



Agenda Item 7

Falkirk-Grangemouth Investment Zone and Economic Recovery update

FALKIRK COUNCIL

Title: Falkirk-Grangemouth Investment Zone and Economic Recovery update
Meeting: Emergency Executive
Date: 20 August 2020
Submitted By: Director of Development Services

1. Purpose of Report

1.1 The purpose of this note is to:

- a) advise of the announcement of £90m of 'Growth Deal' grant support from the UK and Scottish Governments towards delivery of the Falkirk-Grangemouth Investment Zone,
- b) identify the next steps to finalise the arrangements for delivery of the Investment Zone.
- c) Give an update on the work taking place to prepare an economic recovery plan for post Covid-19.

2. 2. Recommendation(s)

It is recommended that Executive agrees:

- (i) to note the award of £90m of growth fund monies by UK and Scottish Government towards delivery of the Falkirk-Grangemouth Investment Zone initiative**
- (ii) that work proceeds to prepare Heads of Terms for agreement with UK and Scottish Governments on the delivery of the initiative and that a further report on progress is supplied to the Executive**
- (iii) to note the progress of work on the Covid-19 economic recovery plan and that a finalised version of the plan will be presented to the September meeting of the Emergency Executive.**

3. Background

3.1 Falkirk Council, working with the Falkirk Economic Partnership has developed a package of proposals for an Investment Zone for the Falkirk and Grangemouth area which aims to fulfil the economic potential of the area and manage its transition to a net zero economic future. The package is valued at £235m over a 15 year period. Following agreement by the Executive in October 2019, a series of Investment Zone projects were detailed in a strategic business case submitted to UK and Scottish Governments last year. The Investment Zone focuses on:

- **Industrial innovation:** particularly in industrial biotechnology, carbon capture and autobus innovation to enable the transition to more sustainable industries whilst preserving our manufacturing base.
- **Infrastructure** including roads, rail and ports projects to support industries such as construction, logistics, manufacturing, tourism and their supply chains.
- **Place :** to enhance our town centres, sustainable transport and the tourism sector.

3.2 These projects are underpinned by measures to promote sustainable and inclusive growth and community wealth building, consistent with the area's economic strategy. The list of projects and anticipated cost for delivery is shown in the table below:

Investment Zone Projects	Projected Cost (£m)
Innovative Industry	
Innovative Industry - Sustainable Chemical Manufacturing Campus	20
Centre for Excellence & Innovation in Autobus Technologies	10
Strategic Site Portfolio	35
SME skills pathway	4
Resilient Industrial Environment	10
Sub-total	79
National Economic Infrastructure	
Upgrades to Junction 5 & Inchyra Road	22
New access to Port of Grangemouth	16
Additional Rail Freight Capacity	7
Carbon Capture pipeline link to Feeder 10	27
Sub-total	72
Creating Great Places	
Sustainable Transport	28
'Great Places' Development Projects	32
Inclusive Growth - a Whole System approach	8
Community Energy Infrastructure - Solar	6
Community Energy Infrastructure - District Heating	6
Total Cost	80
Enabling Projects	4

Community Wealth Building	3
Innovation Cluster Collaboration	1
Total for all Projects	£235m

- 3.3 On 21 July, announcements were made by Scottish and UK governments pledging £90m of Growth Deal funding towards delivery of this initiative. While this is a very significant sum and undoubtedly welcome at this time, the ambition of the Investment Zone package and the imperatives facing the area's economy to secure a 'just transition' post Covid-19 goes beyond the capacity of this allocation. The Falkirk-Grangemouth area contains prominent national economic assets and presents some significant challenges at this time, particularly in carbon reduction. It is therefore hoped to attract additional funding to the area to meet this national need. The Council and its partners require to work to deliver on the growth deal announcement while continuing efforts to secure support beyond that which is already pledged.
- 3.4 Acknowledging the anticipated impact of Covid-19 on the area's economy, the Emergency Executive at its meeting in June 2020 agreed that consultations should take place on a draft economic recovery plan. This involved preparation of a business survey and a series of sector focused workshops as well as alignment with the community consultation activity taking place as part of the update of the Council Plan.

