

## **AGENDA ITEM**

### **FALKIRK COUNCIL**

**Subject: ECONOMIC DOWNTURN : ACTION PLAN**

**Meeting: FALKIRK COUNCIL**

**Date: 10<sup>TH</sup> DECEMBER 2008**

**Author: CHIEF EXECUTIVE**

#### **1. Introduction**

- 1.1 The economy of the Falkirk area faces significant challenges as the “credit crunch” and resultant economic downturn take effect. An economic recession is anticipated during 2009 which could inhibit the regeneration of the Falkirk economy and blight prospects for business, investment and jobs. Action has been initiated at national level to assist business and the economy however concerted action is also needed at local level to mitigate the effects of recession.
- 1.2 Falkirk Council is keen to act on behalf of local businesses, people and communities, leading the response of partners locally to minimise the impact of the economic downturn and maintain the momentum of regeneration. This report sets out the anticipated impacts of the economic downturn, the area’s economic strengths, which will aid its response, the actions underway currently to bolster the area’s economy and the key actions planned by the Council to respond.

#### **2. The Falkirk area and the economic downturn**

- 2.1 It is anticipated that the UK economy will face a significant recession. The UK Government anticipates an economic decline of 1.25% during 2009. The Falkirk area is now experiencing the effects of the economic downturn:
  - Unemployment, which early in 2008 fell to below the Scottish average, its lowest level for 25 years, has increased in the past year and is now 2.7%, with 2,576 people unemployed.
  - Investment in regeneration projects has slowed. The timescales for delivery of key projects in Bo’ness and Falkirk Gateway have had to be extended due to reduced demand and capacity for investment.
  - Several local companies have announced redundancies or plan to reduce staff levels. Many local companies experience difficulties in accessing funds to maintain cash flow or progress new investment. Additional problems result from increased energy costs or supply chains fragmenting.
  - Other evidence of economic stress has been witnessed in reduced trading activity in town centres and increased claims for hardship relief. A substantial drop in house purchases has been witnessed and enquiries for business properties have reduced.

- It is anticipated that 2009 will show increases in unemployment, further decline in business confidence and activity and lower levels of investment.

2.2 Despite this, the Falkirk economy has substantial strengths. Partners locally demonstrate resilience and a resolve to face the economic challenge in the year ahead:

- The Falkirk economy is strong and diverse, with sectoral strengths in petrochemicals, engineering, food and drink and logistics.
- Falkirk's economy includes major companies such as Alexander Dennis Ltd, BP, Ineos, Forth Ports, Asda and Kemfine. Many companies compete successfully in markets where the recession's impact will be less significant and where opportunities for business growth can be exploited.
- Public sector investment programmes in new schools, housing, health, and roads are likely to 'cushion' some of the impacts of recession, particularly in construction.
- The area has capacity to respond to investment opportunities that arise and can exploit the prospects for economic growth to return. Falkirk is well-located; it has a growing population, a strong commercial and industrial base and presents many excellent development opportunities.
- Recent business surveys have demonstrated that, despite the economic challenge, local companies remain fairly positive about levels of sales, investment and jobs in the coming year.
- A solid partnership exists between the public and private sectors in Falkirk to carry forward the area's response.

### **3. The Response to the Economic Downturn**

3.1 The economic downturn demands a response by many partners, in the public and private sectors. Falkirk Council recognises that its leadership role is vital in harnessing local capacity to address the economic challenge. There is a need to:

- Exploit opportunities for investment and, despite the financial pressures, maintain expenditure locally, particularly in the hard-pressed construction sector, to upgrade local infrastructure and maintain the momentum of regeneration projects.
- Manage the impact on local companies, assisting them to access business support in the form of business advice, grant and loan funding and networking opportunities.
- Ensure that local organisations target their efforts to reduce the impact of unemployment, guiding people to available jobs and other assistance, while minimising the impact for those hardest to reach.

3.2 Falkirk Council is a significant player in the provision of business property within the local economy. Its portfolio of industrial, office and retail space comprises over 800 properties and generates a rental income of around £4.5 million. During the period of the economic downturn, lease rents will require to be reviewed and leases will come to an end. Market conditions play a major part in rent review and lease

renewal negotiations. In some circumstances these may naturally lead to nil rental uplifts. Council officers have examined the option of ‘suspending’ rent reviews and consider this is not a constructive way forward. It would not be equitable or sufficiently well-targeted towards need. Specifically, it would only impact on a small number of companies who are currently Council tenants and have rent reviews arising over the suspension period. Additionally, such action could have the undesirable effect of distorting the property market at a time when the Council should be working to help stabilize rental and capital values. However the Council has a responsibility to examine how all businesses in its area, not just its commercial tenants, can be supported at this time and how this can be achieved.

