and advice	CNH – appointed Money Management Officer. CNH – Money Management Self Help Guide available on CNH website.	Consumer Credit Counselling Service – www.cccs.co.uk Citizen's Advice Bureau – www.charnwoodcab.org.uk Clockwise Credit Union – www.clockwise-cu.co.uk Debt Line – www.debt-line.org.uk Financial Services Authority – www.moneymadeclear.fsa.gov.uk Insolvency Service – www.insolvency.gov.uk Leicestershire County Debt Line – www.leics.gov.uk Loan Shark – www.leics.gov.uk National Debtline – www.nationaldebtline.co.uk Voluntary Action Charnwood – www.voluntaryactioncharnwood.org.uk Payplan – www.payplan.com
Business support	Charnwood Business website	Business Link Leicestershire –

Area of support	Direct Council support and resources	Signposts to other resources
and advice	NDR - Business Rates Deferral Scheme (Government initiative) – up to 3% of rates can be deferred for 3 years. Extended rent periods and rent free periods on industrial units.	www.businesslink.gov.uk/eastmidlands/ Government advice – www.cabinetoffice.gov.uk
Concessionary travel	Participation in national scheme	
Housing advice	Housing Rents (council stock) reduced in line with Government scheme from September 2009 i.e. rent increase reduced to 3.1% from 6.2% effective from April 2009. Press release in Charnwood News offering advice to residents with money worries /mortgage problems.	East Midlands Housing Association – www.emha.org De Montfort Housing Society – www.waterloo.org.uk Derwent Living – www.derwentliving.com LHA-ASRA – www.lha-asra.org/uk Housing 21 – www.housing21.co.uk Sanctuary Housing – www.sanctuary-housing.co.uk The Bridge – www.bridgehousingservices.com Shelter – www.shelter.org.uk/adviceonline

Charnwood's approach to the recession – internal responses

Internally Focused:

- The Medium Term Financial Strategy was reviewed early to assist in the Council reviewing its priorities and to provide a base for the 2010/11 budget process.
- Development – building control officers have been redeployed to other inspection work within the Council to mitigate the effects of reduced fee income
- Strategic Housing – a strategic approach has been developed to preventing homelessness by reallocating resources to enable increased capacity in allocations and restore capacity in homelessness prevention
- Review of the Council's Economic Strategy – in progress and due to be reported to Cabinet at the meeting scheduled for 8th July 2010.
- Participation in the Leicestershire Public Compact by attending network groups in relation to:
 - Sharing training/good practice
 - Skills for Life in the Workplace
 - Apprenticeships
 - Engaging Hard to Reach adults in the workplace

Externally Focused:

- A 'Recession Help and Advice' document was published on the Council's website, this provided a list of potential issues and contact details of relevant organisations that may be able to advise.
- Information/advice leaflets from organisations offering support are available in the Main Reception Area.
- The Business pages of the Council's website provide information on help and support available to businesses.

- A scheme for considering requests from tenants in Council owned business properties for deferred/reduced rental payments, introduced early 2009.
- A Business Open Day was held in March 2009, in conjunction with LATI and the Innovation Centre at Loughborough University.
- Participation in Government Schemes providing financial assistance i.e. Business Rates Deferral Scheme, Housing rents increase reduction, free swimming for Under 16's and Over 60's.
- Working to ensure that the funding available to Charnwood Grants is utilised in full, when historically it has been under spent, to ensure that funding is not cut when organisations most need it.

Financial Implications

This report has no direct financial implications.

Risk Management

There are no specific risks directly associated with the decision Cabinet is asked to make.

Key Decision: No

Background Papers: None

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APPENDIX A

Charnwood Borough Council - Response to AstraZeneca Closure – Local Action Plan

Aim	Action	Timescale	Lead Body	Partners	Funding Position	
1. To ensure that the appropriate policy framework is in place	1.1. Produce an East Loughborough Regeneration Masterplan	By March 2011	CBC	Prospect LCC	Tbc. Potential bid for Single Conversation funding	
	1.2. Ensure that the aims of the Action Plan are reflected in the emerging LDF/Core Strategy	By July 2011	CBC		Existing budgets	
	1.3. Ensure that the aims of the Action Plan are reflected in any future review of the following CBC Policy documents: 1.3.1. Corporate Plan 1.3.2. Town Centre Masterplan and Briefs 1.3.3. Grand Union Canal Strategy 1.3.4. Economic Development Strategy					
			By Sept 2011	CBC		Existing budgets
		1.3.1. Corporate Plan	tbc	CBC	Town Team	Existing budgets
		1.3.2. Town Centre Masterplan and Briefs	tbc	Steering Group	Steering Group	Existing budgets
		1.3.3. Grand Union Canal Strategy	By Sept 2010	CBC	LSP Delivery Group	Existing budgets