4. Considerations

- 4.1. In order to progress the Investment Zone proposition, further work will be necessary to focus and prioritise the proposals for delivery. It is hoped that Heads of Terms for the proposals can be achieved by the end of 2020, with a finalised agreement being reached by mid-2021. The finalised agreement would permit drawdown of the £90m capital funds to be undertaken over a 15 year period and commencement of works.
- 4.2 The proposals to be selected from the submission will require further detailed assessment with final business cases for each project being produced. The underpinning arrangements to support sustainable and inclusive growth will also require to be elaborated. Connections with current activity taking place by the partners on these fronts will need to be evidenced and built upon and clear arrangements for project management and delivery defined.
- 4.3 Given the significance of Grangemouth to the national economy, it is important that the Investment Zone plans are accelerated and delivered. The proposals align well with the ambitions of industrial partners in the area, including significant plans for investment by Ineos, Calachem and Forth Ports. They will help advance Scotland's net zero carbon ambitions, aiding the Scottish and UK Governments in their aspirations for a green recovery. The Investment Zone package contains

proposals for the introduction of carbon capture utilisation and storage, industrial decarbonisation and sustainable transport measures, all of which will play an important role in reducing the area's carbon emissions (at present the area has the highest concentration of emissions in Scotland). Measures to assist the community in the transition to 'net zero' carbon will also be important. The Investment Zone includes opportunities to consider re-skilling for low carbon industries, community energy schemes and sustainable transport measures (including additional rail halts/upgrade to public transport and active travel provision). The proposals will also help to address the plight of some industries brought about by the Covid situation and engagement with these sectors is taking place to ensure that these needs are recognised. These proposals will all need to be assessed for their impact and prioritised in order to finalise the package for delivery.

- 4.4 The approach to finalising the package for delivery will take place through a process of engagement with partners, including consultation with business and community stakeholders. This will be undertaken over the course of the coming months and aligned with the development of the economic recovery plans. A report on the approach to be taken and finalised content of the proposed submission will be presented to a future meeting of the Council's Executive.

Investment Zone and economic recovery planning

- 4.5 The current Covid-19 situation reinforces that the Investment Zone proposition is ever more pertinent to ensure an effective economic recovery. The pandemic has had an unprecedented impact on the global economy and in the UK GDP had reduced by 24.5 per cent by the end of May compared with February 2020. The Office for Budget Responsibility (OBR) forecasts UK unemployment to peak at 3.5 million in 2021.
- 4.6 The Falkirk area has witnessed significant impacts from Covid-19 with the likelihood of significant job losses following the announcement of impending redundancies at several major local companies. Town centres are anticipated to have been impacted adversely, with the recent announcement of the impending closure of the Callendar Square centre reinforcing the scale of concern. Recent information on the area's economy has highlighted the impact of Covid-19 on the area's economy as follows:
- 18,800 employees (29.5% of total employees in Falkirk) have been furloughed
 - the sector with the highest rate of furloughed employees is Accommodation and Food Services at 73% followed by Arts and Entertainment at 73%, Construction 59% and Manufacturing at 40%
 - unemployment has increased by 91.5% and the claimant count at end of May 2020 totalled 6,280 people
 - a total of 2,039 business have received grant support

4.7 A business survey has been completed in recent weeks, capturing the views of business concerning the impact experienced and their prospects for the future. A summary of the impact noted to date and views obtained from business is attached at Appendix 1. In addition, a series of sector focused workshops has taken place to capture views from businesses in the following sectors:

- Manufacturing & Chemicals
- Logistics
- Retail
- Tourism
- Construction

The findings from these workshops and consultation on the draft plan taking place with partners along with summary information on the economic impact are being captured for presentation with the finalised action plan. These will be used to finalise the recovery plan and it is proposed that this be presented to the September meeting of the Emergency Executive.

