House of Commons
North West Regional Committee

The impact of the current economic situation on the North West and the Government's response

First Report of Session 2008–09

Report, together with formal minutes, oral and written evidence

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North West Regional Committee

The North West Regional Committee is appointed by the House of Commons to examine regional strategies and the work of regional bodies.

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Contents

Report

Summary 3

1 Introduction 7
   Background to the North West Committee 7
   Our inquiry 7

2 Impact of the downturn on jobs and skills 9
   Impact on jobs 9
   Impact on skills 10
   The role of Jobcentre Plus 10
   The role of the Learning and Skills Council 13
   Partnership working 15
   Schemes for skills and jobs 16
      Redundancy response 16
      Train to Gain 17
      Apprenticeships 18
      Future Jobs Fund 20
      Graduates 21
      Short-time working 22

3 Impact of the downturn on business 24
   Manufacturing 24
   Business Link and business support 26
   Access to finance 27
      Government finance schemes 29
      Enterprise Finance Guarantee Scheme 30
      Venture Capital Loan Fund 30
      Late payment 32

4 The role of the NWDA 35
   NWDA priorities 35
   Performance 36
   NWDA budget 37

5 The role of the Regional Minister 40
   A regional champion? 40
   Government Office for the North West 42
   The Joint Economic Commission 43

6 Preparing for the Future 47
   Single Regional Strategy 47
   City Regions 47
   Confidence in the future 48
Summary

The last twelve months have seen considerable changes to the North West economy. Traditional industries such as manufacturing and construction are suffering, but also sectors such as professional services and retail. Many businesses have found it difficult to hold on to cash and, in some places, the downturn has led to redundancies. We wanted to know what the impact has been upon the region, and whether the response from Government, at a regional level, had been good enough.

Jobs and Skills

Jobcentre Plus has dealt well with the challenges brought on by the recession, increasing its staff numbers to try to meet the growing demand for its services. However, we were concerned that where an employer is considering redundancies, Jobcentre Plus has to wait to be invited in before it can provide advice to the employees.

Retaining and increasing skills in the region is of the highest importance to ensure the North West is not disadvantaged by significant skills gaps in the future. Companies seem to have learnt the lessons of previous recessions and do appear to be doing all they can to avoid redundancies and retain skills in their workforce. The Regional Minister needs to continue to monitor this situation. We welcome the work that the Learning and Skills Council (LSC) and partners have done to engage regional businesses in skills training. Funding must be found to meet the increasing demand for Train to Gain.

The LSC will be abolished in 2010 and its responsibilities shared between two new Agencies and local authorities. It is unfortunate that this restructure is taking place in the middle of a recession. The Regional Minister must monitor the transition to ensure there is no reduction in quality of skills provision. We have also asked the Government to explain the implications for skills provision in the North West of the gross mismanagement by the LSC of the further education capital programme.

The Rapid Response Service, which gives support and advice to employees about to be, or recently made redundant, is an excellent initiative. However its effectiveness does not appear to be being monitored. We want Jobcentre Plus to monitor and evaluate the outcomes of the programme. Similarly we would like to receive a progress report on work being carried out by Jobcentre Plus and the LSC with university careers services to support unemployed graduates during the downturn.

Apprenticeships are a vital route for young people to gain experience in the workplace. The Government has spoken of providing a place in education or training or an apprenticeship for every school leaver. But schemes set up to protect apprentices affected by the recession do not appear to have been promoted enough within the region. The Government Office for the North West and its partners must also ensure the region seizes the opportunity of the Future Jobs Fund to secure funding for jobs in the region, particularly for young people.
The Government should be considering options to support firms that are trying to defer making redundancies. The Joint Economic Commission (JEC) should canvas views in the region on the short-time working proposals put forward by the Federation of Small Businesses and the TUC.

**Business**

Manufacturing has been hit very hard by the downturn. We welcome the work being done by the North West Development Agency (NWDA) and the Manufacturing Advisory Service to support manufacturers in the region. However, we believe more could be done. We recommend that the NWDA and the JEC make manufacturing a priority over the next twelve months. We also ask the Regional Minister to use his voice in Whitehall to accelerate the delivery of the Automotive Assistance Programme in the region.

Two years ago Business Link had a bad reputation, but businesses we spoke to said it had improved markedly. We support the work that NWDA has done to restructure the service. Business Link now needs to work on promoting its services better.

Access to finance is still a problem for many businesses in the region. Work needs to be carried out at national and regional level to put pressure on all the major banks to resume lending. We also want the Regional Minister to examine the cost of borrowing in the North West and report to us on how this compares with the pattern nationally. The Enterprise Finance Guarantee Scheme was intended to increase the level of lending from the banks to businesses. Yet too few businesses know of it and too few are successful when they apply. Business Link must do more to ensure the banks know how the scheme works and that businesses know what is expected of them. We recommend that the Joint Economic Commission monitor the take up of this scheme.

The Venture Capital Fund is still not fully off the ground six months after being announced. The Government needs to make sure the initiatives designed to help businesses during the downturn are fit and ready from the start. The Government is now engaging with the NWDA on future programmes. This should have been done sooner.

We welcome the move by the JEC to make prompt payment an immediate priority. There should be an audit of public sector performance in meeting the 10 day target, and those from the private sector that pay late should be named and shamed. The Government should also be telling banks that they have a major role to play in increasing the speed with which cash can move through supply chains.

**Government response**

The NWDA refocused its priorities quickly and appropriately in response to the economic downturn. However, we are concerned about the impact budget cuts will have on the Agency, particularly when the reductions kick-in in 2010–11. We ask the Government for a commitment that there will be no further cuts to the Agency’s budget over the 2008–2011 period.
Critics of the JEC say it is a talking shop and it claims credit off the back of the work of other agencies. We ask for more clarity as to the role of the JEC and more evidence of what the JEC has achieved that would not have been achieved in its absence.

We welcome the enthusiasm and confidence that the Regional Minister has brought to the post. However, we now need to see evidence of action to be persuaded that the Regional Minister carries real weight and influence at Westminster, and that he has time to commit to the role in addition to his other ministerial responsibilities.
1 Introduction

Background to the North West Committee

1. The North West Committee is one of eight regional select committees established in November 2008 following a recommendation by the House of Commons Modernisation Committee. The Modernisation Committee argued that there was “clear evidence of an accountability gap at regional level”, and that although Regional Development Agencies (RDAs) and other bodies were accountable to Ministers, many of their activities in the regions were “not subject to regular, robust scrutiny”.

2. Our remit is to “examine regional strategies and the work of regional bodies”. Our role as the North West Committee is therefore to scrutinise the work of such bodies in the North West. These include the Northwest Regional Development Agency (NWDA), Business Link Northwest, the Government Office for the North West (GONW) and the regional offices of national agencies.

3. Our membership was appointed on 3 March 2009. Unfortunately only Labour members were appointed to the Committee, as other political parties have declined to take up their places on regional committees. We are disappointed that Members from other parties have chosen not to participate. However, we have adopted the practice of other select committees in carrying out our work in as non-partisan manner as possible. Our principal concern has been to find ways of improving circumstances for people and business in the North West.

Our inquiry

4. In this, our first inquiry, we decided it was important to look into the issue that is at the forefront of everyone’s minds at the moment—the economic downturn. We wanted to consider the regional context—the impact on the North West and whether the response of the Government and its agencies in the region had been appropriate.

5. In April 2009 we announced an inquiry into “the impact of the current economic situation on the North West and the Government’s response”. Our terms of reference were as follows:

- the effect of the economic situation on the region, including the effect on different sectors and on different sub-regions;
- the effectiveness of the Northwest Regional Development Agency in assisting businesses in the current economic downturn;

1 A ninth Committee for London was established on 25 June 2009, although Members of this Committee have yet to be appointed.


3 Standing Order No. 152F.
• the response of the Joint Economic Commission, established by the Regional Minister in November 2008, to the economic downturn;

• the capacity of the Government Office for the North West, Government agencies such as Business Link, Learning and Skills Council, and Jobcentre Plus, and other partnerships between Government agencies, local government and the private sector, to respond effectively to the economic downturn;

• the usefulness of Government initiatives such as Real Help Now, in providing support and enabling access to finance, for businesses in the north west; and

• whether the approach of regional Government and its agencies during the current economic situation strike the right balance between short term need and planning for the future.

6. We received 22 written submissions, which we publish with this Report. We found this evidence very helpful in drawing our conclusions and we would like to thank all those who took the time to contribute to our inquiry in this way.

7. We also held two public evidence sessions. On 15 June 2009 we heard evidence in Manchester Town Hall from Mr Damien Waters, Regional Director, CBI North West, Holly Bonfield, Chairman, North West Policy Unit, Federation of Small Businesses, Chris Fletcher, Member of the Regional Policy Committee, Chambers of Commerce North West, Alan Manning, Regional Secretary, North West TUC, John Korzeniewski, Regional Director North West, Learning and Skills Council, Mike Baker, Customer Services Director, and Peter Jamieson, External Relations Manager, Jobcentre Plus. On 8 July we heard evidence in Westminster from Steve Broomhead, Chief Executive, and Mark Hughes, Executive Director Economic Development, North West Development Agency, Vanda Murray, Deputy Chair, North West Development Agency and Chair of Business Link Northwest, Mr Phil Woolas MP, Regional Minister for the North West, and Liz Meek, Regional Director, and David Higham, Deputy Regional Director for the Economy, Government Office for the North West. We are very grateful to all our witnesses.

8. We would also like to thank the Gujarat Hindu Society, Preston, for hosting an informal meeting we held shortly before we announced our inquiry.

9. In our Report we consider first the impact of the economic situation on jobs and skills in the region, as it is the individuals affected by the downturn that cause us most concern. In Chapter 3 we then examine the impact of the economic downturn on business and assess the Government’s response. In Chapter 4 we consider the role of the NWDA, including its revised priorities, performance and budget. In Chapter 5 we look at the role of the Regional Minister, including the effectiveness of the Government Office for the North West and the Joint Economic Commission. Finally, in Chapter 6 we consider the plans being made for the region’s future.
2 Impact of the downturn on jobs and skills

Impact on jobs

10. Unemployment in the North West has risen significantly over the period of the recession standing at 281,000 or 8.2% in June 2009,6 35% higher than June 2008. The number of unemployed grew by 19,000 in the last quarter, however this appears to have been driven by people returning to the workforce from being economically inactive, rather than people losing employment.6 The number claiming Job Seekers Allowance6 has increased over the last twelve months to June 2009 from 109,700 to 194,100,7 and the proportion of claimants in the North West, at 4.5%, is higher than the national rate (4.1%). However, the May monthly increase in Job Seekers Allowance applications (5,400) was the smallest increase since September last year.6

11. The latest figures indicate that the rate of deterioration in the labour market may be slowing, although most witnesses expected job losses to continue.9 There was a lower quarterly increase in unemployment in the North West in the final quarter of 2008–09 than in the previous quarter.10 The North West has also experienced a decline in the rate of quarterly unemployment growth, when England as a whole has experienced the reverse trend. HR1 redundancy submissions (those in which more than 20 employees are made redundant from one firm) in the North West in May were at their lowest level since before October 2008 at 2,200.11

12. Redundancies have been concentrated in manufacturing, logistics, retail, and construction.12 There have been some large job losses within the region including Shop Direct (1000 across the region, but mainly in Crosby); Manchester Airport (90); Bentley (220 in Crewe); Tulip (300 in Wirral); and Gibsons Foods (245 in Ellesmere Port).13 On 15 July 2009 Jaguar Land Rover announced that it was making 300 people redundant at its facility in Halewood. However, jobs have also been created in some sectors, with witnesses agreeing that the public sector was where most jobs had been created. The NWDA, for example, told us that around 8,000 jobs had been created in education, health and other public sector areas.14 Retail, construction and business administration were the other growth areas identified.15

4 ONS Labour Market Statistics, June 2009
5 Monthly Economic Update June 2008, Regional Intelligence Unit of the NWDA
6 March 2009—JSA claimant count, Jobcentre Plus
7 ONS Labour Market Statistics, June 2009 and June 2008 (rounded to nearest ‘00)
8 Monthly Economic Update June 2009, Regional Intelligence Unit of the NWDA
9 Q 35
10 Monthly Economic Update May 2009, Regional Intelligence Unit of the NWDA
11 Monthly Economic Update May 2009, Regional Intelligence Unit of the NWDA
12 Ev 35
13 Ev 75
14 Ev 75
15 Q 59
Impact on skills

13. In the past, recessions have led to companies scaling back investment in skills or taking back entitlements to flexible working. The TUC told us that a decent, skilled, committed workforce could not be turned “on and off like a tap”. We agree and were therefore encouraged when witnesses told us that this does not appear to be happening in the North West during this recession. The Regional Minister told us:

Companies have reported that they do not want to lose critical mass of skills because of the investment that they have made in them. Retention levels are higher as a result of the situation than they have been for some significant time. I think that they are higher than they have been since the 1960s, which is a very interesting development in the North-West economy.

14. Witnesses reported that employers had turned to a variety of methods in the North West to hold onto the skills of their employees to position them for the upturn. For example KPMG had offered members of their graduate scheme a year’s paid sabbatical, manufacturers had loaned experienced staff to other businesses, and others had implemented four day working weeks and time banking.

15. Manchester Chambers of Commerce observed that for those looking to recruit, this was an opportune time to do so, although the most common issue raised by its members was that potential employees still lacked basic skills.

16. It is vital that the North West retains skills in order to ensure the region is well positioned for the upturn. We are encouraged that witnesses reported that companies seem to have learnt the lessons of previous recessions and do appear to be doing all they can to avoid redundancies and retain skills in their workforce. We recommend that the Regional Minister continues to monitor this situation.

The role of Jobcentre Plus

17. Jobcentre Plus is an executive agency of the Department for Work and Pensions. It aims to help people into paid work, help employers fill their vacancies, and give people of working age help and support if they cannot work.

18. Jobcentre Plus has had to respond to significant changes in demand for its services in the North West. Firstly, as we have seen, the jobseekers’ register has gone up in the region—by 75% in the last year, which is just below the national rate but nevertheless a significant increase. Secondly, the Agency has had to respond to new types of jobseekers using the services of Jobcentre Plus often for the first time, and subsequent mismatches

16 Q 39 and Ev 75
17 Q 39
18 Q 152
19 Monthly Economic Update May 2009, Regional Intelligence Unit of the NWDA
20 Ev 73
21 Ev 52
between jobseekers skills and the available jobs. Peter Jamieson of Jobcentre Plus North West told us that:

Unfortunately, the vacancies sought by many of our jobseekers are in different occupational areas. We are seeing a high number of people from a professional and executive background, and a high number of manufacturing jobseekers coming onto the market. So there is an issue in terms of the correlation between vacancies sought and vacancies notified, but the majority of vacancies in terms of our growth have been in the retail service sector and the public sector.22

Finally, the number of jobs available has fallen and whilst Jobcentre Plus has been successful in increasing the number of job seekers it places in employment, with 35,000 leaving its register each month, this has not kept pace with the flow of new job seekers.23

19. The Regional Director of Jobcentre Plus in the North West told us the Agency had responded to these challenges by recruiting new members of staff (in April it announced that an additional 1,800 staff would be employed); reviewing how it could maximise the use of its premises; and looking at the processes in place to respond to the new customers presenting as unemployed.24 No new Jobcentres are planned for the North West.25

20. Nationally, 750 members of staff have been redeployed from other Government departments to Jobcentre Plus (JCP) in response to rising demand for services. When we asked whether those affected by tax office closures in the North West had been offered and taken up employment with Jobcentre Plus, we received evidence from JCP that three had transferred to JCP directly and a further 26 to JCP District. Additionally, 10 members of Land Registry staff affected by redundancy had been found employment in local Jobcentres.26

21. We heard positive feedback about how JCP had responded to the recession, with the Regional Secretary of TUC North West saying that:

[…] at the beginning of the recession there was quite a lot of pressure on Jobcentre Plus. That was recognised, and there has been quite significant recruitment of staff into it. […] Our experience is that where Jobcentre Plus is contacted and invited in, it has done a very good, positive job. Where it has worked with unions, we have been very pleased […]

22. Jobcentre Plus will provide advice to staff under threat of imminent redundancy through its Rapid Response Service (see para 37 below). However, Alan Manning told us that there were “issues” to do with the fact that this assistance from Jobcentre Plus had to

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22 Q 59
23 Q 54
24 Q 54
25 Q 61
26 Ev 115
be triggered by a request from the employer. He reported some difficulties when Woolworths announced it was closing:

[...] We have also had the case with the Woolworths closure, for instance, of individual store managers interpreting the guidance they were getting from the receivers, which was to maximise the revenue, and saying to Jobcentre Plus, “No, you can’t come in to talk to the staff, because we’re too busy selling things.” Clearly, in instances like that there are issues about how we can make sure that the services on offer to individuals can be properly accessed, and in a timely way.

23. We asked for further details of how JCP had dealt with the redundancies at Woolworths in one of our constituencies specifically. Its response has been presented here as an example of how policy was translated into actions on the ground:

Full details of the redundancies at Woolworth stores were confirmed on 19 December 2008 and all North West stores were contacted by Jobcentre Plus staff between 22–23 December. The redundancy announcement affected 68 retail outlets employing 2330 staff and a distribution centre employing 420 staff.

[...] Jobcentre Plus identified a single point of contact for all Woolworth stores across the North West, including the Morecambe outlet which employed 21 staff. The Jobcentre Plus Redundancy Co-ordinator contacted the Morecambe store on 23 December and obtained confirmation that the store would close on 27 December.

The support Jobcentre Plus was able to offer to employees was limited prior to closure as the store’s priority was to maximise sales. However, the Redundancy Co-ordinator delivered copies of the Jobcentre Plus Job Kit which contained extensive information on financial support and job seeking techniques. In addition, full details on claiming welfare benefits were issued to all employees.

The support that Jobcentre Plus was able to deliver to Woolworths’ employees varied across the North West as it depended on the plans and priorities of individual store managers and proposed closure dates. The available support that we were able to deliver included, extending opening hours to deliver benefit presentations, off-site support in partner premises, self-employment advice, skills transfer analysis and access to skills training support through the Rapid Response Fund.

Following the closure of the Morecambe Woolworths store a job-matching caseload exercise was undertaken at the local Jobcentre to refer employees to other suitable vacancies. A number of employees subsequently obtained employment with Asda or Morrisons. Only two employees remain unemployed at present.