- 3.3 Notwithstanding the position with regard to rent reviews and lease renewals, the Council may be able to assist tenants through re-scheduling rental payments, for example by allowing a business to pay less now, more later in the course of the lease term. In considering such courses of action, the Council will need to pay due regard to the financial history and viability of the business concerned. The implications for its own budget position, which is being stretched during the recession, will also be a factor.
- 3.4 However the Council considers that a more comprehensive and targeted approach to the impact of the downturn is needed. The economic recession will impact across many parts of the Council and demands a joint response by all services. This response must build upon the existing commitments which have been initiated to develop the Falkirk economy via “My Futures in Falkirk”. It must progress a set of key actions in the following areas to address the economic challenge. These actions are set out in the attached Table and summarised below:

#### **Business Support:**

Through the actions of the Business Gateway, Falkirk Council and Scottish Enterprise a range of support services are available for business start-up and growth. Strong links have been established between the business community in Falkirk and the support network via the Falkirk Business Panel. Action is currently underway to review our approach to business support services with the aim of establishing a new “one-stop” service for business in Falkirk. However there is plainly an urgent need to bolster support to businesses at this time. It is therefore proposed to extend local business support services including those delivered through the Business gateway and in the Joint Working Agreement currently operated with FEAT.

*In addition to existing business support programmes, the Council will invest £100,000 to:*

- a) Promote a package of local business support assistance delivered via the Business Gateway and the Joint Working Agreement with FEAT to aid companies adversely affected by the recessions and, by engaging with the Falkirk Business Panel, conduct networking opportunities to help address the issues involved;*
- b) Assist local retailers, by asserting the value of shopping locally, promoting town centres, and progressing town centre regeneration;*
- c) Review the Council’s responsiveness to business in its advice services, speed of decision-making, delegation and exercise of regulatory powers.*

- d) Initiating a programme to promote local tourism, including upgrades to tourist signage, local events etc.;***

### **Transport, Infrastructure & Investment**

Falkirk is well-located in Central Scotland, however there are significant constraints to access for its key economic assets including the Grangemouth Freight Hub, the Petrochemical complex and business locations. The funding of infrastructure works has also proven to be a significant constraint to regeneration investment. Work is currently underway to promote improved transport links and maintain investment that reflects the significance of Falkirk to the national economy. Meanwhile it is important to maintain investment levels in the local economy. Investments by the public sector in new schools, affordable housing etc. will help to maintain the buoyancy of the local construction sector and downstream industries.

*In addition the Council will:*

- e) Pursue the case for accelerated capital investment under the recently announced Scottish Government capital programme fund to upgrade infrastructure links in the Falkirk area;***
- f) Promote investment in new affordable housing and stimulate new development through construction of housing for rent and, in partnership with local RSLs and other housing agencies, deliver new homes for rent or low cost ownership;***

### **Business Locations**

The provision of sites and premises for business is a key priority for the Council and projects are underway to ensure competitive business locations are available for investment and business growth. Successful schemes have been completed at Alcan, Wholeflats and Bo'ness. However for some schemes, infrastructure, Section 75 requirements and other market constraints have delayed investment. As a result, a responsive and targeted approach is required to ensure that a range of business locations is available to respond when the economy regenerates.

*Additionally the Council will:*

- g) Seek to accelerate £600,000 of its planned investment in business property through the capital programme;***
- h) Adopt a flexible response to maintain investment in regeneration schemes, extending timescales for delivery and reviewing upfront infrastructure commitments;***
- i) Extend the flexibility of the Council's approach to planning -- reviewing its approach to Section 75 agreements attaching to planning consents. In addition, we will also be re-evaluating the impact of the impending recession as a material consideration in determining planning applications to attract investment and maintain jobs;***

### **Assisting the workforce**

It is important to ensure that Falkirk maintains a skilled and flexible workforce and that the impact of the recession on local people in terms of unemployment, financial exclusion and

homelessness is minimised. Considerable effort has been directed in recent years to promote opportunities for young people to access the labour market. This effort will be maintained, however additional actions by the Council will be taken to:

- j) Review access to jobs locally and redundancy support services to ensure a continuing co-ordinated response to unemployment;*
- k) Assisting local companies to access training advice and support, particularly to engage young people in work based training and/or apprenticeship programmes;*
- l) Engage money advice and social services to assist in directing enquiries for increased support and assistance to meet local need.*

### **Taking the Plan Forward**

- 3.5 Importantly, this Action Plan will not divert the Council from its long-term vision of a robust, diverse and thriving local economy. The current strategy is being reviewed and a revised version will be brought forward next year, outlining the longer term ambitions for the area.
- 3.6 The actions proposed for the economic downturn are targeted, short term and involve all Council services. It is anticipated that, in addition to current commitments, the additional actions proposed in this action plan will involve a commitment of £700,000 for the Council. These actions have the intended effect of managing the impact of the recession across the Council whilst enabling the area's economy to respond for the longer term, exploiting opportunity and building on the area's undoubted strengths.