5 Consultation

- 5.1 Consultation on the revised Investment Zone package will be required with a range of stakeholders, UK and Scottish Government prior to the conclusion of the finalised package.
- 5.2 Work has been taking place to finalise the recovery plan through engagement with a wide variety of stakeholders including business and others in the community. This connects with the Council's community consultation on the Council Plan. It is intended that the results of this consultation will be presented with the finalised plan at the meeting of the Emergency Executive in September.

6. Implications

Financial

- 6.1 The £90m of capital funds from UK and Scottish Government will be received for the Investment Zone delivery over a period of 15 years. £40m will be supplied by UK Government and £50m by Scottish Government (including £10m for projects to reduce carbon emissions). Detailed business cases, profiling the expenditure over the period of the programme will be required.

The financial impact of Covid-19 for business, communities and public sector bodies is significant and it is anticipated that further financial support will be necessary to enable the economy to recover. Discussions are underway at present with the Council's Finance Services officers on the potential need for additional financial resources for delivery of the measures contained in the action plan.

Resources

- 6.2 The delivery of the recovery plan will rely substantially on existing staff resources. Should additional support be required to deliver the actions necessary, these will be identified in the finalised plan.

Legal

- 6.3 There are no immediate legal issues identified at this time.

Risk

- 6.4 There are a number of significant risks for the Falkirk area economy that might arise as a consequence of Covid-19 with impacts on the area's business base and employment anticipated. These risks will be considered in the course of finalising the recovery plan. In addition, emerging risks associated with e.g. Brexit, will require to be assessed.

Equalities

- 6.5 It will be important to ensure that the recovery plan addresses any specific impacts local communities, including those in most vulnerable groups. The measures being taken forward via the Investment Zone will assist in promoting a community wellbeing approach and delivery of more sustainable and inclusive growth.

Sustainability/Environmental Impact

- 6.6 The Investment Zone and economic recovery plan present opportunities to adopt new approaches to the delivery of sustainable economic growth through investment in enhanced infrastructure and supporting measures.

Council of the Future

- 6.7 The recovery plan will play an important role in assisting delivery of the measures contained in the Council of the Future initiative.

7. Conclusion

- 7.1 The announcement of £90m of growth deal funding towards delivery of the Falkirk-Grangemouth Investment Zone provides a welcome boost for the area. This work will play a key role in:
- creating economic vitality, supporting and energising industry and driving renewed investment.
 - investing in innovative technology that will transform industry in Grangemouth.
 - responding to climate change and work toward a greener, more sustainable future.
 - improving productivity through technology and skills
 - promoting community well-being and benefit from the investment

- forming a cornerstone of post Covid-19 economic recovery efforts locally and nationally.

7.2 It is important to finalise the proposals for agreement in the coming months while also working to identify related sources of funding the delivery on the area's wider ambitions. This work will also be aligned to the finalised version of the economic recovery plan.

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Date: 10 August 2020

APPENDICES

Appendix 1 - Economic Impact & Consultation Feedback - Interim Findings (attached)

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

NIL

Falkirk Council

Covid-19 Economic Recovery Plan

Economic Impact & Consultation Feedback - Interim Findings

1. Purpose

This report presents some interim headline results relating to the economic impact and feedback from consultation relating to the Covid-19 situation.

2. Background

Falkirk Council and partners are developing an economic recovery plan. The plan's contents will be supported with evidence gathered from academia, business and communities. This intelligence will form an Economic Impact Report (EIR) to be presented alongside the Economic Recovery Plan for presentation to Executive in September 2020.

3. Approach

This report relies on published data for setting the context for the Falkirk Economy within the Global, UK and Scottish economy. This is supplemented by data gathered locally through:

- a business survey
- focus groups with business leaders from key sectors, and
- findings from a community consultation relating to the Council plan.