24. We conclude that Jobcentre Plus has, on the whole, dealt well with the challenges presented by the recession and has increased its staffing levels appropriately to meet the increased demand for its services. However, Jobcentre Plus must find a way to ensure
that it is called in at an early stage when an employer is planning redundancies so that those affected can be given timely advice. We recommend that Jobcentre Plus and its partners continue to work with employers to achieve this.

The role of the Learning and Skills Council

25. The Learning and Skills Council (LSC) is a non-departmental public body which began work in 2001, taking over the roles of the former Further Education Funding Council and Training and Enterprise Councils. It is responsible for planning and funding education and training for everyone in England other than those in universities. The LSC is responsible for Train to Gain (see para 41 below) and it also delivers the National Apprenticeships Service (see para 46 below). The LSC North West and its partners form the Regional Skills and Employment Board (RSEB) (see para 33 below).

26. The Learning and Skills Council also has significant capital programme expenditure as part of the Building Colleges for the Future programme. The capital programme is of importance as it provides employment in the region during planning and construction and also improves the quality of college facilities. A number of witnesses expressed frustration about how this scheme had been administered by the LSC, despite the North West securing a significant proportion of the funding in the most recent round of decisions. For example, Steve Broomhead, the Chief Executive of NWDA, told us:

The LSC has not done a good job. I will not repeat some of the things that have been said in this House before, but the LSC’s capital programme has been disastrously mismanaged. All I can say, on behalf of the region, is that out of the ashes has come the fact that we have four colleges of 13 on the list that look as if they are going to be approved, and we have one third of the money. But there is very significant disappointment in a number of places, namely, Carlisle, which we have worked very hard on to get it past the line, and, if I may say, Skelmersdale—I declare an interest because I’ve been the chairman of the governors—to get that to pass the line as well. It has been disastrous in terms of its mismanagement.30

Restructuring

27. The LSC will be abolished by April 2010 to be replaced by the Skills Funding Agency for adult learners (which will house the new National Apprenticeships Service and the Adult Advancement and Careers Service). LSC funding for 16–19 year olds will pass to local authorities, supported by a newly formed Young People’s Learning Agency. The Regional Minister told us that the restructuring was “designed to provide a better focus on skill provision”.31 We asked him whether he agreed that the timing of the restructure, coming as it was in the middle of a downturn, was unfortunate. He replied:
[…] the fact that the student or the recipient of the skills training is perhaps not that aware of, and perhaps not worried about, the structures in Government means that I do not think that it matters that much.32

28. However, other witnesses told us that they felt the timing of the transition was not ideal.33 We asked the LSC about the plans and processes in place for this transition. Mr Korzeniewski told us that senior staff had been matched into places in the new organisations (the Skills Funding Agency, the Young People’s Learning Agency or local authorities) and that they were:

[…] Trying to have shadow structures in place for September for when the legislative change comes through on 1 April next year. We should be able to run the new systems while the LSC still exists to ensure that nothing is wrong. The National Apprenticeship Service is already in place even though it does not exist legally or separately from the LSC until new world, so it is moving forward as quickly as that.34

However, he added that there was “strain on individual colleagues as they go through the process due to the level of uncertainty” and that there were also “starting to be short-term capacity issues—for example, the National Apprenticeship Service has taken 350 staff nationally out of the LSC.”35

29. Steve Broomhead told us that the transition to the Young People’s Learning Agency was “going well” and that the Government Office and the LSC had “played a really good part in making sure that it is a seamless transition”.36 However, he believed the transition to the Skills Funding Agency still presented challenges. He had a proposal for aligning the new agency more closely with the NWDA:

To put one suggestion, which we are certainly keen on in our region, the SFA will have regional offices. In the case of the North West, 30 to 40 people will be placed in those offices, working around strategic skills issues and skills planning. There will be some transaction activity, payments and performance monitoring, with the colleges in particular. We believe it will be important to align that work of the SFA with regional economic objectives, which means a stronger alignment with the RDA. This is not a land-grab suggestion by myself. I think it is almost strategic logic, where you lobby the body that has responsibility for economic leadership. Otherwise such an organisation at a regional level could find itself in splendid isolation, wondering what to do apart from ring up organisations like mine for support.37

30. It is unfortunate that the restructuring of the Learning and Skills Council is taking place in the middle of a recession. In these circumstances it is vital that the transition is planned as carefully as possible. We recommend that the Minister considers the benefits of linking the skills strategy for the Skills Funding Agency to the Regional

32 Q 142
33 Q 45 and Q 30
34 Q 79
35 Q 79
36 Q 114
37 Q 114
Economic Strategy and writes to us about whether this is possible and desirable in the North West. We also recommend that in its response to this Report the Government sets out what lessons have been learned in the North West following the gross mismanagement by the LSC of the further education capital programme.

**Partnership working**

31. The importance of partnership working in coordinating and delivering effective interventions in the event of redundancies was highlighted by the TUC:

> The other dimension from our perspective is that, again, if we are talking specifically of responses to redundancies, Jobcentre Plus has a kind of key role. But in terms of responding to large-scale redundancies—and even to smaller-scale ones—while Jobcentre Plus can clearly be the first point of contact it is part of a wider group, which includes the LSC and a wide range of other providers, who can offer retraining services and a range of other support for individuals.38

32. The Government Office told us that regional partners had agreed a Joint Plan to respond to the labour market downturn and support employers and individuals through close partnership and alignment of offers—including a Rapid Response Service (RRS), and the Response to Redundancy Programme (RRP) (see para 39 below). 4NW, the Regional Leaders Forum for the North West, submitted evidence that local authorities were also providing support services—for example, in Cheshire West, Chester and the surrounding sub-region.39

33. Steve Broomhead, Chief Executive of the NWDA, told us that the relationships between the LSC, Jobcentre Plus, training providers and others were “very good” in the North West.40 He praised the Regional Skills and Employment Board, a Board which he chairs and which is made up of representatives from the Learning and Skills Council, the North West Universities Association, GONW, the Alliance of Sector Skills Councils, the CBI and the TUC. He told us:

> While nationally it has not always had the impact, because there is still very much a dominant national policy on skills, which doesn’t always in my opinion recognise local and regional interests, it has been a very important body.41

34. The Government Office for the North West told us that they were pleased with the working relationship that had developed between LSC and Jobcentre Plus, saying:

> The organisations both sit on the JEC, and they have worked together with the development agency on the rapid response arrangements, for example. That wouldn’t have happened several years ago. I really think there has been a step change in collaboration at the highest level between these organisations. 42

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38 Q 38
39 Ev 83
40 Q 112
41 Q 112
42 Q 144
35. From the Learning and Skills Council we heard that:

We are working with Jobcentre Plus to ensure that our programmes knit together with its responsibilities around redundancies. Typically, we are trying to create an end-to-end service that starts with the job centre talking to the people concerned, and, as a result of that guidance, skills provision is procured through our providers.  

36. We conclude that the Northwest Regional Development Agency, Jobcentre Plus and the Learning and Skills Council appear to have developed a good working relationship in the region. We welcome this close relationship and recommend that these, and any successor, bodies continue to work closely together in the future to ensure the region is not disadvantaged by significant skills gaps in the future.

**Schemes for skills and jobs**

**Redundancy response**

37. The Rapid Response Service (RRS) is funded and delivered by Jobcentre Plus. The service is offered to every employer with 20 or more redundancies and in local communities who have been disproportionately affected by multiple smaller scale redundancies. The stated goal of the service is to “… assist workers that are affected by ‘significant’ redundancies to make the transition to new jobs (or other appropriate labour market outcomes such as further training or education) as efficiently and effectively as possible”. The budget for the RRS in the North West is £1 million for 2008–09.

38. The TUC told us that the RRS had been well delivered:

In terms of the rapid response service, in this region quite a lot of progress has been made. It is very joined-up. A lot of effort has been made between Jobcentre Plus, the LSC and other agencies to make sure that that is the case. We have some very positive examples of where Jobcentre Plus has been extremely helpful in intervening in situations of redundancy and helping with tailor-made packages and helping people into other employment. In terms of what I was saying earlier about it being the employer that triggers that access maybe being an issue, that is the only issue for us. We think the service works well and has responded appropriately and quickly.  

However, we were concerned to hear from Jobcentre Plus that the impact the RRS had on finding those who had been redundant new jobs was not being tracked.

39. The Response to Redundancy Programme (RRP) is jointly funded by the Learning and Skills Council and the European Social Fund, but is administered by the LSC and Jobcentre Plus in partnership. It has a total funding allocation of £20.7 million for the region and will last until December 2010. The programme provides funding for training for those who are soon to be made redundant, those who are newly redundant and those who are unemployed but would be ready for employment after receiving a training package. The
programme aims to equip individuals with the skills required to either enable them to continue in, enter or re-enter sustainable employment or training.\textsuperscript{46}

40. We welcome the use of the Rapid Response Service and the Response to Redundancy Programme across the region where needed. However we are concerned that the effectiveness of the Rapid Response Scheme does not appear to be being monitored. We recommend that an exercise be undertaken to evaluate the programme in terms of outcomes for participants. We would also like to hear more from the Learning and Skills Council about the impact of the Response to Redundancy Programme in the North West once the programme is underway.

**Train to Gain**

41. Train to Gain is a national skills service funded by the Learning and Skills Council that supports employers to improve the skills of their employees. Funded training and advice is available for NVQ Level 2, and some Level 3, qualifications and also for leadership and management training for small and medium sized businesses. The service is designed to be 'demand-led' and includes access for companies to an independent business broker to identify courses and other support. Since April 2009, this brokerage service has been delivered by Business Link (see para 75, Chapter 3). Train to Gain had a slow start, with under spent budgets in early years, but is now being criticised for being “oversubscribed” and for employers seeing it as “a cheap way to improve” (as companies are paid for employees' time outside of work as well as the training costs).\textsuperscript{47} The TUC told us:

There is some evidence that the increase in take-up of Train to Gain over recent months has partly been about employers being convinced of the argument that says, “You might have short-time working, but in the downtime, take advantage of public support like Train to Gain in order to try to up-skill the work force,” and so on and so forth. The hole in that is around finance.\textsuperscript{48}

42. We asked the Regional Director of LSC for the North West about the demands on Train to Gain. He told us:

We are supposed to be managing a demand-led system, and so we are charged with giving employers what they want.

[...] This region has always done better than most other regions in the take-up of Train to Gain. In the last 12 months, two things have happened. First, the new flexibility that was introduced at the end of last year has enabled more employers to take more advantage of Train to Gain. Secondly, since we hit the recession [...] there has been a change of attitude from many employers, compared with previous recessions, where they have used the downtime that they have for training, and Train to Gain has funded it. For those reasons, I think it is doing very well in the region

\textsuperscript{46} Learning and Skills Council, Response to Redundancy LSC Requirements, North West, January 2009

\textsuperscript{47} The Guardian, *Under New Management*, Tuesday 9 June

\textsuperscript{48} Q 39
and we are spending the money that is available to us from Train to Gain, so that would suggest that it is well regarded by those who need it.49

43. He also explained that in future the skills needs of the North West were expected to be determined by the Skills Funding Agency led by the Single Regional Strategy (see para 147, Chapter 6):

I believe that this issue is being taken forward through the notion of skills activism. I was aware of the view that the previous Department—DIUS—had on that, in taking it forward with the Skills Funding Agency and giving a lot of responsibility to that agency in the region, to determine, working with partners, the future skill needs of the region. In this region that would be being led by the single regional strategy. That is, as it were, a work in progress.50

44. The Regional Minister told us he was in discussions to obtain more funding for the North West for Train to Gain.51

45. We consider increasing skills in the North West to be of the highest importance and we welcome the work that the LSC and partners have done to engage regional businesses in skills training. Train to Gain is providing an invaluable service in the North West and funding must be secured to ensure it can continue. We ask the Government to update us on progress with bidding for additional funding for the scheme in the North West.

**Apprenticeships**

46. The National Apprenticeship Service (NAS) was announced in January 2008 and officially launched in April 2009. It aims to bring about a significant growth in the number of employers offering apprenticeships. The service is part of the LSC, but will also involve developing close working relationships with Business Link, the Department for Business, Innovation and Skills and the Department for Children, Schools and Families to be effective.

47. The Government Office for the North West told us that the LSC was investing £2 million to improve information, advice and guidance for 15,000 young people entering the labour market for the first time and that an employer pool had also been established for up to 450 apprentices threatened with redundancy, or made redundant, to enable them to complete their apprenticeship and, where necessary, offering wage replacement as a fund of last resort. However, we also heard evidence that there were issues with both awareness of the scheme by companies, and employers failing to take-up the scheme.

48. The LSC told us there were a “number of things” they were doing in response to this low take up:

49 Qq 75–76
50 Q 75
51 Q 149
We are setting up employer pools where employers can share. We are setting up college-based provision where youngsters can finish their apprenticeship by doing the last few months—depending on where they are in the system—off the job, as it were. We are aware of the issue and we do have things in place. There is no issue about funding provision; it is about dealing with the individual cases as they come through.52

49. The Government Office for the North West told us that:

One of the early things that the JEC did, as a personal initiative led by Bev Hughes [the former Regional Minister], was to ask the LSC to contract a programme that was about that very thing—where apprentices were going to lose their position because their firms were threatened, to find and pay for ways in which they could continue their training. That contract was let and has been operational, I think, since February or March. As I understand it, the aim of it was to do that very thing. I am not aware of any problems with it53

50. However, our own experience suggests that this service is still not being adequately promoted or effective within the region. When we raised this issue with the Regional Minister he told us “We will take that away and ensure that that is fed through the FE and Jobcentre Plus sectors”.54

51. Building Britain’s Future, announced by the Prime Minister on 29 June 2009, set out the ideal that all school leavers will have a sixth form, college or apprenticeship place, and that within a year all people under the age of 25, who have been out of work for a year or more, will have to take a job, training or work experience place.55 The public sector in the North West has committed to creating 1,675 apprenticeships across the NHS, the Civil Service, the public sector and the North West Universities Association.56

52. We believe it is crucial that young people who have begun apprenticeships are able to complete them. The Government and its regional agencies have set up schemes to protect apprentices affected by the recession, but these do not appear to have been promoted enough within the region. We ask the Regional Minister to coordinate with companies, the further education sector and Jobcentre Plus to ensure that apprentices affected by the recession are made aware of what assistance is available to them. We also recommend that the Regional Minister takes the lead in ensuring that schemes to protect apprentices are promoted to all partners.

53. We support the apprenticeships scheme launched in Building Britain’s Future and recommend that the Government sets out how it proposes to increase the number of apprenticeships available to young people in the North West within both the public and private sector.

52 Q 51
53 Q 145
54 Q 147
55 HM Government, Building Britain’s Future, Cm 7654, 29 June 2009
56 Ev 35
**Future Jobs Fund**

54. The Future Jobs Fund is a fund of around £1 billion to support the creation of jobs for long term unemployed young people and others who face significant disadvantage in the labour market. The fund was announced in the 2009 Budget and is to be spent over the next two years. It is a challenge fund which invites organisations to submit bids for funding. The fund is run by the Department for Work and Pensions (DWP) in partnership with the Department for Communities and Local Government (CLG). Bids for funding need to demonstrate that they will create extra jobs, lasting at least 6 months, either for long term unemployed young people or people in unemployment hotspots; that the work done will benefit local communities; and that the work will be under way quickly.

55. We heard from the Government Office of the Northwest that over 30 applications from the North West had been made from private organisations, the voluntary sector and local authorities including some from City Regions partnerships. Bids can be submitted at any time, but the deadline for the first allocation of funding was 30 June 2009 to enable the first jobs to begin in October or earlier. Applications are now being assessed and successful applicants are expected to be notified by the end of July.

56. Alan Manning from the TUC argued that the jobs created should be both real and focused on increasing the skills of young people:

> We think that there are clearly jobs that need doing in the community, and there are jobs that need doing in terms of home insulation, improving energy efficiency and so on. There is a great value in that. There is also an additional point that you might explore with colleagues from the LSC. We are looking this summer at school leavers and college leavers. Things like the graduate talent pool and initiatives that offer at least some work experience opportunities to young people who are leaving full-time education this summer will be extremely important if we are not to have a generation that starts off in a very difficult situation.

He later went on to say:

> The point we are making about the Future Jobs Fund is that we have a role to play not only in identifying the jobs that need to be done but in ensuring that they are not jobs that should be done by local authority employees who have just been made redundant. Bluntly, that is one element of wanting to be involved in it. I think we would have preferred something slightly more directed in terms of how the bids would come forward.

57. We welcome the Future Jobs Fund as a means of supporting innovative bids to create new jobs for the North West. We recommend that the Regional Minister and the Government Office for the North West work with partners, including the trade unions, to ensure as many applications from the North West, particularly from young people, are as successful as possible.
Graduates

58. The North West Universities Association submitted evidence that discussions were also ongoing between university careers services and the Learning and Skills Council about co-ordinated action to support graduate employment. Nine universities in the region have been successful in securing funding from the Higher Education Funding Council for England (HEFCE) Economic Challenge Investment Fund which will bring around £3 million into the region providing support for professionals and graduates who are faced with redundancy.59

59. The scheme will provide the following help for individuals:

- development and training for those in work to enable them to continue in employment rather than be made redundant;
- training and development for those newly unemployed to improve their chances of re-employment; and
- support for new graduates to access advice, training and work experience.

60. For businesses and other organisations the scheme will provide:

- skills training to manage the economic business challenges;
- access to knowledge and expertise which will improve business performance; and
- training and development and support packages to business as a way of managing a shrinking business or as an alternative to redundancy.60

61. Peter Jamieson of Jobcentre Plus North West told us that as well as collaborating on the bid to HEFCE, Jobcentre Plus was also:

[...] working with the heads of careers from the universities to look at what support is currently in place with Jobcentre Plus for graduates, and what support they can put in place to enhance the mainstream offer for graduates. In terms of professionals and executives, we have 70 contracts in place now in the North West to specifically support anyone with a professional or executive background who comes in and makes a claim for benefit. We are able to send them to a specialist organisation that can provide bespoke support specifically for that sector.