## **4. Recommendation**

### **4.1 It is recommended that the Council:**

- i) agrees the Action Plan for the Economic Downturn as set out in this report.
- ii) Agrees to allocate £100,000 of revenue funding, to be committed over the financial years 2008/9 and 2009/10, to permit the extension of business support services delivered through the Council's Joint Working Agreement with FEAT
- iii) Agrees to accelerate the allocation of £600,000 of capital funds from the 2009/10 budget, earmarked for economic development projects, for investment in business property

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**Chief Executive**

**Date: 3<sup>rd</sup> December 2008**

**Contact Officer: Maureen Campbell (extn 0902)**

### **LIST OF BACKGROUND PAPERS**

**Nil**

**Falkirk Council**  
**Action Plan for the Economic Downturn**

Action	Responsibility	Timescale	Intended Outcome
<p>a) Promote a package of local business support assistance delivered via the Business Gateway and the Joint Working Agreement with FEAT, including:</p> <ul style="list-style-type: none"> <li>• Undertake a programme of business health checks/business development reviews and grant support to assist companies to identify areas to, for example, access financial support (e.g. Loan Funds, Hardship relief, overdraft or cash flow finance, external grant assistance), generate increased income (e.g. through marketing or promotion), and reduce operating costs. (Cost £60k)</li> <li>• Assist businesses to access support, financial and non-financial, from non-Business Gateway sources, where available. (Nil cost)</li> <li>• Implement, with FEAT, a local marketing campaign to promote Business Gateway services to start-up and existing businesses.(£10k)</li> <li>• Facilitate waste management and energy efficiency audits for Council commercial tenants to help reduce business costs. (Nil cost)</li> <li>• Convene a forum of Falkirk Council area property landlords to exchange views and agree actions during the economic downturn period. (Nil cost)</li> <li>• Continue to provide property-related support and assistance to Council commercial tenants. (Nil cost)</li> <li>• Conduct a series of networking opportunities for local companies via the Falkirk Business Panel</li> </ul>	<p>Community Services/FEAT/Business Panel</p>	<p>2009-10</p>	<p>50+ Businesses assisted</p> <p>Financial savings to business</p> <p>Jobs safeguarded</p>

b) Assist local retailers, by asserting the value of shopping locally, promoting town centres, and progressing town centre regeneration <ul style="list-style-type: none"> <li>Establish a programme to support independent retailers to improve their trading performance. (£30k)</li> <li>Support and advice in accessing rates relief and other business support (Nil cost)</li> <li>Networking events for local retailers (Nil cost)</li> </ul>	Community Services/Town Centre Management	2009-10	Businesses assisted  Financial savings to business  Jobs safeguarded  Trading levels sustained
c) Review the Council's responsiveness to business in : <ul style="list-style-type: none"> <li>advice services,</li> <li>speed of decision-making and delegation</li> <li>exercise of regulatory powers.</li> </ul>	Chief Executive	March 2009	Improved access to business advice  Improved speed of decision-making for business
d) Initiating a programme to promote local tourism <ul style="list-style-type: none"> <li>upgrade local tourist signage,</li> <li>programme of local events</li> </ul>	Community Services/Development Services	2009-10	Improved access to tourist facilities  Increased visitor numbers
e) Pursue the case for accelerated capital investment and progress the necessary planning and design work for investment under the recently announced Scottish Government capital programme fund to upgrade infrastructure links at: <ul style="list-style-type: none"> <li>the A801 Avon Gorge</li> <li>the Grangemouth Port/Freight Hub and Petrochemical complex</li> <li>Motorway junctions (M9, M876)</li> </ul>	Development Services	2009	Improved access to Falkirk area  Increased infrastructure investment



<p>f) Promote investment in new affordable housing and stimulate new housing development through:</p> <ul style="list-style-type: none"> <li>• developing 300 affordable houses in the next three years</li> <li>• developing partnerships with local RSLs and other housing agencies to deliver new homes for rent or low cost home ownership</li> <li>• conducting a Seminar with housing agencies, including Homes for Scotland to stimulate investment in house construction;</li> <li>• exploring opportunities for house construction on development sites</li> <li>• including community benefits clauses to new investment contracts</li> </ul>	Corporate & Neighbourhood Services / Development Services	2009-10	<p>New Affordable Housing construction</p> <p>Investment levels in housing</p> <p>Community benefits achieved</p>
g) Seek to accelerate £600,000 of its planned investment in business property through the capital programme	Community/Finance Services	2009-10	Investment in business property
h) Adopt a flexible response to maintain investment in regeneration schemes, extending timescales for delivery and reviewing upfront infrastructure commitments;	Community/Development /Law & Administration	2009-10	Investment levels maintained in regeneration
i) Extend the flexibility of the Council's approach to planning – reviewing the Council's approach to Section75 agreements and material considerations in planning applications to attract investment and maintain jobs;	Development Services	2009-10	Investment in construction activity
j) Review access to jobs locally and redundancy support services to ensure a continuing co-ordinated response to unemployment, including a PACE event in January for people recently affected by redundancy.	Community/Social Work /Corporate & Neighbourhood Services	March 2009	Improved access to advice services
k) Assisting local companies to access training advice and support, particularly to engage young people in pre-vocational and apprenticeship programmes;	Community/Education Services	2009-10	Training places secured

l) Engage money advice and social services to assist in directing enquiries for increased support and assistance to meet local needs.	Community/Social Work /Corporate & Neighbourhood Services /CABx	March 2009	Improved access to advice services
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