Aim	Action	Timescale	Lead Body	Partners	Funding Position
2. To ensure an adequate supply of employment land and buildings	2.1. Confirm Loughborough Science Park allocation	By July 2011	CBC		Existing budgets
	2.2. Secure Outline pp for Dishley Grange site	By June 2010	CBC	Wm Davis	Existing budgets
	2.3. Seek funding for Windmill Road Workspace	By June 2010	CBC	Prospect Sowden	Possibility of emda funding. Would need CBC contribution. Land secured through S106
	2.4. Seek funding for Messenger Close small units	By June 2010	CBC		Possibility of emda funding. CBC contribution is land
	2.5. Seek funding for Magistrates Court Business Space	By May 2010	CBC		Emda bid submitted. CBC contribution already made to phase 1
	2.6. Allocate SUE employment sites through LDF process	By July 2011	CBC		Largely development led. May need to be some up front infrastructure
	2.7. Identify "Windfall" sites for possible early release	Ongoing	CBC		None required. Need to identify local, non-controversial sites which could come forward in advance of LDF. Might include Science Park land
3. To meet the particular needs of high-tech businesses	3.1. Use charnwoodbusiness.com to target hi tech businesses	Ongoing	CBC		Existing budgets
	3.2. Use LATI to identify potential hi-tech businesses	Ongoing	CBC	LATI	Existing budgets
	3.3.				

Aim	Action	Timescale	Lead Body	Partners	Funding Position
4. To encourage inward investment	4.1. Pursue known Retail enquiries	Ongoing	CBC	LTCP	Existing budgets
	4.2. Leicestershire Promotions			LPL	Existing budgets
	4.3. Pursue Civil service relocations?			Prospect	Existing budgets
5. To improve local infrastructure	5.1. Secure release of funding for Inner Relief Road	By June 2010	LCC	CBC Town Team	IRR is fundamental to the Town Centre Strategy. High level political approach post election
	5.2. Complete Loughborough Station Improvements	By July 2011	CBC	LCC Network Rail	Funding secured
	5.3. Pursue Greater GCR proposals	By Dec 2010	GCR	CBC LCC Private	Atkins report has demonstrated business case. Need to secure commercial partners
	5.4. Implement Grand Union Canal Strategy	Ongoing	Steering Group	CBC LCC	Various potential sources
6. To regenerate the main priority areas	6.1. <u>Town Centre</u>				
	6.1.1. Pursue Development of key sites	Ongoing	CBC	Prospect LCC Private	Consider asset-backed approach. Seek development partners
	6.1.2. Back the Town Centre BID	By March 2011	CBC	LTCP	Funding for Campaign phase secured. "Yes" vote will secure 5 year funding

Aim	Action	Timescale	Lead Body	Partners	Funding Position
	6.1.3. Support the work of the Town Centre Partnership	Until March 2011	CBC	LTCP	Funding secured to cover period until BID takes over
	6.2. <u>East Loughborough</u>	By July 2011	CBC	LCC NCHA Wm Davis	Release of final Growth Point funding awaited
	6.2.1. Complete delivery of Eastern Gateway	By Aug 2010	CBC	Prospect	Bid as part of Single Conversation
	6.3. Seek funding to unlock stalled residential sites – Wharnccliffe Road, Clarence Street, Windmill Road				
7. To raise the profile of Loughborough	7.1. Complete Loughborough Branding project	By Aug 2010	CBC	Uni, LTCP, Chambers	From existing budgets
	7.2. Develop 2012 Olympics Action Plans	By Aug 2010	CBC	Uni, L&L	Existing budgets
	7.3. Promote key attractions - GCR/Bell Foundry/Canal	Ongoing	LPL	CBC LCC	Existing budgets?
8. To improve the quality of the environment	8.1. Implement Public Realm Improvements	Ongoing	CBC	LCC Town Team	3 schemes approved. IRR funding includes A6 pedestrianisation. S106 contributions
	8.2. Develop Green Infrastructure	Ongoing	CBC	LCC	As part of Single Conversation bid? Via development and S106

Aim	Action	Timescale	Lead Body	Partners	Funding Position
	8.3. Implement Grand Union Canal Strategy	Ongoing	Steering Group	CBC LCC	As part of Single Conversation bid? Via development and S106
9. To secure additional resources for delivery	9.1. CBC				
	9.1.1. Revenue – Reserves, LABGI Reserve	?	CBC		Allocate funds from reserves to fund Action Plan?
	9.1.2. Capital receipts	?	CBC		Ring fence any windfall capital receipts to fund Action Plan?
	9.1.3. Asset-based delivery	?	CBC		Review of CBC owned land to establish potential for this approach?
	9.1.4. S106	?	CBC		As and when development opportunities arise
	9.1.5. Via SUEs				
	9.2. Leicestershire CC				
	9.2.1. LTP 3				
	9.2.1. LTP 3	?	CBC		Approach County to see whether they are able to make any resources available
	9.3. Leicester and Leicestershire Leadership Board				
	9.3.1. SRIP				
	9.4. Emda				
	9.4.1. Urban Development Fund				
9.5. National		?	CBC		

Aim	Action	Timescale	Lead Body	Partners	Funding Position
	9.5.1. Growth Point	?	CBC		Prepare bids
	9.5.2. HCA Single Conversation	?	CBC		Prepare bids
	9.6. AstraZeneca legacy				
	9.6.1. Land	?	CBC		Approach AZ to establish whether they would be willing to donate land or make available at less than best
	9.6.2. Funding	?	CBC		Approach AZ to see if they would make a financial contribution to an Action Plan package