62. John Korzeniewski, the Regional Director of Learning and Skills Council North West told us about the support that LSC was providing for graduate and those with higher skills:

As you are aware, the issue has been picked up by the Joint Economic Council [...] through the Regional Skills and Employment Board, where all the executives of all the bodies that are on the JEC work together. We are trying to develop the higher level skills project, which will integrate with Train to Gain and provide some support for employers. The other thing that is probably required is enhanced information,
advice and guidance to make sure that graduates know what is available in the places that they are. So between those things will be the support that we have.\textsuperscript{61}

63. We are encouraged that Jobcentre Plus, the Learning Skills Council and university careers services are working together to support graduates during the downturn. We ask Jobcentre Plus and the Learning Skills Council, or its successor bodies, to report back to us in six months time about the progress made in delivering these initiatives and whether any further support can be given to graduates in the region.

\textbf{Short-time working}

64. In their evidence, the FSB and the TUC jointly proposed that the Government should initiate a short term working subsidy similar to schemes operating in Germany, France, Spain, Italy, and the Netherlands; and akin to Pro-Act in Wales. The proposals advocate “a reform of Jobseekers Allowance (JSA) rules accompanied by a Government wage subsidy to employers and access to Train to Gain for workers on short-term hours or a temporary lay-off”. The scheme is intended to make it easier for subsidy applications to be targeted at only those workers at risk of being laid-off and to provide flexibility over the extent of the subsidy provided. The specific measures are:

\begin{itemize}
  \item to reform benefit rules that force workers who are on short term hours or have been temporarily laid off to look for new work after 13 weeks on benefits;
  \item to introduce a Government subsidy for firms moving to short-term working hours or temporary lay-offs; and
  \item to extend new flexible access to Train to Gain to all workers receiving a wage subsidy as a result of short-term hours or a temporary lay-off.\textsuperscript{62}
\end{itemize}

The Regional Secretary of TUC North West told us that such a scheme would provide “direct support that could help the organisation to keep skilled work forces together and help the incomes of the individuals”.\textsuperscript{63}

65. However, Jobcentre Plus argued that support already existed for short-time working in the UK:

Financial support is available to individuals where they are working under 16 hours in a week. They are entitled to some benefits. They would be classed as a short-time worker.\textsuperscript{64}

66. When we questioned the Regional Minister about the TUC/FSB proposals, he argued that short-time working was not the most effective way of helping businesses deal with the challenges of the recession. He also cited issues around the ‘deadweight’ generated by such schemes, arguing that as well as helping those companies in real trouble, there would be

\begin{itemize}
  \item \textsuperscript{61} Q 79
  \item \textsuperscript{62} www.tuc.org.uk/extras/wagesubsidies/pdf
  \item \textsuperscript{63} Q 39
  \item \textsuperscript{64} Q 87
\end{itemize}
firms which used the scheme who were not planning to lay off workers.65 Other witnesses supported this saying that more effective interventions were those which supported businesses having problems accessing credit, accelerated publicly funded capital programmes and which aimed to increase exports for the North West, which is to a greater degree export-dependent.66

67. We are strongly in favour of promoting and protecting jobs in the North West. However, any support funded by the taxpayer should be able to demonstrate value for money in its approach. We recommend that the short-time working proposals put forward by the Federation of Small Businesses and the TUC are discussed at the next meeting of the Joint Economic Commission in order to canvas support for the measures compared to other available options.
Impact of the downturn on business

68. The economic downturn has affected large parts of the economy of the North West. The CBI told us that firms in all sectors had reported steep declines in orders and many were de-stocking, cutting investment and reducing staff numbers. The NWDA said that automotive, engineering, construction, retail and banking and insurance sectors had been affected the most. The Chambers of Commerce said that the construction industry had been affected first, and the economic effects were then spilling over into manufacturing, finance, professional services and retail. Business Link predicted that business failures would increase in both 2009 and 2010 with all sectors affected, but construction, manufacturing and business services expected to be hardest hit.

69. On the other hand, we were also told that some parts of the North West economy were performing well, such as in the chemical, biotechnology, defence and creative and digital industries and that there was a level of resilience in the regional economy due to its diversity and the performance of major employers such as BAE systems and the Co-operative Group. The Chambers of Commerce told us in Manchester that “The businesses that seem to be doing better at present are those where the business owners have taken early preventative action to put steps in place to offset the worst effects of the downturn.”

70. The Regional Minister was optimistic about the North West's ability to come out of the recession. He told us that one of the strengths of the region’s economy was its high exports, and so the recent fall in the value of the pound could give firms in the North West a competitive advantage. He also said that the fact that the North West had companies which had survived the last two recessions, and that the high proportion of the region’s GVA was based on manufacturing—rather than financial services—meant that the region was well placed to recover strongly from the downturn.

Manufacturing

71. Manufacturing accounts for just under a quarter of the total GVA for the North West. We received several submissions, including from 4NW, the Engineering Employers Federation, Merseyside Chamber of Commerce, and the TUC, pointing out that manufacturing was struggling. The CBI told us that “optimism levels for manufacturing...”
output in 2009 are amongst some of the worst on record.”77 This appears to have resulted in job losses, for example 41.4% of all notified North West redundancies in March were in the manufacturing sector.78 We also received evidence highlighting particular problems, including short time working, in automotive manufacturing,79 and the effect this was having within the automotive supply chain.80 The Liverpool City Region told us of risks to Jaguar Land Rover and Vauxhall on Merseyside, and expressed doubts about the extent to which the Government’s scrappage scheme would support automotive manufacturing in the region because of the scheme’s “restrictive eligibility criteria”.81

72. Damian Waters of the CBI also called for more support for manufacturing.82 He told us that while the NWDA had made funds and advice available through Business Link to help manufacturers (see para 71 below), he felt the sector was still not receiving sufficient attention83 and he doubted whether the Joint Economic Commission (see para 138, Chapter 5 below) had done anything on the ground to help manufacturing. He used the automotive assistance programme as an example, referring to Lord Mandelson stating in January that there was £2 billion available, but claiming that none of it had been seen in the North West six months on.84

73. Steve Broomhead, Chief Executive of the NWDA, acknowledged that manufacturing was under pressure and that “the CBI was probably right to say that we have to give more emphasis to manufacturing.”85 He said the NWDA worked with manufacturers through the Manufacturing Institute, the Manufacturing Advisory Service and through cluster organisations that represented the aerospace and automotive sectors in the region and that the Agency had used its strong relationship with the Department for Business, Innovation and Skills (BIS) to lobby on behalf of regional automotive employers, such as Vauxhall. Mr Broomhead also mentioned that the NWDA had worked to support firms in the automotive supply chain and, in coordination, with Advantage West Midlands with regard to Jaguar Land Rover and the wider automotive supply chain.86

74. Manufacturing is a vital part of the North West economy and also supports a large service sector. We welcome the efforts made by NWDA and the Manufacturing Advisory Service to support manufacturers in the region. However, we believe more could be done by the NWDA and the Government to make sure that the manufacturing base in the region remain a diverse and important sector in the North West. We recommend that the NWDA and the JEC make manufacturing a priority over the next twelve months. We further recommend that the Regional Minister works with the

77 Ev 49
78 Ev 75
79 Ev 35, Ev 75
80 Ev 68
81 Ev 68
82 Q 4
83 Q 2
84 Q 3
85 Q 91
86 Qq 91–92
Department of Business, Innovation and Skills to accelerate the delivery of the Automotive Assistance Programme in the region.

**Business Link and business support**

75. Business Link, operated by the NWDA, is the primary gateway for business support in the North West. It provides this by:

- providing advice on securing finance through its Access to Finance team;
- providing companies with free health checks, offering diagnosis and advice on how to survive and prepare for growth;
- offering small loans to businesses, including new start ups; and
- working with partners, such as the Institute of Manufacturing and the HMRC on what others can provide for business.87

76. The general view from witnesses, including Business Link itself,88 was that Business Link used to have a poor reputation, but that it had improved since being restructured in April 2007 as part of the Business Support Simplification Programme.89 A recent review of Business Link, commissioned by 4NW, found that it was responding well to changing demands.90 The FSB said Business Link had responded quickly and effectively to the downturn and had put resources into supporting access to finance, helping some of their members through the ‘finance minefield’.91 The CBI said Business Link had “moved swiftly and decisively” especially with regard to the lack of liquidity available to private sector firms.92 Vanda Murray, Chair of Business Link, told us:

> In terms of all the evidence and measures, we are making real progress. Calls to the universal service are 60% up year on year; our intensive assists are achieving our targets; and our GVA targets are all being hit, so we are making real progress. More importantly, the service has responded very quickly to adapt to the needs of business, particularly over the past 12 months.93

77. Both the CBI and FSB told us that if one of their members asked for advice they would refer them to Business Link.94 There was a caveat from Damian Waters of the CBI, who said that while the intention was for Business Link to be the One Stop Shop, sometimes there appeared to be confusion because of the variety of messages that were coming out from different sources.95 Sometimes, he told the Committee, there was “a lot of noise”. He
wanted more effort from all of the agencies to focus their attention on pointing people in the direction of Business Link and to try to cut down on the “background rumble”. The Manchester Commission for the New Economy also told us it was unhelpful for the Government to introduce the “Real Help for Business” brand at the same time as promoting the “Solutions for Business” brand, and that “one undermines the other and can lead to some confusion”. The FSB’s survey on Business Link that found 50% of businesses went to their bank for advice in the first place rather than to Business Link. We also received evidence that Business Link did not have the same level of recognition throughout the region.

78. Vanda Murray argued that while there was evidence that businesses approached their bank first, Business Link was working hard to make sure the banks understood what services Business Link could provide, so businesses unable to secure support from their bank were referred on to Business Link. We discuss the relationship between businesses and their banks in more detail below under Access to Finance. We also received evidence that Business Link was working with local authorities to try and ensure a consistent delivery of business support.

79. We welcome the work that the NWRDA and Business Link have done to restructure Business Link. This had clearly led to improved perceptions of Business Link and encouraged businesses to seek advice and support from the service. However, the NWDA and Business Link could still do more to promote Business Link as a first point of call for early advice or a business health check and we recommend that it continues to work with banks, local authorities and other partners to improve signposting to the valuable services it provides.

Access to finance

Role of the banks

80. The evidence we received from business organisations said that getting access to finance remained difficult and was not improving. While some surveys indicated that businesses felt they had a good relationship with their bank, this did not necessarily equate to access to credit. Mr Chris Fletcher from the Chambers of Commerce, for example, told us:

we have done surveys on how businesses feel their relationships with banks have been over the last few months. In the first one, roughly 60% of respondees said that the relationship was the same. Whether that was good or bad, it has not worsened. In
our most recent survey that figure has increased to 72%. The relationship [between businesses and banks] is fine, but some problems start to come out when trying to access finance and we have seen an increase in the cost of that finance over the last three months. The figures we are pulling together show that businesses which want to make an approach to banks for finance are seeing the cost go up.\(^{104}\)

81. However, Steve Broomhead told us that while it had taken some time for the banks to come to terms with their new role in providing fair lending, they were “much more supportive of small businesses than they were three months ago.”\(^{105}\)

82. Mark Hughes, Executive Director of Economic Development at the NWDA told us the situation was improving, but admitted “we will never go back to what we had, and there will be businesses that were able to get finance 18 months ago but will not get finance in the future.”\(^{106}\) The NWDA’s revised Corporate Plan 2009–2010 acknowledged that a failure to restore sufficient access to credit and confidence in the banks was one of the major current risks to the economy of the region.\(^{107}\)

83. Business Link told us they were focusing on helping businesses meet banks’ new higher lending requirements. Vanda Murray, Chair of Business Link North West, said,

Things are not going to go back to the levels they were at, and that will make it more difficult for companies to access finance. Their business plans have to be better, and we at Business Link have been working with many companies to try to make sure that their business plans are well prepared […] the more we can work with small businesses to help them in their interactions with banks, the better.\(^{108}\)

84. We also received evidence that Business Link had started working with the banks in a positive way. The NWDA told us that Business Link had been holding events inviting business people and LloydsTSB and HBOS bank staff together so they could have one-to-one conversations and get practical assistance.\(^{109}\) Mark Hughes said the feedback from these events probably provided NWDA with their highest level of customer satisfaction. He also pointed out that this had increased the level of understanding among bank staff of what services Business Link could provide, as 10% of the businesses referred to them now came via the banks.\(^{110}\)

85. When asked what else could be done to improve the performance of the banks in this regard, Mark Hughes said that once the Government in Whitehall started talking to the banks on a national level, it had improved the willingness of the banks to engage at the regional level. He said that if a message could go from Lord Mandelson and the Chancellor to the banks on a national level in the interests of greater clarity, this would help with the

\(^{104}\) Q 6
\(^{105}\) Q 97
\(^{106}\) Q 97
\(^{108}\) Q 97
\(^{109}\) Ev 75
\(^{110}\) Q 94
delivery of the schemes [to increase lending] at regional level.\(^{111}\) In addition, Liz Meek, Director of the Government Office for the Northwest told us that the Regional Minister would be meeting the banks in Liverpool on 20 July and that the aim of this meeting was “to get bank lending back up to the levels that it was at”.\(^{112}\)

86. We discuss the Government’s response to reduced lending in the sections below.

87. We agree with the NWDA that the failure to restore sufficient access to credit and confidence in the banks remains a major risk to the regional economy. We recommend that the Government continues to apply pressure upon the banks at a regional and a national level with regard to increasing lending to businesses in the region. We also ask the Regional Minister to examine the cost of borrowing in the North West and report to us on how this compares with the pattern nationally.

88. We support the joint work being done between Business Link, LloydsTSB and HBOS to increase the dialogue between businesses and bank staff. However, it is vital that the Government urges all major banks to educate their staff about the services Business Link provides.

**Government finance schemes**

89. As a result of problems relating to cash flow the Government introduced various initiatives in the region as part of the *Real Help for Business* package, including:

- the Enterprise Finance Guarantee Scheme (£1 billion of guarantees nationally);
- the Working Capital Scheme (£10 billion of guarantees for banks); and
- the Capital for Enterprise Scheme (£75 million fund to provide equity investment).\(^{113}\)

90. At a regional level, the NWDA also announced measures to improve access to finance including:

- a Venture Capital Loan Fund (£140 million);
- support for high growth businesses (£10 million); and
- a business support package (£35 million)\(^{114}\)

91. However, we were told that several of these schemes, specifically designed to help businesses that are struggling to access finance in the short term, had been either delayed or implemented with undue haste, and that initiatives were announced without the mechanism or the trained staff in place at the point of delivery. As one witness put it, “The flash to bang time, as it has been described—from the announcement being made to actual
The impact of the current economic situation on the North West and the Government’s response

implementation—is way too long.” By contrast, he remarked, “the HMRC Business Support Service was implemented virtually overnight.”

**Enterprise Finance Guarantee Scheme**

92. The Government introduced the Enterprise Finance Guarantee Scheme (EFGS) in January 2009 to encourage lending to businesses that currently cannot easily access finance. The decision to lend remains with the bank but the Government guarantees 75% of the loan, so reducing the risk to the bank. Nationally, the scheme totals £1 billion of guarantees to support up to £1.3 billion of lending to small business and is available up to 31 March 2010.

93. The FSB told us in written evidence that 22% of small businesses were unaware of the scheme and less than 40% of those that were aware of it thought it would encourage increased bank lending. They also reported that only one in four respondents said their bank was making it available. We asked business representatives in Manchester why they thought the EFGS was not working. Chris Fletcher, from the Chamber of Commerce, said he had anecdotal evidence that the banks did not properly understand what the Enterprise Finance Guarantee was about and that different business managers in the same bank would give different messages about the scheme. He said that this was partly because of “the urgency with which the Government got the scheme out, with very little follow through from the point of view of people on the front line, who were making the decisions to get that money out to businesses.”

94. Mark Hughes from the NWDA agreed. He said, “It started off with an announcement without everything on the ground being in place, so it started off in the wrong place, as it were.” He said that Business Link had had to coach bank staff through how the scheme worked, and they were now going through a process of identifying banks with a high take up of the EFGS and sharing their best practice among banks in other parts of the region.

95. It is difficult to measure the success of the Enterprise Finance Guarantee Scheme at present because of the low awareness among banks and businesses. This is a serious flaw in a scheme that was intended to increase the level of lending from the banks to businesses. We recommend that Business Link continue their work to increase take up of the scheme. This should include every opportunity to engage with bank staff who are involved in delivering the scheme. We further recommend that the Joint Economic Commission monitor the take up of this scheme and report this information to us on a quarterly basis.

**Venture Capital Loan Fund**

96. Some confusion also appeared to have arisen with another initiative aimed at providing equity and mezzanine funding to companies that were unable to secure commercial

115 Q 20
116 www.berr.gov.uk/
117 Q 6
118 Q 100
finance, the Venture Capital Loan Fund. This was a £140 million fund originally scheduled to start in April 2009. Private Sector Partners NW Limited told us that the delay may have caused companies to cease to trade. The launch did not, in fact, take place until 29 June. Damian Waters for the CBI argued that Business Link and the NWDA had “their hands tied behind their back” because they could only operate at the same speed as central Government and stressed that in the period of delay by central Government businesses had been “going bust.”

97. Steve Broomhead told us the delay was due to HM Treasury considering whether the scheme could be implemented without compromising public borrowing requirements, and that in the interim, the NWDA was providing £20 million for venture capital through other schemes. Vanda Murray from Business Link stressed that there was still a need for the venture capital fund scheme itself:

> It is very difficult for SMEs particularly to access venture capital funding. We have evidence of need. The Business Link brokers, particularly the access to finance team, have worked and identified many opportunities, so we have a pipeline. They have been getting their business plans business-ready. The transitional scheme that Mark was talking about will be used very quickly so, as he said, that will buy us time, but there is still a need for the scheme itself.

Steve Broomhead said progress on the venture capital fund was something he planned to take up with the Regional Minister.

98. There is a demonstrable need for venture capital funding in the North West. It is important to ensure that innovative small and medium sized enterprises survive the recession, and are well placed to expand when the opportunity arises. It also provides a vital potential source of funding for new-starters. We recommend that the Regional Minister works with HM Treasury to clarify the status of the Venture Capital Fund and accelerate a decision as to its final delivery, and that he reports back to this Committee on the response from HM Treasury.

**Lessons learned**

99. The CBI told us that it had some sympathy for the NWDA with regard to the wave of Government announcements and policies. The CBI’s regional Director said, “Expectations are raised therefore for things to be delivered now but it then takes maybe months or maybe a couple of quarters of the year for that to filter down into action on the ground.” Holly Bonfield, from the FSB, agreed that was the case with the Enterprise Finance Guarantee fund. Steve Broomhead from the NWDA conceded that there had probably been too many announcements by Government in the autumn of 2008 that had to be
turned into things that could be understood on the ground and “the transitional loan scheme and the role of the banks got caught up in all of that.”