4. Progress

The business survey was conducted in July 2020 and returned 444 responses from Falkirk Businesses. A total of 36 business leaders from 6 sectors participated in 5 focus groups. The Council's community consultation closed on the 14th of August and results are being compiled at present.

5. Economic Impact:

UK:

- The UK economy entered recession with GDP shrinking by 20.4% between April and June compared with the first three months of the year.
- Across the UK, 9.5 million people have been furloughed, more than a million firms received almost £15 billion in government-backed loans and over £10 billion in business grants has been issued
- The number of hours worked across the UK dropped by nearly 20% since the end of 2019
- the number of people with a zero hour contract in the UK exceeded 1 million for the first time
- The Resolution Foundation forecast a rise in youth unemployment of around 600,000 across the UK.

Scotland:

- Scotland's GDP fell by 5.5% in March 2020, 18.9% in April but increased by 1.5% in May.
- In Scotland employment dropped by 15,000, with the employment rate dipping -0.4%-points in the three months to June 2020 (now sitting at 74.3%).
- Scottish unemployment rose by 11,000 to a rate of 4.5%, up +0.4%-points on three months ago

Falkirk area:

- 18,800 employees (29.5% of total employees in Falkirk) have been furloughed
- the sector with the highest rate of furloughed employees is Accommodation and Food Services at 73% followed by Arts and Entertainment at 73%, Construction 59% and Manufacturing at 40%
- unemployment has increased by 91.5% and the claimant count at end of May 2020 totalled 6,280 people
- youth unemployment has risen significantly, from 655 (5.35%) in March 2020 to 1,250 (10.1%, in Scotland it is 9.0%), in June 2020 and is anticipated to increase further
- Local vacancy postings are significantly lower than the equivalent period last year -31% in the Forth Valley area

- a total of 2,039 business have received grant support

6. Business Survey – Top 10 Interim findings

- 80.7% (of those surveyed) have lower business optimism than last year
- 72.3% have lost income this year
- 62% of business believe they will need to cover the costs of monthly fixed overheads and reopen for trade without borrowing money.
- 44.7% of businesses said they will reopen with reduced hours, 36.9% said they will reopen with normal hours. 14.9% of businesses said they did not close during the Covid period.
- 2.3% are planning on not reopening and 1.2% will close permanently.
- 88.1% of businesses surveyed had furloughed staff
- 29.4% of business who answered said availability of finance was the key issue in planning for recovery
- 27.1% stated that maintaining business/customers was key
- Safety included PPE, screens and social distancing is an issue for 18.1% of businesses.

7. Sector Focus Groups - Top 10 findings

- Businesses across Falkirk have been heavily impacted by Covid-19. The effects have been mitigated by financial support in the form of grants and loans and by staff furlough.
- In the event of a second or localised lockdown and with no furlough or business grants, many businesses would not survive.
- The chemicals sector (apart from aviation and motor fuels) main markets have only been moderately impacted, however their main challenges have been in keeping the plants running and staff safe from Covid-19.
- Directors of small companies have been under immense pressure of work, as they cannot be furloughed and were often the only person left working.

- Businesses that were in total lockdown have been most affected financially with retailers, leisure, hospitality and construction having lost most of their income for a period of 3 months and more.
- There have been some positives with some developers busy with sales and new acquisitions and development projects in both Falkirk and Grangemouth being brought forward.
- Several key construction projects stopped on key sites are now coming back on line.
- Lack of (and cost of) PPE has affected some firms
- The maintenance of supply chains has been a common concern
- There has been variability in supply of feedstocks for manufacturing, recycling and construction and some materials have been difficult to source.
- Social distancing requirements have affected all businesses with reduced sales where customers are present and increased costs in the number of staff required to manage customers, cleaning and queues.
- Managing space with social distancing and working from home will be the new norm for many businesses as will being more flexible with working arrangements.

Development Services

12 August 2020