100. The North West Business Leadership Team told us in written evidence that they thought the current experience had provided important lessons for the future implementation of regional Government initiatives. Mark Hughes said that the NWDA had had discussions with Government about how schemes might be delivered on the ground, but that it would have been beneficial if they could have taken place earlier. He added that such discussions were now happening because the Government was recognising the work that the NWDA had been doing over the last six months. He mentioned that there was more positive engagement about what might come out of the new industry new jobs announcement.

101. Business Link and the NWDA have valuable experience of the needs of business in the region, and the detail of how projects are delivered on the front line. The Government should have engaged more with the Northwest Regional Development Agency before announcing initiatives that the NWDA had to implement. We recommend that in future the NWDA is involved in discussions about new initiatives in the region from the start. The Government should also consider how it disseminates information in the region to other partners, including banks, and review what it can do to make sure the delivery of initiatives does not become confused.

**Late payment**

102. The North West is one of the regions worst affected by the ‘days beyond term’ problem where companies hold onto cash as long as possible and pay their invoices beyond the stipulated time period. Figures show that companies in the property, finance, business services and transport sectors appear to be continuing to hang on to cash at the expense of smaller companies. Firms were taking on average 60 days to pay an invoice, but for larger firms, employing over 1000+ employees, the average was 90 days.

103. The NWDA agreed that small businesses (employing up to eleven people) had been most affected by the issue of late payment and stressed that it was these same small businesses where the greatest increase in insolvencies had taken place. It predicted that small business insolvencies would continue to increase into 2010. The FSB agreed, saying late payment was viewed as the reason why 25% of small firms were becoming insolvent. The Manchester Chamber of Commerce told us that this was the major problem for their members. These views were also backed up by the Barclays Local Business annual Late
Payments report, published 10 June, which said that an average small business was £2,858 out of pocket as a result of suppliers or customers failing to pay within 30 days.134

**Public sector**

104. The Government has committed to paying bills within 10 days.135 The GONW told us this was one of the priorities of the JEC (see para 138, Chapter 5)136 and claimed that 90% of the public sector in the region—central Government and its agencies, including the NHS—were paying on time, although local authorities were not performing so well.137 The NWDA said they paid 98% of uncontested invoices within 10 working days.138

105. However, we were given a different picture of payment times in the public sector from our other witnesses. The FSB said that, in surveys of their members, 83% had reported payment from the public sector taking longer than 10 days139 and the CBI said that 80% of councils were not hitting the 10 day target.140 Steve Broomhead from the NWRDA said he was “disappointed” with local authorities and the NHS’ payment times and suggested there was a need for some sort of audit showing performance on hitting payment obligations.141

**Private sector**

106. The problem is of course not limited to the public sector. The NWDA said that they had run campaigns to business on prompt payment saying that one of the best things that could be done to get cash moving through the financial system again was to pay bills on time. Steve Broomhead mentioned that he had recently written to Tesco’s on this matter.142 However, the NWDA admitted they could only encourage rather than enforce, and the problem remained the lack of confidence that the banks would provide support.143 The GONW told us they were encouraging the private sector to sign up to a prompt payment code, but they acknowledged the response so far had been disappointing. We were told that the issue would be discussed at the next meeting of the JEC144 and the Regional Minister added he thought that the role of the banks had to brought into this, and that there was a case for naming and shaming those companies that were not paying on time.145

107. We welcome the move by the JEC to make prompt payment an immediate priority. There are differing opinions as to performance of public sector in paying on the 10 day target and we agree with the NWDA that there should be an audit of public sector
(central government, agencies and local government) performance in this regard. These results should be made public, the reasons why the 10 day target is not being met in some parts of the public sector should be identified and the JEC should work with the relevant partner organisations to improve the level of performance.

108. We are dismayed to find that larger firms are exploiting their strength at the expense of small businesses. The JEC should identify and make public the worst offenders among the private sector in the region, to borrow the Regional Ministers phrase, we should be ‘shining a light’ on those that do not pay on time. The Government should also take this message to the banks, regionally and nationally, that they have a major role to play in increasing the speed with which cash can move through supply chains and help reduce the need among business to withhold payment.
4 The role of the NWDA

109. The Regional Development Agency (NWDA) is responsible for stimulating the economic growth and regeneration of the North West. As we have seen this includes managing Business Link Northwest (see para 75, Chapter 2), working with partners on the Regional Skills and Employment Board (see para 33, Chapter 2) and investing in businesses and communities. In this Chapter we consider the NWDA’s priorities, performance and budget.

NWDA priorities

110. The NWDA’s five key priorities or areas of work are: Business; Skills and Education; People and Jobs; Infrastructure; and Quality of life. 146 However, in March 2009 the Secretary of State for Business, Enterprise and Regulatory Reform (now Business, Innovation and Skills), Lord Mandelson, asked all the regional development agencies (RDAs) to “re-prioritise and focus sharply on measures to help their regions through the downturn and prepare for the upturn”. He explained:

I am asking the RDAs to focus, working with and through others: as an immediate priority, on providing assistance to business; for the medium-term, on stimulating the recovery and growth; and for the longer term, on restructuring and developing each region’s strengths, supporting its growth and competitiveness in the future. 147

111. Lord Mandelson also announced that RDAs would have to update him on:

 [...] the immediate priorities they have agreed with their Regional Ministers and partners and stakeholders such as the Homes and Communities Agency and local authorities. These should be set out in Corporate Plan updates so that there is clear visibility of everything they will be doing for the region over the period. 148

112. The NWDA sent its updated Corporate Plan, Corporate Plan Refresh 200–2011, to the then Department for Business, Enterprise and Regulatory Reform (BERR) before the end of May 2009. Since the revised Plan was a refreshed rather than a new document the NWDA agreed with BERR that the Plan did not have to be submitted to formal public consultation. 149 Nevertheless we asked the NWDA how it had gone about the process of developing the Plan. Mr Broomhead told us that rather than a full consultation the NWDA had decided to take advice from “about 20 partners”. 150

113. The NWDA’s Corporate Plan Refresh was published on Friday 3 July. The Plan states that the NWDA’s revised priorities are as follows:

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146  www.nwda.co.uk
147  HL Deb, 31 March 2009, WS 81
148  HL Deb, 31 March 2009, WS 81
150  Q 90
NWDA investment will focus on support for business, with a direct or one step removed impact on business. In general, the NWDA will therefore only invest in the following:

- Enterprise support and growth sectors (including tourism)
- Innovation and its commercial exploitation
- Capturing the benefits of globalisation
- Development of enterprise skills and aptitudes—attracting talent and releasing potential
- Creating high value jobs (or any jobs in deprived areas)
- Creating the conditions for private investment to achieve sustainable economic growth and regeneration.

However, we will continue to use our staff resources and strategic influence to support the sustainable development of the region in its widest sense.\(^\text{151}\)

**Performance**

114. Most of our witnesses were very positive about the work of the NWDA and the manner in which it had responded to the economic downturn, in particular the restructuring of Business Link to provide additional support to businesses (see para 75 above, Chapter 3).\(^\text{152}\) Manchester Airport expressed some concern about what it described as “a tendency [of the NWDA] to become distracted from the key economic drivers for the North West, in its efforts to build consensus across the whole of the region”,\(^\text{153}\) but most witnesses took the view that the Agency had responded appropriately. Damian Waters of the CBI, for example, praised the Agency for acting quickly to reorganise its priorities:

> What it did well was very quickly look at priorities, restructure some of its budget lines and try to put some real help out into the economy. [...] That has made a difference.\(^\text{154}\)

115. Where there were criticisms about delivery, the general view was that the Agency had been let down by central Government delay\(^\text{155}\) (see for example Venture Capital Loan Fund, para 96, Chapter 3) or failure to give the NWDA a “more prominent role” (see the Enterprise Finance Guarantee scheme para 92, Chapter 3).\(^\text{156}\) Private Sector Partners NW Limited, for example, told us:


\(^{152}\) Ev 102, Ev 55, Ev 83, Ev 45 and Q 2

\(^{153}\) Ev 41

\(^{154}\) Q 29

\(^{155}\) Q 20

\(^{156}\) Ev 45
We have been impressed by the NWDA’s fast realignment of its people and other resources in offering support to private businesses. It has not been helped by the confusion and inertia of central departments of Government when translating statements into action.157

116. A couple of witnesses also argued that it was wrong to think of the NWDA as a delivery body.158 For example, Alan Manning of the TUC told us:

[…][i]t is the role of a regional agency to take strategic decisions to marshal resources, and to mobilise resources. But for delivery, we are talking about sub-regional partnerships and more local mechanisms to ensure that we are getting services to where they are needed.159

117. The FSB argued that the NWDA should make more use of the private sector for support and advice. It suggested that lengthy consultation documents, as well as overly demanding job descriptions for NWDA Board members, might be putting off owners of small businesses from offering their assistance. However, overall it told the Committee that the FSB’s relationship with the Agency and Business Link had “improved significantly in recent years”.160

**NWDA budget**

118. As part of the Comprehensive Spending Review (CSR) 2007 settlement, the budgets for all regional development agencies (RDAs) for 2008–2011 were reduced by 2.5% (£320 million). In addition, the RDAs were tasked with achieving efficiency savings of about £350 million.161

119. Since the CSR 2007 settlement, RDA budgets have experienced further cuts. £300 million was diverted from the Department for Communities and Local Government’s funding stream in September 2008 to finance the Government’s Homebuy Direct Scheme; the Winter Supplementary Estimate 2008–09 made further reductions; and the Department for the Environment, Food and Rural Affairs’ contribution to the RDAs was reduced by £17.088 million due to the Department’s need to set a balanced budget for 2008–09.162

120. The RDAs revised allocated budgets in 2008–09 are set out below, together with their indicative allocations for 2009–10 and 2010–11. As the table shows, the NWDA has the biggest allocation of all RDAs in 2008–09 and 2009–10, and the third highest budget per head (for 2008–09).

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157 Ev 102
158 Ev 73
159 Q 36
160 Ev 45
161 http://www.dius.gov.uk/
162 http://www.berr.gov.uk/whatwedo/regional/regional-dev-agencies/
121. The NWDA’s revised Corporate Plan states that the total cuts to its budget for 2008–2011 amount to £71.9 million. Of this, £54.3 million is due to the transfer of funding to the Homebuy Direct Scheme. The Corporate Plan suggests that this cut will impact predominantly on Agency investment in 2010–2011. It adds that the Agency’s income will also be reduced in that year due to capital programmes being brought forward to 2009–2010. As a result of both of these factors, the Agency will only have £276.7 million available in 2010–2011 for investments, compared to £381 million in 2009–2010.164

122. We asked the NWDA what funding cuts had meant for its work and its priorities. Mr Broomhead told us that the NWDA’s revised priorities arose out of the challenges posed by the recession rather than the Agency’s reduced funding but admitted that “clearly […] be areas of activity that the agency will not be able to support in the way we have done before”. He added that the NWDA would therefore have to be “much more careful and rigorous about the way in which we assess our projects, looking for a very strong relationship with the HCA, particularly on physical regeneration, and with the Skills

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163 In addition to their Single Budget, the RDAs took over management of the European Regional Development Fund (ERDF) and the Rural Development Programme for England (RDPE). Both programmes run from 2007 to 2013 and together amount to £9 billion. The Department for Communities and Local Government provided £6 million to RDAs for associated administration costs in all three years of the CSR period. The Department for the Environment, Food and Rural Affairs provided £4 million for 2008–09 only as the RDPE is allocated on an annual basis.

Funding Agency when it is created next year” and told us that he had written to the NWDA’s regional partners to explain how the Agency would operate in future.165

123. We asked the Minister whether in light of cuts to its budgets the NWDA had sufficient resources to carry out its role effectively. He suggested that a number of factors meant that the NWDA’s budget could be “more focused”:

The cancellation of the referendum on the Regional Assembly, the refocusing of the regional structure and the development of the city regions and the local area and multi-area agreements meant that we could have a bottom-up approach.166

124. This view was reiterated by David Higham of GONW who told us:

When we look at the NWDA budget of about £400 million a year and the size of the North West economy, which is worth about £120 billion, focusing on the budget itself rather underplays the role of the development agency. The key issue for the development agency is how it uses its budget to lever in other forms of funding, and how it uses its leadership in the region to influence other agencies. […] While it is tempting to look at the budget itself, that gives a slightly misleading impression of the role of the agency. The agency continues to play a very important role in taking the region forward, and will continue to do so.167

125. However, the North West Business Leadership Team’s submission to our inquiry expressed concern about the budget cuts:

Whilst readily understanding the political imperative for introducing schemes such as the Home Buy initiative last autumn, we regretted the necessity for this to be funded by a substantial reduction in the budget of the NWDA for two years. […] we believe that the strongest defence against regional economic problems is strong leadership behind a clear, long-term strategy. NWDA has demonstrated its ability to provide such strategic regional leadership and we would be concerned if its ability to fulfil this role were to be further diminished by any additional cuts during the current recession.168

126. We conclude that the NWDA refocused its priorities quickly and appropriately in response to the economic downturn. However, we are concerned about the impact budget cuts will have on Agency investments, particularly in 2010–11 when the transfer of funding to the Government’s Homebuy Direct Scheme will hit the NWDA’s budget hard. We recommend that the Government details the investment projects which the NWDA has had to cut or cancel as a result of this reduction in funding. We also ask the Government for a commitment that there will be no further cuts to the Agency’s budget over the 2008–2011 period.
5 The role of the Regional Minister

A regional champion?

127. Mr Phil Woolas MP was appointed Regional Minister for the North West in June 2009, succeeding Rt Hon Beverley Hughes MP. He will combine the role with that of Immigration Minister at the Home Office and Minister of State at HM Treasury. In a statement about his appointment, Mr Woolas, who represents the constituency of Oldham East and Saddleworth, said:

I am honoured to have been appointed to this position. I was brought up in Burnley, went to school and college in Nelson, university in Manchester, my family live in Cumbria and I represent Oldham. As Minister for Local Government and Regeneration, I got to know Merseyside and Cheshire well. I have strong links to the region and a great affection for it and see it as my job to champion the region in Whitehall and Europe. The North West Region is the engine room of the British economy and it is leading us out of recession. The opportunity to redress the inequalities with the South is something I have devoted my political life to.169

128. Regional Ministers, created in June 2007, were intended to provide “a clear sense of strategic direction for their regions” and “give citizens a voice in central government”. The role of Regional Ministers is to:

- advise the Secretary of State for Business, Innovation and Skills on the approval of regional strategies and appointment of RDA Chairs and Boards;
- represent regional interests in the formulation of central government policy relevant to economic growth and sustainable development in areas that have not been devolved to the RDAs;
- facilitate a joined up approach across government departments and agencies to enable the effective delivery of the single regional strategy;
- champion the region at high level events and with regard to high profile projects (including through a programme of regional visits); and
- represent the Government with regard to central government policy at regional select committee hearings and at parliamentary debates focused specifically on the region.170

129. The NWDA were very positive about the creation of the role of Regional Minister. Mr Broomhead told us:

[…] the role of the Regional Minister from my point of view, particularly in a recession, has been invaluable to getting messages back into the Government and providing assistance.171

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169 www.gos.gov.uk/gonw/
170 Ministry of Justice, The Governance of Britain, Cm 7170, 3 July 2007, para 118
130. However, there was also a lot of cynicism about the role in the evidence we received. Damian Waters of the CBI said:

> The question is whether the Regional Minister can go back to London and Whitehall and wield any influence and power. Based on experience, I have to say that that is not the case.\(^\text{172}\)

Holly Bonfield of the FSB told us that the former Regional Minister had declined invitations to meet the FSB and had not met with the Federation until the beginning of the Joint Economic Commission (see para 138 below).\(^\text{173}\) It is also unclear to us how the Regional Minister’s role fits with that of the Minister of State for the Departments for Business, Innovation and Skills and for Communities and Local Government, currently Rosie Winterton MP. Ms Winterton has responsibility for “strengthening regional economies (including Grants for Business Investment); Regional Development Agencies and sub-national implementation; Solutions for Business (business support simplification); local government policy; Government Offices; City-regions; Multi Area Agreements; Regeneration; Worklessness; and Regional resilience”.\(^\text{174}\)

131. The Minister told us that his priority for his first year in post would be:

> Jobs, jobs and jobs—the protection and promotion of jobs, which, of course, includes skills. The future job initiative is critical and that is what we need to focus upon.\(^\text{175}\)

We asked the Regional Minister whether he had enough power to achieve his aims for the North West. He replied:

> The way we are in a strong position is in the development of the partnerships we have within the region. I know that it does not always feel like it from the constituency angle, but we probably have—maybe the south west and the north east would counter this—among the strongest partnership arrangements with the public and private sectors, but especially with the public sector. That means that what one needs to focus on to “join up Whitehall”, to use the jargon, is easier to identify. I am also a Treasury Minister wearing my London hat, so I think that helps.\(^\text{176}\)

132. We also asked him whether his other ministerial roles left him with enough time to devote to the region. He explained that he had made arrangements to ensure time was set aside for the role:

> Obviously, that is an issue that I have had to give a lot of attention to, so as to organise the arrangements with the office, and the structures. That has been my first priority—it is very pragmatic stuff about allocation of time, communication links and so on. The answer to the question is that my enthusiasm for this job is 100%. […]

\(^{171}\) Q 106  
\(^{172}\) Q 27  
\(^{173}\) Q 27  
\(^{174}\) www.bis.gov.uk  
\(^{175}\) Q 116  
\(^{176}\) Q 117
I have had about eight months’ experience in the Home Office job, and we have established strategies, timetables and objectives there that mean more time is freed up. Of course, the priority during non-sitting times, in terms of chunks of time, is in the North West. That means that I can answer your question honestly and say that the time is there, but it does require prioritisation.

[… ] I put the constituency first, as I think it is right to do that. That is the most important point, but in terms of being able to establish priorities, that is there. Anyway, I love the North West, so that comes first for me.177

**Government Office for the North West**

133. The Regional Minister is supported by the Government Office for the North West (GONW), which represents central Government in the region. GONW’s evidence to the Committee described its role as joining up the work of 12 Departments,178 feeding back the region’s views and needs to Whitehall, as well as working with partners at a strategic level “to ensure they are up to speed and working effectively together”.179 As examples of such work, it cited the organisation of events bringing senior ministers (including the Prime Minister and Lord Mandelson) to meet business people in the region and supporting a visit by the Cabinet to Liverpool in January 2009. It also told us that it had worked closely with Local Authorities in the context of the downturn through Local Strategic Partnerships (LSPs) and that it had negotiated, and would monitor, the 3-year Local Area Agreements (LAAs) on behalf of central Government.180

134. GONW told us that its support to the former Regional Minister for her programme of meetings with businesses and business organisations in each of the sub-regions and had ensured the Minister was “fully aware” of how the recession was affecting business and had “a basis for a considered, co-ordinated regional response”. In addition, the GONW said that it provided assistance to the Regional Minister for the Council of Regional Ministers and the Regional Economic Council.181

135. The NWDA told us that, together with the LSC, the Government Office had played a “really good part” in making sure the transition from part of the LSC to the Young People’s Learning Agency was “seamless” (see paras 27 to 29 above).182 However, other witnesses suggested that GONW was not a strong force in the region. The CBI, for example, praised the NDWA and Business Link for their reaction to the recession, but described Government initiatives as “variable in quality and failing to deliver”.183 We are also
concerned that GONW did not appear to have been aware of the problems in the LSC’s college capital programme (see para 26 above).

136. We challenged the Minister as to whether the GONW made a real difference to his role. He replied:

My predecessor […] would say yes. My experience is limited. I think the taxpayer gets better value as a result of the structures of the Government office and the JEC. You asked about infrastructure projects. You could look at the Greater Manchester waste PFI, the Edge Lane West project, the West Cumbria hospital and the further education developments […]—in the first tranche Bolton and Liverpool, and in the second tranche we got four of the thirteen college projects in the North West, so we did more than our fair share in that regard.

[…] From the point of view of the region, comparative to other regions, the result was that we did better, but I think my point about the taxpayer is, would those projects have happened without that structure? Possibly/probably. Would it have happened as quickly and as effectively, and therefore with the saving to the taxpayer? I think not. That is the critical point—when we talk about unlocking that as well, I think we bring added value.184

He also suggested that the Government Office had a role to play in “holding people to account” in the region.185

137. We asked the Minister whether he believed GONW could be improved. He told us:

Yes, I do. I think that we have worked out, in each of the key areas of policy […] key priorities in each of the strategic areas, whether that be tourism, skills or economic development. We are able, therefore, to set out a programme with signposts on it that are clear, understandable and pragmatic, which is what I think we want in the North West, and get on with it.186

The Joint Economic Commission

138. GONW provides the Secretariat to the Joint Economic Commission (JEC), which was established by the then Regional Minister in October 2008 to:

- review information and intelligence on the economic and social impacts of changing economic circumstances on the North West;
- discuss the challenges facing the region and agree any necessary individual or joint actions; and
- enable Regional Ministers to ensure that decisions of the National Economic Council (NEC) could be implemented and that information on impacts in the North West could be fed back to the National Economic Council, for example, by looking for

184 Qq 121–122
185 Q 126
186 Q 124
opportunities to push forward both existing and planned infrastructure projects that would benefit the North West economy.\textsuperscript{187}

139. The JEC is co-chaired by the Regional Minister and the Chair of the NWDA, Bryan Gray. Membership comprises the Chair or Chief Executive of all the major public agencies, alongside local authorities, the private sector, higher education, the third sector, and the trade unions.\textsuperscript{188}

140. Witnesses agreed that the JEC had played a valuable role in sharing and reviewing latest intelligence about the economic downturn.\textsuperscript{189} Voluntary Sector North West also welcomed the fact that it had been included in the JEC saying that this had helped to develop a “stronger sense of partnership” between the public and voluntary and community sectors.\textsuperscript{190}

141. However, views were divided on whether the JEC had led to any direct actions or outcomes. Liz Meek, Director of GONW, claimed that the JEC had been particularly effective in getting stalled infrastructure projects moving, as well as bringing public and private sector organisations together to test Government initiatives before they were introduced:

The early successes of the JEC have largely been about unblocking projects that were blocked. Some of that was obviously done in fairly private negotiations involving Ministers and Departments, but we are pleased with the result as far as the North West goes. Some substantial PFI\textquotesingle s have been approved—the Greater Manchester waste PFI, for example. Some of the colleges perhaps did not get enough, but given the situation, we feel that the North West did quite well. […] All the housing schemes worked jointly with the Homes and Communities Agency and the Development Agency, to work out where the priorities were so that the money could be targeted where it was most effective. It might not be headline grabbing, but I think that the North West got from that construction opportunities it would not otherwise have had.

A second area is about bringing this unique group together so that we work together. The public sector organisations around the table control over £20 billion. Having Jobcentre Plus, the health authority, the Learning and Skills Council and ourselves, together with the private sector, has meant that the various schemes that were being launched could all be tested, and we could ensure that everybody was pulling in the same direction. Those are two examples of what the JEC has done.\textsuperscript{191}

142. The NWDA agreed, telling us:

\textsuperscript{187} Ev 35
\textsuperscript{188} The full membership comprises the Chair or Chief Executive of the NWDA, Home and Communities Agency, Jobcentre Plus, Learning and Skills Council, Highways Agency, and NHS NW; local authorities through 4NW; NW Confederation of British Industry, Federation of Small Businesses, Private Sector Partners; North West Universities Association and NWVCS and NW TUC.
\textsuperscript{189} Ev 102, Ev 73, Ev 49 and Ev 83
\textsuperscript{190} Ev 90
\textsuperscript{191} Q 118
We found it very helpful for focusing evidence based around the sorts of interventions that both the Government and the RDA should be making. For instance, we agreed with the Homes and Communities Agency at the JEC about the 20 physical regeneration projects that would fail because of issues, and we were able to bring some of them forward—one of them being the northern relief road in Carlisle.\footnote{Q 106}

143. However, others expressed doubts about the extent to which the JEC was responsible for such achievements.\footnote{Ev 52} The FSB told us:

The third objective was to bring forward some infrastructure projects to bring some money into the area. We do not see any evidence of that. […] I have a document here about JEC achievements, and there are nine bullet points concerning support for business. I don’t think any of those have happened because of the JEC, they were all happening anyway; different organisations in the North West were getting together to make those happen. What the JEC thinks it has achieved does not necessarily reflect what it has achieved.\footnote{Q 28}

The CBI agreed:

The evidence, from attending four out of the five [JEC meetings] is that, sadly, it has become an organisation that is good at sharing information with itself. In terms of action for the North West, I am not sure that I could write a top five actions that the JEC has delivered on behalf of the North West. … Part of the problem is that the Regional Minister and the JEC can only encourage and enthuse about activity, but fundamentally they don’t have any real power to force people to do anything.\footnote{Q 26}

Private Sector Partners NW Limited described the JEC as a “‘cheerleader’ for the Government’s behaviour and policies and a messenger to other groups/committees”, adding that this was “an important, but limited, task”.\footnote{Ev 102}

144. The JEC met five times since October 2008,\footnote{Ev 35} but its last meeting was as far back as February 2009. At the time this report was agreed we understood that the JEC was about to have another meeting, although the outcomes of this meeting had not yet been shared with us. The Minister told us that this meeting would be “critical” because it would also involve a meeting of the seven major banks at regional level to discuss credit availability (see access to finance para 80, Chapter 3).\footnote{Q 118} David Higham of the GONW also told the Committee that the next meeting of the JEC would give GONW an opportunity to raise the issue of
late payment (see para 102, Chapter 3) with the private sector representatives on the Commission.199

145. Damian Waters of the CBI told us that he felt the JEC was “coming to the end of its natural life”. He added:

Maybe a new Regional Minister will have new ambitions for the JEC and will stimulate new life into it, but my feeling is that it is dying a natural death.200

Other witnesses suggested that the JEC could play a role going forward if it reconsidered its purpose and became more transparent.201 Liz Meek, Director of GONW, agreed that the JEC was “in transition”, saying it was “obvious” that “with a new Chair, [the JEC] will take a different course.202

146. We welcome the enthusiasm with which the new Regional Minister has taken up his role. However, we also need to see action to be persuaded that the role carries real weight and influence at Westminster and that the Minister has time to commit to the role in addition to his other responsibilities. We are concerned that the Government Office for the North West (GONW) does not appear to be providing strong leadership in the region. Indeed it seems invisible to us as constituency MPs. We also remain to be convinced that the Joint Economic Commission (JEC) has played any greater role in the region than providing a forum for information sharing. We recommend that the Regional Minister and GONW brief us on actions agreed at the most recent JEC and then update us on progress delivering these actions on a quarterly basis. We also recommend that the Minister sets out what his intentions are for the future of the JEC.

199 Q 131
200 Q 28
201 Q 28 and Ev 52
202 Q 158
6 Preparing for the Future

Single Regional Strategy

147. Investment in the region’s economy is framed within the Regional Economic Strategy. When we asked the NWDA how they decide on their priorities they said,

The process starts with the regional economic strategy. The development agency’s role is to deliver the socio-economic—I use that term loosely—part of the RES. There is very strong partner engagement with local authorities through 4NW, which replaced the regional assembly, and with the private sector to ensure that we have evidence-based priorities that will make a difference to our regional economy through the RES. The agency then sits down with partners, again through 4NW, and with local authorities, private sector partners, the chambers of commerce and the Institute of Directors to ensure that we are focusing on the priorities they want.

They then ask sub-regional partners to present their proposals and priorities, “knit all these things together”, discuss the issues with the Government, and produce a draft corporate plan that is put out for consultation and finally approved by the NWDA board and the Department for Business, Innovation and Skills. Witnesses commented that in the past this process had been genuinely consultative and communicated well.203

148. If enacted, the Local Democracy, Economic Development and Construction Bill will require each region to produce a Single Integrated Regional Strategy to replace the Regional Economic Strategy and the Regional Spatial Strategy, which was drawn up by the North West Regional Assembly. The new Single Regional Strategy aims to “bring together spatial, economic, social and environmental strategies” in order to ensure “sustainable long term growth within the region”, as well as alignment of investment from public agencies.204

149. The NWRDA and 4NW, which replaced the NW Regional Assembly after it was disbanded on 15 July 2008, have begun work on their Single Regional Strategy, in advance of the legislation coming into force, by publishing a ‘Principles and Issues’ paper for consultation. They aim to publish a report summarising the consultation by the end of July 2009. 4NW told us that they believed they were now seen as equal partners in the development of the long term Single Regional Strategy. However, for the purposes of responding to the short term recession and preparing for the upturn they saw themselves only as one of many players. They thought local authorities and stakeholders had a potentially bigger role both in terms of strategic appraisal and delivery of actions.205

City Regions

150. The Bill also gives local authorities engaged in Multi-Area Agreements (MAAs) a statutory duty to co-operate with each other in determining the social, economic or environmental well-being of an area. The Regional Minister described the MAAs as

203 Ev 43
204 Ev 75
205 Ev 73
enabling bottom up setting of priorities that could then be used to access pooled funding streams through the Government public sector agencies.\textsuperscript{206} One current Multi-Area Agreement is being embellished into the pilot City Region scheme for Manchester. This was announced, along with a similar scheme in Leeds, in the Budget in April 2009.

151. The Manchester’s Commission for the New Economy told us this would draw on the findings and recommendations of the Manchester Independent Economic Review (MIER) and would provide “a clear policy framework” to determine the work programmes and delivery plans of the Association of Greater Manchester Authorities and its Commissions and that it would be integrated with the emerging Regional Strategy.” \textsuperscript{207}

152. We heard conflicting views on the likely impact of the scheme. The North West Business Leadership team told us they thought it would help considerably to strengthen the city in terms of economic investment and development.\textsuperscript{208} However, the Federation of Small Businesses was concerned that the region might lose the consistency of delivery that comes from regional bodies such as the NWDA. They said, “It may be that Manchester takes on a greater power that will make other areas in the North West lose out.”\textsuperscript{209}

153. The Regional Minister said that the Government was still discussing the relevant powers for the City Region with the authorities in Manchester and that the Government Office hoped to finalise in three to six months.\textsuperscript{210} When asked how he thought the pilot in Manchester might affect the rest of the North West he said the powers being given to the City Region could be replicated where appropriate through Multi Area Agreements or Local Area Agreements across the region.\textsuperscript{211}

154. We conclude that the city region pilot scheme has potential to help the local authorities in the Manchester conurbation work together on areas of mutual benefit. However, the Government must ensure that other parts of the North West do not lose out as a result. We recommend that in its response to this Report the Government set out what assessment it has made on the impact of the pilot scheme for the rest of the region.

Confidence in the future

155. Many of our witnesses were concerned about what health the region might be in when the recession ends. For example, the Federation of Small Businesses said it was important to look at some of the things that are slowing down the upturn in the North West.\textsuperscript{212}

\textsuperscript{206} Q 124  
\textsuperscript{207} Ev 105. The Manchester Independent Economic Review (MIER) is an independent review of the economy of the Manchester city region by academics and practitioners, published in seven volumes in April 2009.\textsuperscript{\url{www.manchester-review.org.uk/}} 
\textsuperscript{208} Ev 57  
\textsuperscript{209} Q 32  
\textsuperscript{210} Q 161  
\textsuperscript{211} Q 160  
\textsuperscript{212} Q 5
156. As we have already discussed above, the new Regional Minister is optimistic about the prospects for the region. We asked him if he was concerned about a double-dip recession, if the upturn was constrained by public spending cuts in the near future and he replied:

The suggestion that has been made in some quarters that a double-dip recession would be prompted by public expenditure is not based in any economic reality, but there is this factor in the modern world of confidence, and we are determined that we are not going to let that happen to us.213

157. Damian Waters agreed with the Minister that confidence was important in achieving a recovery:

In terms of being cheerleaders for the region, our experience suggests that the North West is a little ahead of other parts of the UK in terms of the growing economy. The local authorities have a huge role to play on a national basis, in talking up the region and acting collectively on behalf of the North West. This would give some confidence back to the area.214

158. Liz Meek, Director of GONW, told us about four new projects the JEC would be concentrating on in future:

[...] we are very keen to prepare for the upturn and to ensure that all the regional agencies work together around a relatively small number of key regional priorities. We’ve identified four, which include the media industry—building on what’s happening at media city—renewables, the nuclear industry, and the corridor between Manchester and Liverpool. But, we will be moving on to others. The idea is to come up with specific proposals to ensure that we are ready to fly when the situation is right.215

159. We welcome the Minister’s confidence about the prospects for an economic recovery. It is vital to ensure that the region is prepared for an upturn and we place on the record now our intention to scrutinise the Single Regional Strategy in detail. We recommend that the North West Development Agency shares drafts of this document with us as soon as it becomes available.

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213 Q 158
214 Q 31
215 Q 158
Conclusions and recommendations

1. It is vital that the North West retains skills in order to ensure the region is well positioned for the upturn. We are encouraged that witnesses reported that companies seem to have learnt the lessons of previous recessions and do appear to be doing all they can to avoid redundancies and retain skills in their workforce. We recommend that the Regional Minister continues to monitor this situation. (Paragraph 16)

2. We conclude that Jobcentre Plus has, on the whole, dealt well with the challenges presented by the recession and has increased its staffing levels appropriately to meet the increased demand for its services. However, Jobcentre Plus must find a way to ensure that it is called in at an early stage when an employer is planning redundancies so that those affected can be given timely advice. We recommend that Jobcentre Plus and its partners continue to work with employers to achieve this. (Paragraph 24)

3. It is unfortunate that the restructuring of the Learning and Skills Council is taking place in the middle of a recession. In these circumstances it is vital that the transition is planned as carefully as possible. We recommend that the Minister considers the benefits of linking the skills strategy for the Skills Funding Agency to the Regional Economic Strategy and writes to us about whether this is possible and desirable in the North West. We also recommend that in its response to this Report the Government sets out what lessons have been learned in the North West following the gross mismanagement by the LSC of the further education capital programme. (Paragraph 30)

4. We conclude that the North West Regional Development Agency, Jobcentre Plus and the Learning and Skills Council appear to have developed a good working relationship in the region. We welcome this close relationship and recommend that these, and any successor, bodies continue to work closely together in the future to ensure the region is not disadvantaged by significant skills gaps in the future. (Paragraph 36)

5. We welcome the use of the Rapid Response Service and the Response to Redundancy Programme across the region where needed. However we are concerned that the effectiveness of the Rapid Response Scheme does not appear to be being monitored. We recommend that an exercise be undertaken to evaluate the programme in terms of outcomes for participants. We would also like to hear more from the Learning and Skills Council about the impact of the Response to Redundancy Programme in the North West once the programme is underway. (Paragraph 40)

6. We consider increasing skills in the North West to be of the highest importance and we welcome the work that the LSC and partners have done to engage regional businesses in skills training. Train to Gain is providing an invaluable service in the North West and funding must be secured to ensure it can continue. We ask the Government to update us on progress with bidding for additional funding for the scheme in the North West. (Paragraph 45)
7. We believe it is crucial that young people who have begun apprenticeships are able to complete them. The Government and its regional agencies have set up schemes to protect apprentices affected by the recession, but these do not appear to have been promoted enough within the region. We ask the Regional Minister to coordinate with companies, the further education sector and Jobcentre Plus to ensure that apprentices affected by the recession are made aware of what assistance is available to them. We also recommend that the Regional Minister takes the lead in ensuring that schemes to protect apprentices are promoted to all partners. (Paragraph 52)

8. We support the apprenticeships scheme launched in Building Britain’s Future and recommend that the Government sets out how it proposes to increase the number of apprenticeships available to young people in the North West within both the public and private sector. (Paragraph 53)

9. We welcome the Future Jobs Fund as a means of supporting innovative bids to create new jobs for the North West. We recommend that the Regional Minister and the Government Office for the North West work with partners, including the trade unions, to ensure as many applications from the North West, particularly from young people, are as successful as possible. (Paragraph 57)

10. We are encouraged that Jobcentre Plus, the Learning Skills Council and university careers services are working together to support graduates during the downturn. We ask Jobcentre Plus and the Learning Skills Council, or its successor bodies, to report back to us in six months time about the progress made in delivering these initiatives and whether any further support can be given to graduates in the region. (Paragraph 63)

11. We are strongly in favour of promoting and protecting jobs in the North West. However, any support funded by the taxpayer should be able to demonstrate value for money in its approach. We recommend that the short-time working proposals put forward by the Federation of Small Businesses and the TUC are discussed at the next meeting of the Joint Economic Commission in order to canvas support for the measures compared to other available options. (Paragraph 67)

12. Manufacturing is a vital part of the North West economy and also supports a large service sector. We welcome the efforts made by NWDA and the Manufacturing Advisory Service to support manufacturers in the region. However, we believe more could be done by the NWDA and the Government to make sure that the manufacturing base in the region remain a diverse and important sector in the North West. We recommend that the NWDA and the JEC make manufacturing a priority over the next twelve months. We further recommend that the Regional Minister works with the Department of Business, Innovation and Skills to accelerate the delivery of the Automotive Assistance Programme in the region. (Paragraph 74)

13. We welcome the work that the NWRDA and Business Link have done to restructure Business Link. This had clearly led to improved perceptions of Business Link and encouraged businesses to seek advice and support from the service. However, the NWDA and Business Link could still do more to promote Business Link as a first point of call for early advice or a business health check and we recommend that it
continues to work with banks, local authorities and other partners to improve signposting to the valuable services it provides. (Paragraph 79)

14. We agree with the NWDA that the failure to restore sufficient access to credit and confidence in the banks remains a major risk to the regional economy. We recommend that the Government continues to apply pressure upon the banks at a regional and a national level with regard to increasing lending to businesses in the region. We also ask the Regional Minister to examine the cost of borrowing in the North West and report to us on how this compares with the pattern nationally. (Paragraph 87)

15. We support the joint work being done between Business Link, LloydsTSB and HBOS to increase the dialogue between businesses and bank staff. However, it is vital that the Government urges all major banks to educate their staff about the services Business Link provides. (Paragraph 88)

16. It is difficult to measure the success of the Enterprise Finance Guarantee Scheme at present because of the low awareness among banks and businesses. This is a serious flaw in a scheme that was intended to increase the level of lending from the banks to businesses. We recommend that Business Link continue their work to increase take up of the scheme. This should include every opportunity to engage with bank staff who are involved in delivering the scheme. We further recommend that the Joint Economic Commission monitor the take up of this scheme and report this information to us on a quarterly basis. (Paragraph 95)

17. There is a demonstrable need for venture capital funding in the North West. It is important to ensure that innovative small and medium sized enterprises survive the recession, and are well placed to expand when the opportunity arises. It also provides a vital potential source of funding for new-starters. We recommend that the Regional Minister works with HM Treasury to clarify the status of the Venture Capital Fund and accelerate a decision as to its final delivery, and that he reports back to this Committee on the response from HM Treasury. (Paragraph 98)

18. Business Link and the NWDA have valuable experience of the needs of business in the region, and the detail of how projects are delivered on the front line. The Government should have engaged more with the Northwest Regional Development Agency before announcing initiatives that the NWDA had to implement. We recommend that in future the NWDA is involved in discussions about new initiatives in the region from the start. The Government should also consider how it disseminates information in the region to other partners, including banks, and review what it can do to make sure the delivery of initiatives does not become confused. (Paragraph 101)

19. We welcome the move by the JEC to make prompt payment an immediate priority. There are differing opinions as to performance of public sector in paying on the 10 day target and we agree with the NWDA that there should be an audit of public sector (central government, agencies and local government) performance in this regard. These results should be made public, the reasons why the 10 day target is not being met in some parts of the public sector should be identified and the JEC should
work with the relevant partner organisations to improve the level of performance. (Paragraph 107)

20. We are dismayed to find that larger firms are exploiting their strength at the expense of small businesses. The JEC should identify and make public the worst offenders among the private sector in the region, to borrow the Regional Ministers phrase, we should be ‘shining a light’ on those that do not pay on time. The Government should also take this message to the banks, regionally and nationally, that they have a major role to play in increasing the speed with which cash can move through supply chains and help reduce the need among business to withhold payment. (Paragraph 108)

21. We conclude that the NWDA refocused its priorities quickly and appropriately in response to the economic downturn. However, we are concerned about the impact budget cuts will have on Agency investments, particularly in 2010–11 when the transfer of funding to the Government’s Homebuy Direct Scheme will hit the NWDA’s budget hard. We recommend that the Government details the investment projects which the NWDA has had to cut or cancel as a result of this reduction in funding. We also ask the Government for a commitment that there will be no further cuts to the Agency’s budget over the 2008–2011 period. (Paragraph 126)

22. We welcome the enthusiasm with which the new Regional Minister has taken up his role. However, we also need to see action to be persuaded that the role carries real weight and influence at Westminster and that the Minister has time to commit to the role in addition to his other responsibilities. We are concerned that the Government Office for the North West (GONW) does not appear to be providing strong leadership in the region. Indeed it seems invisible to us as constituency MPs. We also remain to be convinced that the Joint Economic Commission (JEC) has played any greater role in the region than providing a forum for information sharing. We recommend that the Regional Minister and GONW brief us on actions agreed at the most recent JEC and then update us on progress delivering these actions on a quarterly basis. We also recommend that the Minister sets out what his intentions are for the future of the JEC. (Paragraph 146)

23. We conclude that the city region pilot scheme has potential to help the local authorities in the Manchester conurbation work together on areas of mutual benefit. However, the Government must ensure that other parts of the North West do not lose out as a result. We recommend that in its response to this Report the Government set out what assessment it has made on the impact of the pilot scheme for the rest of the region. (Paragraph 154)

24. We welcome the Minister’s confidence about the prospects for an economic recovery. It is vital to ensure that the region is prepared for an upturn and we place on the record now our intention to scrutinise the Single Regional Strategy in detail. We recommend that the North West Development Agency shares drafts of this document with us as soon as it becomes available. (Paragraph 159)
Formal Minutes

Tuesday 21 July 2009

Members present:

Mr David Crausby, in the Chair
Rosie Cooper
Tony Lloyd
Mr Eric Martlew

Draft Report (The Impact of the Current Economic Situation on the North West and the Government’s Response), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 159 read and agreed to.

Summary agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned to a date and time to be fixed by the Chairman.]
Witnesses

Monday 15 June 2009

Holly Bonfield, Chairman, North West Policy Unit, Federation of Small Businesses; Chris Fletcher, Member of the Regional Policy Committee, Chambers of Commerce North West; and Damian Waters, Regional Director, Confederation of British Industry North West.

Ev 1

Alan Manning, Regional Secretary, TUC North West.

Ev 8

Mike Baker, Customer Services Manager, Peter Jamieson, Regional External Relations Manager, Jobcentre Plus North West; and John Korzeniewski, Regional Director, Learning and Skills Council North West.

Ev 11

Wednesday 8 July 2009

Steve Broomhead, Chief Executive, Mark Hughes, Executive Director, Economic Development, and Vanda Murray, Deputy Chair, Northwest Regional Development Agency, and Chair, Business Link Northwest.

Ev 19

Mr Phil Woolas MP, Regional Minister for the North West; Liz Meek, Regional Director, and David Higham, Deputy Regional Director for the Economy, Government Office for the North West.

Ev 26
# List of written evidence

<table>
<thead>
<tr>
<th>No.</th>
<th>Organization</th>
<th>Evidence No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Government Office for the North West (GONW)</td>
<td>Ev 35</td>
</tr>
<tr>
<td>2</td>
<td>Manchester Airport</td>
<td>Ev 41</td>
</tr>
<tr>
<td>3</td>
<td>Greater Manchester Police</td>
<td>Ev 42</td>
</tr>
<tr>
<td>4</td>
<td>EEF</td>
<td>Ev 43</td>
</tr>
<tr>
<td>5</td>
<td>Federation of Small Businesses (FSB)</td>
<td>Ev 45</td>
</tr>
<tr>
<td>6</td>
<td>Confederation of British Industry (CBI)</td>
<td>Ev 49</td>
</tr>
<tr>
<td>7</td>
<td>Centre for Local Economic Strategies (CLES)</td>
<td>Ev 52</td>
</tr>
<tr>
<td>8</td>
<td>North West TUC</td>
<td>Ev 55</td>
</tr>
<tr>
<td>9</td>
<td>North West Business Leadership Team (NWBLT)</td>
<td>Ev 57</td>
</tr>
<tr>
<td>10</td>
<td>Wirral Council</td>
<td>Ev 58</td>
</tr>
<tr>
<td>11</td>
<td>NW Universities Association</td>
<td>Ev 62</td>
</tr>
<tr>
<td>12</td>
<td>Blackburn and Darwen Borough Council</td>
<td>Ev 67</td>
</tr>
<tr>
<td>13</td>
<td>Liverpool City Region</td>
<td>Ev 68</td>
</tr>
<tr>
<td>14</td>
<td>Greater Manchester Chamber of Commerce</td>
<td>Ev 73</td>
</tr>
<tr>
<td>15</td>
<td>North West Regional Development Agency</td>
<td>Ev 75</td>
</tr>
<tr>
<td>16</td>
<td>4NW—the Regional Leaders’ Board</td>
<td>Ev 83</td>
</tr>
<tr>
<td>17</td>
<td>VSNW (Voluntary Sector North West)</td>
<td>Ev 90</td>
</tr>
<tr>
<td>18</td>
<td>Lancashire City Council</td>
<td>Ev 95</td>
</tr>
<tr>
<td>19</td>
<td>Keep Our Future Afloat Campaign (KOFAC)</td>
<td>Ev 97</td>
</tr>
<tr>
<td>20</td>
<td>Private Sector Partners NW Limited</td>
<td>Ev 102</td>
</tr>
<tr>
<td>21</td>
<td>Manchester Commission for the New Economy</td>
<td>Ev 105</td>
</tr>
<tr>
<td>22</td>
<td>Fire &amp; Rescue Services in the North West</td>
<td>Ev 111</td>
</tr>
<tr>
<td>23</td>
<td>Jobcentre Plus (supplementary)</td>
<td>Ev 115</td>
</tr>
</tbody>
</table>
Oral evidence

Taken before the North West Regional Committee
on Monday 15 June 2009

Members present:
Mr David Crausby (Chairman)
Rosie Cooper
Tony Lloyd
Mr Eric Martlew
Geraldine Smith

Witnesses: Holly Bonfield, Chairman, North West Policy Unit, Federation of Small Businesses, Chris Fletcher, Member of the Regional Policy Committee, Chambers of Commerce North West and Damian Waters, Regional Director, Confederation of British Industry North West, gave evidence.

Q1 Chairman: Welcome to the first meeting of the North West Regional Committee. Thank you for coming today to give evidence on what is a very important subject as far as the North-West is concerned. May I open the questioning by asking a fairly general question. What are your views about the economy of the North-West? Why do you think that some sectors and sub-regions of the North-West are handling the downturn better than others?

Holly Bonfield: I am Holly Bonfield from the Federation of Small Businesses. We are an organisation with 215,000 members across the country, 22,000 in the North-West. Looking at different areas, rural areas are finding it much more difficult at the moment because of the various services pulling out of their areas; banks and post offices are pulling out. That is affecting the ability of businesses to access those services in their area. Not only is it impacting on businesses in rural areas, but it is impacting on the sustainability of local communities.

Damian Waters: There is a lot to be said for diversity. Those areas of the North-West where the economy is more diverse are better protected. Clearly, places where there has been a reliance on financial services, such as Chester and Greater Manchester, have experienced a greater impact because of the nature of the downturn. You asked why some businesses are doing quite well during this recession. The businesses we find that are doing well are those that are either helping other businesses to cut costs or are in an industry where the cost of raw materials has fallen; falling energy prices and the position of the pound have also been helpful. Some of these economic indices have helped them to ride through the worst of this recession.

Chris Fletcher: We could probably track the progress of the recession on a sectoral basis. It is obvious from the early impact on the construction industry that was where it was beginning to be felt. It then spilled over into manufacturing, finance, professional services and, finally, retail. To back up Damian’s point, where businesses are doing well compared with others, it is not primarily down to which sector they are in, but how those businesses are run and perhaps the service and competition elements and so on. The businesses that seem to be doing better at present are those where the business owners have taken early preventative action to put steps in place to offset the worst effects of the downturn.

Holly Bonfield: There will also be some sectors that almost benefit from an economic downturn: tourism, because of the difficult pound, and garages, because people are having their cars repaired rather than buying new ones. There are always areas that will benefit in such ways from an economic downturn.

Q2 Chairman: I take this opportunity to say thank you for all of your submissions to this inquiry. Several submissions highlighted the importance of manufacturing in the region and the way that it is experiencing some difficulties. Do you think manufacturing is receiving the attention that it needs from the North West Development Agency and the Joint Economic Commission for the North West?

Damian Waters: It is arguable whether manufacturing ever receives the attention that it deserves. It is still a significant part of the economy, particularly in the North-West. To answer those two questions, the NWDA has done a fairly good job in quickly trying to restructure its offering through Business Link and by trying to make the funds that are available from national Government quickly available in the North-West. Some of that has helped manufacturers; it could have been better, but I think that they should be commended for making a good effort. To be completely honest, I struggle to see any evidence of the JEC helping manufacturers in particular. If you have read the CBI’s submission to the Committee, we have been fairly cynical about the role of the JEC. I cannot think of any example of the JEC making a large contribution to manufacturing in the North-West.

Q3 Chairman: Okay. You make the point that not enough is being done to help manufacturing. That is always the case.

Damian Waters: I don’t think nothing is being done but there could have been more. A good example is the automotive sector. Lord Mandelson, I think, stated in January that there was £2 billion available
for that sector. I do not think we have seen any of that yet in the North-West—that is six months on. I know detailed negotiations have taken place, but, for the automotive industry, in the depth of a recession, six months is a long time. Late payment is viewed as the reason for at least 25% of insolvencies of small businesses.

Chairman: We want to move on to business support and the question of late payments.

Q4 Mr Martlew: Scappage is not in yet, is it? Damian Waters: It is in, but that won’t necessarily be a big boost to the economy and the automotive sector in the North-West. I don’t think people view £2,000 off a Bentley or a Land Rover as a big incentive.

Mr Martlew: They might do if they had a Pirelli tyre factory in their constituency.

Damian Waters: Yes.

Q5 Tony Lloyd: Can I ask something related to the last two exchanges? CBI said, this morning, that it believes that progress through the recession is going to be more rapid than anticipated and while it is a cautious response, it is, nevertheless, a cautiously positive one. Of course, the North-West is not the same as the national economy. What are your expectations for the regional economy? Furthermore, let me add this rider: are you concerned that this is a South-Eastern phenomenon, or is it something that we will see spreading throughout the UK?

Damian Waters: I think today we released figures that showed the economy will shrink in 2009 by 3.9% and grow in 2010 by 0.7%. So that is way short of what the Government are forecasting. I don’t think it is a South-East phenomenon. Our economists look right across the UK and our colleagues would say the further away from the South-West you get, the better it feels. That is not to say, come January 2010, everything will look rosy in the North-West. We will start to see growth but it will be a long, slow road to recovery. Some will come out of it more quickly than others: some will feel the effects for years. There is no panacea that will see the economy suddenly booming from 2010. We will continue to see businesses struggling for two, three, maybe four years after the recession is declared over.

Holly Bonfield: It is important to look at some of the things that are slowing down the upturn in the North-West. In other parts of the country we are seeing that the Government’s decision to encourage local authorities to pay within 10 days is working. We do not see that in the North-West, getting access to funding is still difficult and some of the figures in our recent crunch poll show that in the last two or three months it has not got any better. We have not seen figures turning round showing that people are being able to get hold of the Enterprise Finance Guarantee fund. Generally, access to credit is still difficult. Prompt payment is crucial to small businesses and we have not seen a turnaround on that. Although local authorities have been asked to pay within 10 days, we don’t see that happening at the moment. In fact, we see big organisations extending their payment terms, even up to 120 days.

Q6 Mr Martlew: On finance, you made the point that it is still very difficult. What are the two gentlemen’s opinions on that? There seems to be a diversion from the Chamber of Commerce and Government North-West. What are your feelings?

Chris Fletcher: There are a couple of points. Linked with the previous point on manufacturing, niche manufacturers and specialist engineering firms are doing fairly well. Also, there has been a great deal made about exporting manufacturers surviving better than others, so it is not a broad-brush approach, by any stretch of the imagination. About accessing finance, we have done surveys on how businesses feel their relationships with banks have been over the last few months. In the first one, roughly 60% of respondents said that the relationship was the same. Whether that was good or bad, it has not worsened. In our most recent survey that figure has increased to 72%. The relationship is fine, but some problems start to come out when trying to access finance and we have seen an increase in the cost of that finance over the last three months. The figures we are pulling together show that businesses which want to make an approach to banks for finance are seeing the cost go up. Anecdotal evidence tells us that a lot of members come back to us and say “Actually it seems as though the banks do not properly understand what the Enterprise Finance Guarantee is about.” A few months ago, in conversations with business managers from within the same department of the same bank, I was getting different messages from different people over how that scheme should be best rolled out. These were people who virtually worked side by side. Part of that has to be the urgency with which the Government got the scheme out there; there was very little follow through from the point of view of people on the front line, who were making the decisions to get that money out to businesses.

Q7 Mr Martlew: Is that getting any better?

Chris Fletcher: Marginally, but some people have decided not to go down that path. Some manufacturers I have spoken to recently are self or privately funded and would never go down the route of asking for finance. It is something that we are watching and we are doing a follow-up survey in quarter 3 on whether things are getting better, from the point of view of getting the access to finance out there. I still don’t think it is right by any stretch of the imagination.

Q8 Tony Lloyd: Chris, can I just follow that up slightly? What the banks themselves have said—or admitted—is that they were slow to have the people in place at the level where it mattered. These were people who understood what these schemes were all
about so there is a problem within the banks as very big institutions. They are saying now that they think that the information base and the skill is there. However, you are concerned that some firms have simply said, “This is not for us” because they are once bitten, twice shy, or that it is still not properly working at the sharp end. Is that a fair summary?

**Chris Fletcher:** I think so. From the businesses we have spoken to that have submitted applications, there is concern about the length of time it takes from getting through the process of putting in the application to an actual decision being made. In some cases, that can be measured in months. Obviously, if you are a business at the sharp end, feeling pressures on working capital or late payment issues, you need a decision in days, not months. There is a time lag from an application to a decision. The real problem is with that, to be quite honest.

**Q9 Geraldine Smith:** Chris, you made a point about the increasing cost of finance. Surely that is just a reality now, and some of the mess we are in is because of cheap finance. Don’t we need to be honest and accept that those days have gone?

**Chris Fletcher:** Well, yes, and that is what the bankers would also say. However, from the business perspective, there is the feeling that they are actually paying for somebody else’s mistakes. That is the view we have heard from businesses. We work in this environment, are used to it and acknowledge what the circumstances are. However, when we have headlines of the base rate being 0.5% and a sole trader is doing his absolute best to employ one or two people, words and figures differ. There are the 0.5% headlines, but when you go in and look at some of the interest rates being charged there is a disconnect. It is the reality and it is one of economics, but unfortunately it does not make it easier.

**Q10 Geraldine Smith:** Can I ask another question? Nobody has picked up on it, but you mentioned rural areas and the problems businesses there are facing. I have seen it first-hand in my own constituency. They feel isolated and are not getting help and support. Could you perhaps say more about that, and can I also ask if business rates were something you came across? A business contacted me on Saturday and it was very concerned that the Federation of Small Businesses in this country?

**Holly Bonfield:** Ninety-nine per cent. of businesses in the country are very small businesses with fewer than 49 employees. One thing we have been trying to do is to get Government to make business rates relief automatic for rural businesses. I do not know the details of that, but we could certainly follow up on information on it. There was a Bill going through recently, wasn’t there, with Peter Luff? That didn’t go through, but I think the Federation of Small Businesses are still pursuing it and it would be really useful.

**Q11 Chairman:** A private Member’s Bill, wasn’t it?

**Holly Bonfield:** Yes. One thing that we are suggesting might really help in rural areas is to stop the closure of the post offices straight away, and build the post office network into something that is much more supportive of small businesses through access to finance which would be locally decided, rather than decided more centrally.

**Q12 Geraldine Smith:** Of course, the privatisation of Royal Mail could have an impact on small post offices also?

**Holly Bonfield:** Indeed. The withdrawal of post offices—and it has been going on for longer than this economic downturn—is having an ever worsening effect on rural areas, such that, in the end, there will not be any businesses in rural areas and we will have real problems there.

**Q13 Mr Martlew:** On that point, I represent a seat in Cumbria and I look at the figures. First, the only sector that is growing now is the agricultural sector—I think it is 1.5%—everything else is in decline. Then I look at unemployment and I see unemployment in the urban area near the national average. When I look at, say, Westmorland, I see it has about 1.5% and Penrith and The Border has about 1.3%. This does not tally with your idea that rural areas are suffering more than urban ones.

**Holly Bonfield:** That is a different argument, with respect. If unemployment is lower, maybe people are moving out of rural areas, so there are not as many people who can be employed.

**Q14 Mr Martlew:** That is not the case, if you look at the figures on population.

**Holly Bonfield:** I would have to look at those figures, I don’t have them in front of me. The fact is that we have to accept that rural communities are disappearing. As different services disappear from villages, those villages become smaller and smaller.

**Q15 Mr Martlew:** That is not my experience in Cumbria. The villages are expanding because people who work in the urban area go to live in the villages.

**Holly Bonfield:** Unfortunately, that is not my experience from our figures, and we do get figures from our rural areas, particularly in Lancashire and Cumbria. I would have to look into and respond to that separately.

**Q16 Geraldine Smith:** Perhaps it varies in different areas. We have experienced some of the problems you suggest, particularly with the loss of the post offices. I think that they are vital to rural areas because they keep the little village shop going, they keep the community alive in the village and I think we have to do whatever we can to protect that village life. Sometimes it is not appreciated that, with a bit of help and support, it can make a huge difference.

**Holly Bonfield:** It is linked to businesses, but it is a separate issue.
Geraldine Smith: Yes, and we do have to accept that those post offices are public services as well as businesses.

Holly Bonfield: Yes, I agree.

Q17 Rosie Cooper: May I ask a broad-brush question to each of you? If one of your members comes along asking for advice or assistance towards getting finance, who do you refer them to?

Damian Waters: It depends who they are and what question they are asking. My primary response is to speak to colleagues at Business Link. We have had a very good relationship with Business Link and they have focused on that area of support. Obviously, we can introduce our members to banks and other sources of finance, private equity, but it depends on their individual circumstances and the nature of the business. We do a monthly survey on access to finance and it seems to be getting slightly better, but, to echo what Chris said, not as quickly as people would like. One of our concerns in predicting some growth in 2010 is that demand for finance will grow as the economy grows, but there is a huge shortfall in the marketplace. About 50% of people operating in the marketplace 12 months ago are no longer here. Icelandic banks and American banks have withdrawn from the market, so we have a concern that in 2010, that will appear even bigger, because demand for finance will be greater.

Holly Bonfield: I agree with Damian. We would lead people to Business Link. They have responded very quickly to the difficulties and changed their product offering and we do know that the people who have had their hand held through the access to finance minefield have been successful. The difficulty is that Business Link cannot do that for every individual organisation that is seeking finance. We would certainly point them towards Business Link.

Chris Fletcher: I would echo what both Damian and Holly have said.

Q18 Mr Martlew: You say that interest rates were down to 0.5%. What are they charging your members? What are the banks asking for?

Chris Fletcher: The feedback we are getting is that as opposed to costing x per cent they are seeing an increase of 0.5% or 1% over the interest rate that was charged before. Nobody has come back to say that they are charging me 8% or anything like that but the rate is slightly increasing. Again, there is the discrepancy between what is right in people’s minds and what they are being told in their meeting with the bank manager.

Damian Waters: We historically got used to finance at artificially low levels. There will therefore be a resetting in the marketplace. It might be that we just have to live with more expensive finance. I have anecdotal evidence of some of our bigger members supporting their own supply chain through their own cash-flow but that is not a sustainable position either. There might be that element stored up in the economy that still has to filter out. When that source of support runs out we might see further reductions in the supply chain in the North-West.

Q19 Geraldine Smith: Is one of the problems that big companies such as Tesco have no problem—they can always access cheap finance if they want and they also pay their smaller suppliers quite late? If you are a little business and you are really struggling that is where the finance is the most expensive.

Damian Waters: There are issues right across the board but obviously it has a bigger impact if you are a small business struggling to pay the bills day to day. Cash-flow is the heart of every business. There have been some good indications from Business Link and other Government sources are also made available but it was never going to solve the problem overnight. It is a long, slow process which is no comfort to those businesses that are going out of business.

Q20 Rosie Cooper: Do you think there is more that Business Link could do? Has the umbrella RDA responded as quickly as you would want?

Damian Waters: There is a bit of frustration. Business Link and the RDA have their hands tied behind their back because they can only operate at the same speed that central Government operate. A classic example is the venture capital loan fund. I know Business Link has been geared up since January to deliver that and the latest estimate is that it will be launched in June. It is almost fighting with one arm tied behind its back. That process should be slowed up. It was an issue over the Treasury signing off that delayed that. There has to be a recognition from central Government that there has been a six-month delay and maybe a seven or eight-month delay. Businesses are going bust. If that process is speeded up, Business Link and the development agency can deliver more quickly. I have some sympathy for them that there has been a whole wave of announcements and policies that take a long time to filter down. Expectations are raised therefore for things to be delivered now but it then takes maybe months or maybe a couple of quarters of the year for that to filter down into action on the ground. I have a lot of sympathy for Business Link and NWDA on that side.

Holly Bonfield: Certainly that was the case with the Enterprise Finance Guarantee fund. It was announced and welcomed but it took a long time before it reached even some of the banks. I would also echo what Damian says about Business Link being responsive. It has changed its product offer and put a health check in. It has made it possible to give advice on access to funding very quickly. I do not think it could have done more in the time it has had available, given that it is limited by national decisions.

Chris Fletcher: That is true to a certain extent but when you look for example at the permanent support service from HMRC that was virtually done overnight—the idea of implementation and the roll-
out. On occasions when it works, it works effectively; that has been reasonably successful, and the Government deserve some credit for that. However, on the more fundamental things it is taking far too long. The flash to bang time, as it has been described—from the announcement being made to actual implementation—is way too long.

**Holly Bonfield:** Do businesses know about the HMRC payment support line?

**Chris Fletcher:** That is another thing. The level of information being given out around things like that could also be stepped up a gear.

**Q21 Mr Martlew:** Is that getting better?

**Holly Bonfield:** Well, Business Link is doing quite a lot of marketing, but it is not enough. That HMRC payment support service helpline is something that our members are not talking about. They don’t know about it.

**Q22 Tony Lloyd:** In a way, Government can flood the airwaves with adverts about HMRC or about many different things. Does the RDA serve as the one-stop shop that people need? What ought to happen is that somebody comes along to you—to Holly, Chris or Damian—and says “I have this problem”. You ought to be able to refer them to Business Link and it ought to be seamless when it says, “What you need is HMRC doing this, but you need to tell the banks this”. Have we got that one-stop shop in place?

**Holly Bonfield:** There is a one-stop shop, yes.

**Q23 Tony Lloyd:** Yes, but does it work?

**Holly Bonfield:** I think it is beginning to work. There were major changes in April 2007, when Business Link reinvented itself and has moved on significantly, but perceptions from people who have not had anything to do with it are that it is still pre-April 2007. There is always more that it can do, as people who have not been helped by Business Link still have a poor perception of it, whereas people who have are very different. We have done a recent survey—Business Link, the CBI and the FSB—which showed that the perceptions of Business Link have improved and that it is more valued, but also that 80% of businesses go to their accountant for advice in the first place, not to Business Link. That is a huge proportion.

**Damian Waters:** I think you used the phrase, Holly, “There is a lot of noise,” and it is hard as well for businesses to cut through and get that precise message. Holly is right that those who have used Business Link have been very pleased with the service, but sometimes they almost find their way there by accident, because they are confused by all the messages that are available and coming out. There could be a great effort from all of the agencies to focus their attention on producing information that points people in the direction of Business Link and tries to cut down on the sort of background rumble which, unfortunately, is there.

**Holly Bonfield:** This is the survey that was done jointly with FSB, the CBI and Business Link, which you might want to take a copy of. In fact, the figure is that 50% of people go first to their banks, not 80%.

**Q24 Rosie Cooper:** May I ask another general question? I understand the Chamber of Commerce review, which I will come to, but who else do you think should be delivering in times of emergency? For example, the Chamber of Commerce indicated in evidence that it thought the regional development agency had a strategic role and, therefore, it was difficult to deliver. Expanding on that, who else should be involved and can make it happen more quickly?

**Damian Waters:** It is right that the RDA has a strategic role, and Business Link is essentially the delivery agency, but there is a role for lots of organisations to play to make sure—a bit like with the messages going out—that there is not all background noise. Local authorities and local councils have important roles to play, but they have to be playing the same game as the RDA. If everybody is doing different things and moving in different directions, that makes the problem worse. Professional advice organisations can also help in that process but, again, there has to be an effort to make sure that it is a joined-up process.

**Q25 Rosie Cooper:** Who would do that, then?

**Damian Waters:** Good question.

**Q26 Geraldine Smith:** What do you think of the Joint Economic Commission, because you were saying earlier that it didn’t really help much? Is it just a talking shop?

**Damian Waters:** When it was launched, we were very pleased with the objectives; the motivation behind it was very good. The evidence, from attending four out of the five—I think that Holly has been to the same amount as me, as has Chris—is that, sadly, it has become an organisation that is good at sharing information with itself. In terms of action for the North-West, I am not sure that I could write a top five actions that the JEC has delivered on behalf of the North-West. A good example of this, which Holly referred to earlier, occurred at the November meeting. The Regional Minister said that she would write to all authorities in the North-West and encourage them to adhere to the 10-day payment pledge. Eight months later and around 80% of them are still not adhering to it. Part of the problem is that the Regional Minister and the JEC can only encourage and enthuse about activity, but fundamentally they don’t have any real power to force people to do anything.

**Q27 Geraldine Smith:** So, what do you think of the role of Regional Minister? Is it helpful, can you see any impact that the Regional Ministers have?

**Holly Bonfield:** We didn’t meet the Regional Minister until the beginning of the JEC, even though, as private sector partners and CBI
members, we had invited her to talk to us some time before that; she did not take us up on that. We welcome the new Regional Minister and hope that we will meet him very soon. It is important that he makes links with organisations such as ourselves.

Geraldine Smith: Yes, all the way.

Damian Waters: The question is whether the Regional Minister can go back to London and Whitehall and wield any influence and power. Based on experience, I have to say that that is not the case.

Q28 Geraldine Smith: So, is the JEC worth while? Should they continue, and if they should, what can they do better? How can we improve it?

Damian Waters: My personal feeling on behalf of the CBI is that it is coming to the end of its natural life anyway. Maybe a new Regional Minister will have new ambitions for the JEC and will stimulate new life into it, but my feeling is that it is dying a natural death. Maybe Phil Woolas will reinvigorate it in some way; we will wait and see.

Holly Bonfield: The third objective was to bring forward some infrastructure projects to bring some money into the area. We do not see any evidence of that. That is certainly something that the JEC could have done. I have a document here about JEC achievements, and there are nine bullet points concerning support for business. I don't think any of those have happened because of the JEC, they were all happening anyway; different organisations in the North-West were getting together to make those happen. What the JEC thinks it has achieved does not necessarily reflect what it has achieved.

Chris Fletcher: It is that question of additionality. Would those things have happened without the JEC? Maybe, maybe not. From the point of view of where it is and where it should be, it has fulfilled its purpose up until now but I think that it needs to reassess its actual purpose and take that forward.

Q29 Geraldine Smith: Do you think the RDA has made a big difference? I keep hearing very positive comments about the RDA from all sorts of people that I would not expect. They seem to have performed quite well through all of this.

Damian Waters: What it did well was very quickly perform quite well through all of this. That has probably taken their eye off the ball a little bit. I would say that the vast majority of our members have no contact with the Learning and Skills Council, but those that do have found it helpful. Again, most of my members would not have any contact with Jobcentre Plus.

Holly Bonfield: We have had very little discussion with the Learning and Skills Council. We have probably attended meetings when they have been there, but they have never approached us and did not take up our offer of working with them on sector skills councils, which would have been useful. They have not given a great deal of evidence in terms of our members.

Q31 Tony Lloyd: Specifically, you have been quite critical about the role of local government, at least in terms of the question of late payments. First, is that still a major issue your members are experiencing? Secondly—and it was Damian or Holly that made this point—the local authorities could be the first bit of the one-stop shop approach to people seeking advice; are they doing that? Importantly, you made the point that regional Ministers cannot order local government to do something, and quite rightly, constitutionally, orders cannot be given in that way. What would you like for us to be saying about the role of many different local authorities in the North-West, and what could they do which would be helpful to not just your members, but also to the regional economy?

Damian Waters: I mentioned earlier that there is a role for them to play. I am not sure whether local authorities are necessarily the first one-stop shop.

Tony Lloyd: A part of, perhaps.

Damian Waters: Yes. They have a role to play in creating a much stronger connection with Business Link and to work closely with them so that if people do come, they can then be referred to Business Link. There are obviously huge economic influences on the region and there are processes that local authorities can buy into, particularly with procurement. That can help drive the regional economy. Over the last couple of years it has been a case of throwing the baby out with the bath water. It used to be the case that there was a lot of local procurement and many purchasing managers, and a streamlining of that has led to some of the good relations with local suppliers being lost. We would encourage local authorities to look at how they can use their purchasing powers to drive forward some of the economy.

In terms of being cheerleaders for the region, our experience suggests that the North-West is a little ahead of other parts of the UK in terms of the growing economy. The local authorities have a huge role to play on a national basis, in talking up the region and acting collectively on behalf of the North-West. This would give some confidence back to the area.

Holly Bonfield: We need local authorities to think local and to think small. As Damian mentions, in terms of procurement we need them to think about how they can get small businesses involved in contracts with them and to consider how any of the
Chris Fletcher: It is an interesting topic at the present moment, from the point of potential city region status for Greater Manchester and what that may imply in a possible different way of working there. That would give statutory powers to the local authorities to enable them to do something slightly different. From my own personal experience of dealing with local authorities, they have recognised the issues and worked as best they possibly can to assist with businesses. I am speaking from a Greater Manchester perspective. They are keen on working on the procurement issues but, unfortunately, a Manchester perspective. They are keen on working assist with businesses. I am speaking from a Greater the issues and worked as best they possibly can to support for businesses. We worry that local authorities might move away from this and set up their own business support that is different from this, after all the work that has been put in, because there is not the resource to monitor it. There is a transition board, but once there is simplification and a reduced number of schemes in place there will not be the monitoring to make sure it stays that way. It may mushroom again. We need local authorities to make sure they do not move in that direction.

Damian Waters: There are some advantages to city regions but there are disadvantages. It necessarily introduces an element of competition—city regions will be competing against each other for resources and power. As a Merseysider whose office is in Manchester, I can see that there is enough competition between the city regions of Liverpool and Manchester as it is. I am not sure city regions would encourage greater harmony between those two cities; in fact, they would probably encourage greater competitiveness, which, in one way, might make them more efficient, but there are likely to be people in the North West who lose out. Certainly, from a North West perspective, Greater Manchester and—if you call it this—Greater Merseyside loom over Preston, Carlisle, Lancaster.

Damian Waters: With all due respect, if you look at economic growth and contribution to GVA on economic lines rather than on the Greater Manchester region or the Liverpool region, you would have a North Cheshire region. North Cheshire, in fact, contributes more to the North-West economy than either Greater Manchester or Merseyside—and parts of it falls into both categories.
Witness: Alan Manning, Regional Secretary, TUC North West, gave evidence.

Q35 Chairman: Thank you for coming along, Alan. I don’t know whether the bell will ring again at half-past, but it might give me something of a guide. When it goes, will others take the cue to move it on? Thank you for coming and giving evidence on this important issue. May I start by asking a fairly broad question of how you feel about the economic downturn? Has it bottomed out, as some people are saying and others are disagreeing?

Alan Manning: There are clearly agencies and economists out there that do the analysis and come up with projections. It would be more useful to give you the impression I get from talking to full-time officials, lay members, and trade unionists in general in the region, of what it looks like from our perspective. While it may be that some of the signs are looking more positive, a key indicator on jobs is that I have not had any full-time official say to me, “The number of redundancies I am dealing with is slightly less than it was.” We expect to see job losses continue for some time; there is no sign of that coming to an end. The other thing I would say, looking forward, from a trade union perspective, is, get a couple of years down the track and the public expenditure issues start to bite and we fear, to use the jargon, that we might be into a W-shaped recession—that as the private sector starts to recover, that is the time when we start to see quite significant cuts in public expenditure. That can have real knock-on effects, particularly in a region such as this.

Q36 Chairman: May I ask about the NWDA? Rosie Cooper explored the issue of the strategic position of chambers of commerce. Do you think that they are capable of delivering front-line services in times of emergency?

Alan Manning: I think the answer to the question is yes, but they would say that, on the delivery of front-line services, they are increasingly moving towards a model where it is sub-regional partnerships that are delivering, and that is right, because you need to get delivery and decisions about delivery at the most appropriate level. It is the role of a regional agency to take strategic decisions to marshal resources, and to mobilise resources. But for delivery, we are talking about sub-regional partnerships and more local mechanisms to ensure that we are getting services to where they are needed. You were talking to the earlier panel about manufacturing and I echo the points made about Business Link. I think Business Link has improved very markedly as an organisation over the last few years and the RDA has played a part in that. The development agency are also doing the agenda for change and the manufacturing advisory service that the RDA and European funding are helping to fund. There are some real achievements there; real help for manufacturers, real, tangible benefits and gains to companies that have been happening over a number of years, and those services become more important in the kind of situation we are in. So, from our perspective, the development agency has and is playing a very positive role in responding to the current situation, but I think they would make the point that delivery at the front line is about local partnerships.

Q37 Chairman: You mention local partnerships. Do you think that sub-regional groups and local authorities are better at delivering all of this than regional government would have been?

Alan Manning: That is a very good question. I assume that we aren’t going to get regional government. I suspect that if we had moved towards a regional tier of elected government then the model—of a regional strategic tier and more local delivery mechanisms—would still be relevant. That model would have been appropriate even with an elected regional tier, as opposed to the current situation.

Q38 Chairman: Can you say something about Jobcentre Plus and the Learning and Skills Council? Does Jobcentre Plus have the right level of funding and staffing, for instance, in these circumstances?

Alan Manning: I think it is just about getting there. Certainly, at the beginning of the recession there was quite a lot of pressure on Jobcentre Plus. That was recognised, and there has been quite significant recruitment of staff into it. The other dimension from our perspective is that, again, if we are talking specifically of responses to redundancies, Jobcentre Plus has a kind of key role. But in terms of responding to large-scale redundancies—and even to smaller-scale ones—while Jobcentre Plus can clearly be the first point of contact it is part of a wider group, which includes the LSC and a wide range of other providers, who can offer retraining services and a range of other support for individuals. Our experience is that where Jobcentre Plus is contacted and invited in, it has done a very good, positive job. Where it has worked with unions, we have been very pleased, but there are issues to do with the fact that it needs the employer to trigger it, so that we have had instances of, maybe, a single-owner business who has decided, “That’s the end of the road.” That individual’s interest is then in how they can wrap that up as quickly as possible and get out. There is no real or direct interest—I am not saying this in a pejorative way—in what happens to the workforce. We have had instances where an owner has simply walked away from it, and access to that workforce has been very difficult. We have also had the case with the Woolworths closure, for instance, of individual store managers interpreting the guidance they were getting from the receivers, which was to maximise the revenue, and saying to Jobcentre Plus, “No, you can’t come in to talk to the staff, because we’re too busy selling things.” Clearly, in instances like that there are issues about how we can make sure that the services on offer to individuals can be properly accessed, and in a timely way. That is a wider issue about insolvency regulations, and how those schemes work nationally, rather than the performance of Jobcentre Plus and the LSC at a local level.
Q39 Tony Lloyd: May I come in on the back of what you are describing? You will remember, as I well do, that one real issue in the last recession was that lots of skilled people were kicked out of work. They went into totally different occupations, and that skills base was lost to the nation for ever. Have we learned any of the lessons this time round? What you are describing worries me, because it seems as if we really have not learned those lessons in that we are not seeing people who are made redundant as being, with their skills base, a potential resource in the future, but simply dealing with the consequences of the immediacy of unemployment. Is that a fair characterisation?

Alan Manning: There have been quite a number of instances of interventions, particularly with skilled groups of workers. The intervention by Jobcentre Plus, interventions by unions and interventions by trade associations have helped signpost different job opportunities, particularly in certain skilled trades. The other thing that I would say is that there is quite a bit of evidence out there that employers are trying to retain skilled staff for as long as possible. There is some evidence that the increase in take-up of Train to Gain over recent months has partly been about employers being convinced of the argument that says, “You might have short-time working, but in the downtime, take advantage of public support like Train to Gain in order to try to upskill the work force,” and so on and so forth. The hole in that is around finance. We have argued strongly for financial support for companies in short-time working situations so that people can—I am trying to avoid using the words “wage subsidy”, because I know that the Treasury does not like wage subsidies—have direct support that could help the organisation to keep skilled work forces together and help the incomes of the individuals. I think that it is issues like that we would want to see taken up. But, as I said, there is evidence that a lot of employers have been encouraged and are seeking to retain skilled workers, because they have understood the argument that says, “You can’t just turn it on and off like a tap,” in terms of a decent, skilled, committed work force.

Q40 Geraldine Smith: On your earlier comments about the public sector, Alan, like you, I have concerns that we could end up cutting back on the public sector and finding that we are cutting jobs that are helping the economy. It is often forgotten what impact the public sector has on the private sector. The private sector gets contracts from the private sector, and public sector workers pay tax and national insurance as well as spending in the private sector. Do you think that proper account has been taken of that?

Alan Manning: We would say not. Certainly, I think the point that you made about procurement is something that we have made some progress on. I think that there is increasing interest at the national and regional level in trying to understand how we can use public procurement in a more proactive way. Certainly, there has been discussion regionally about how local authorities and the health service can look at their procurement programmes very much in terms of responding to the recession. That was certainly a discussion held at the Joint Economic Commission, which I know was commented on earlier. So I think that that is the case. The range of services provided in the public sector—basic services, education and police services—all benefit businesses because they create the conditions in which businesses can operate successfully and flourish. I think that is a very valid point.

Q41 Geraldine Smith: There is a danger that if those jobs are cut and that leads to unemployment, you will end up creating false jobs and false employment schemes where people are not really doing anything; they are just getting paid a little bit to keep them off benefits. That does not help the economy. It is much better if people are doing jobs that provide a service and that help the economy.

Alan Manning: I agree. You didn’t say this, but I would take the opportunity to say that there is a need in the current circumstances for interventions to create work opportunities that the market is not creating. For instance, we welcome the new jobs fund in principle.

Geraldine Smith: Is that the Future Jobs Fund?

Alan Manning: Yes. We welcome that in principle. We think that there are clearly jobs that need doing in the community, and there are jobs that need doing in terms of home insulation, improving energy efficiency and so on. There is a great value in that. There is also an additional point that you might explore with colleagues from the LSC. We are looking this summer at school leavers and college leavers. Things like the graduate talent pool and initiatives that offer at least some work experience opportunities to young people who are leaving full-time education this summer will be extremely important if we are not to have a generation that starts off in a very difficult situation.

Q42 Geraldine Smith: Are the trade unions involved in those bids, such as the Future Jobs Fund?

Alan Manning: We have not been so far, but we would very much like to be.

Q43 Mr Martlew: Alan, can I take you back? One of the things that has been highlighted is that employees are prepared to accept short-time working. In previous recessions, employers and employees might have wanted redundancies. That creates problems of its own, does it not? I have a tyre factory in my constituency where people are currently working one week in five. They are losing a lot of money. Across the channel on the continent, Governments are giving support and money for short-time working. We don’t have that. What are your views on it?

Alan Manning: We are very much in favour of that. Your analysis is absolutely right. We have short-time working and work forces are agreeing to pay cuts...
and freezes. There is a different mood from the early '80s. There is a clear desire to try to work to sustain and maintain organisations and companies. That has an effect on people's spending power. It has an effect on their ability to meet their mortgage payments. Deferring on such things has implications. We have argued strongly for a short-time working scheme. You don’t necessarily have to look to the continent. The Welsh Assembly Government’s ProAct programme has introduced elements of support for companies using short-time working. That is clearly possible and it clearly works in certain circumstances.

**Q44 Mr Martlew:** The other issue is Train to Gain. In some areas that takes off and in others it does not. That is another way of paying people to up their skills. Is it a success? Is there enough money in it?

**Alan Manning:** The evidence in this region is that Train to Gain has been very successful. I am encouraged that even in a recession, the rate at which employers have come forward to use ‘Train to Gain’ to upskill their work forces has increased steadily. That is partly because we have been successful in convincing employers that the best way of preparing for the future is to ensure that the skills are there. There is an irony that we are now having to manage demand, to use a euphemism that is used in the LSC. Mr Martlew: Rationing.

**Alan Manning:** Yes. The demand is outstripping the resources. I would say to any Chancellor that if resources are available, they would be well spent if invested in upskilling the work force. The evidence in this region is that we could spend considerably more than we currently have.

**Q45 Mr Martlew:** You mentioned the LSC in your answer. However, we are in a recession and the LSC is disappearing. What is your view of that?

**Alan Manning:** I think that it is a bad time for yet another reorganisation of the way in which we fund skills. Having said that, we are where we are. My concern is about the way in which the successor arrangements will come in. I have specific concerns about the adult skills agency and the extent to which wider stakeholders and partners will be able to influence it. With the LSC, there is a regional council with an employer voice and a trade union voice. I see nothing in the proposals for the Skills Funding Agency that would provide anything like that. That is a concern. Our ability as trade unions to influence funding for younger people, when we are talking about consortiums of local authorities, will be much more problematic. As I say, we now have another reorganisation, with skills now being with Peter Mandelson’s Department.

**Q46 Tony Lloyd:** Can I pick up your last point? Even though we have hugely expanded the amount of money being devoted to these issues, the Government have a finite capacity to spend money, as we all know. Some of the things you talked about, such as training for the future, are clearly important, but there are immediate needs around managing the present economic situation and keeping the employment base as strong as we can. I am not asking you to say one thing or the other, but are we getting the balance roughly right—you have made some measured criticism—or should we be doing more across the board?

**Alan Manning:** I can only speak for this region.

**Tony Lloyd:** We are talking about this region.

**Alan Manning:** In terms of the North-West, the RDA, Business Link and the various other agencies and partnerships have quite a focus on the immediate, but the context is important. We are the first region to try to construct an integrated regional strategy, and that is an important context for our immediate responses. It is valuable that the agencies involved in the immediate are also involved in talking about the longer term. That is right, and it is important that we have that. There was quite a bit of comment about the Joint Economic Commission earlier, and it has been a very positive initiative in the region. It has brought the key players together in a structured way that has helped to concentrate minds and actions. A number of things would not have happened in the way they have done had it not been for the Joint Economic Commission. Again, it is important that that is linked with the wider, longer-term strategic objectives that we are trying put in place.

**Q47 Tony Lloyd:** I am grateful that you made that point, because your last two comments fit in neatly with what I want to ask. The economic situation in the North-West is changing totally, and we know that the future will be in advanced manufacturing and the service industries that provide for advanced manufacturing industries. There will also be the creative industries and such like, and we know that Media City will soon be coming to the region, which will create jobs for the future. However, in terms of the strategic overview of where we should be going—you referred to that in terms of the Joint Economic Commission and the RDA’s role—and the implementation of practical policies on the ground, what do we need to do in the region to maximise the benefits of that future?

**Alan Manning:** Part of it is about resources—about making sure that the North-West gets the resources that it deserves and needs. There is also another key dimension. Damian said earlier that the Joint Economic Commission does not have the powers to tell people what to do. I am not suggesting that a body like that would not need the power to tell people what to do, but statutory city regions might move a bit in this direction—notwithstanding the discussion you are having on the precise way in which city regions are established. At a regional and more local level, there is an issue about people having the ability to tell the Highways Agency, “These are our priorities. We want these issues brought forward.” One of the frustrations that we had at the beginning of the Joint Economic Commission was about identifying capital projects and trying to bring them forward. One thing that
that exercise demonstrated was that you have a long
chain of decision making. Although we as regional
partners can identify particular capital projects as
key—the West Cumbria hospital scheme and so
on—there is then that lengthy process of all the
separate agencies taking various decisions to make
things happen. That is one area that would greatly
benefit us—the ability to have much greater
influence over the priorities and the actions of some
of the big players.

Q48 Tony Lloyd: To get this absolutely right, the
North-West is a huge and diverse region. What takes
place in north Cumbria is quite different from what
takes place in south Cheshire. I know the sub-region
well and less well where Eric comes from. Where
should we be planning this future? Should it be sub-
regional or should it be regional?

Alan Manning: It makes sense to recognise that there
are things at a regional level; for example, key
transport decisions, key decisions around
supporting major sectors and broad issues around
skills and education. It seems to me that there is a
case for that being done at a broad regional level.
You then move from the broad decisions to the
critical decisions about investment in public
transport in the major conurbations. That has to be
taken at major conurbation level because that is the
level where it makes more sense. Decisions about the
precise nature of individual bus routes that help
people get in and out of work should be taken at an
industrial estate-type level. There are different levels
therefore for different circumstances. I am strongly
of the view that key strategic decisions need to be
taken at regional level and set a context which then
supports what is possible at a sub-regional level.

Q49 Tony Lloyd: In summary, whether you change
the names or change the personalities, we need
something like the JEC to carry out that regional
strategic role.

Alan Manning: Yes, but the architecture is there
already. You have the regional development agency
with a specific set of things to focus on. You have the
regional leaders forum with key responsibilities
across transport and housing and spatial planning
issues. In this region those two organisations work
well together. We are keen to ensure in 4-Northwest
that the stakeholder engagement, which I think is
better than in most other leaders forums that have
been set up elsewhere, should continue.

Q50 Rosie Cooper: Going on from that, you have
indicated that you believe you can play a role in the
Future Jobs Fund. What can you do to enable the
region to successfully apply to get money from that
fund? We see that Liverpool city is going to make a
bid. However, I don’t mean just the city regions but
other areas of the North-West which also have
serious unemployment problems.

Chairman: Before we get to the end, can I throw one
question in that we missed earlier on? Will you say
something about the rapid response scheme? Has it
been effective in your view?

Alan Manning: The point we are making about the
Future Jobs Fund is that we have a role to play not
only in identifying the jobs that need to be done but
in ensuring that they are not jobs that should be done
by local authority employees who have just been
made redundant. Bluntly, that is one element of
wanting to be involved in it. I think we would have
preferred something slightly more directed in terms
of how the bids would come forward. It is a valid
point to ensure that all parts of the region have the
opportunity to access these kinds of funds. I think it
is the responsibility of Government to make sure
that that does happen. Whatever we could do as the
North-West TUC to support that, we certainly
would do. I would make a wider point, responding
to the discussion at the end of the previous session. I
think I am convinced that the analysis involving city
regions as engines of growth is correct. The policy
issue for us is to ensure that the growth that is being
promoted is equitably distributed and that all
geographical parts of the regions and sub-regions
properly access the activities. There is also an equity
issue. This is a characteristic of all our major urban
centres: we have areas of real growth, great financial
centres and all the rest of it cheek by jowl with areas
of very high deprivation. Ensuring that growth is
shared out geographically and socially is a key policy
imperative. In terms of the rapid response service, in
this region quite a lot of progress has been made. It
is very joined-up. A lot of effort has been made
between Jobcentre Plus, the LSC and other agencies
to make sure that that is the case. We have some very
positive examples of where Jobcentre Plus has been
extremely helpful in intervening in situations of
redundancy and helping with tailor-made packages
and helping people into other employment. In terms
of what I was saying earlier about it being the
employer that triggers that access maybe being an
issue, that is the only issue for us. We think the
service works well and has responded appropriately
and quickly.

Chairman: Unfortunately, time has beaten us
again. Thank you very much, Alan, for your
evidence.

Witnesses: Mike Baker, Customer Services Manager, Jobcentre Plus North West, Peter Jamieson, Regional
External Relations Manager, Jobcentre Plus North West and John Korzeniewski, Regional Director,
Learning and Skills Council North West, gave evidence.

Chairman: Welcome and thank you very much for
your written submissions. Eric Martlew will start the
questions.

Q51 Mr Martlew: Can I start on apprenticeships? I
hear about all sorts of schemes and initiatives
coming from Government. I shall give you an
example. I had a phone call on Friday afternoon from a mother who was very distressed and not very happy with the Government—and my Government at that—because her son, who was a 17-year-old apprentice plumber, had been paid off and she could not find anywhere where he could continue his apprenticeship. Is that a general factor across the region? Are initiatives being talked about but nothing is happening? I phoned Jobcentre Plus and was told I had to phone Connexions and somebody else. What is the reality on the ground for apprentices who have been paid off and down this region about them continuing their training?

**Mike Baker:** Can I introduce myself? I am Mike Baker, the Director of Customer Services at Jobcentre Plus, and I started last month. Peter Jamieson, our Regional External Relations Manager, is here to deal with some of the detail. Peter, would you like to deal with that question?

**Peter Jamieson:** There is a package of support available as part of the Rapid Response Service for all individuals faced by redundancy. Specifically for apprenticeships, LSC offers support for individuals not currently on apprenticeship programmes but facing redundancy. John, can you continue?

**John Korzeniewski:** First, there is no issue in funding apprenticeship places. The issue is the take-up by employers. You described a particular issue we are apprenticeship places. The issue is the take-up by apprenticeships, LSC o

Q52 Mr Martlew: Can I clarify that? I am using this example. A small employer decided he could not afford it any more. A young lad had done a year and was made redundant. Are you saying there is a guarantee that he will be able to complete his apprenticeship?

**John Korzeniewski:** No, I didn’t use the word “guarantee” because the issue is about the individual circumstances and the place. What I am saying is that we have schemes in place, which in most cases will be able to deliver what that young person needs. It is difficult to talk specifics without having that in front of me. One route is to allow employers to share apprenticeships; another is to allow providers such as colleges to finish off with that youngster, if they have got so far. We also have schemes where, although we cannot use the word “subsidy”, we are able to provide a small amount of funding to help an employer support the costs of employing that person. We do have a range of things in place.

**Q53 Mr Martlew:** This is general knowledge out there in the community, is it?

**John Korzeniewski:** If you are asking me whether every single employer in these circumstances knows about all of this, then, well, you are quoting an example of an employer who does not, but we are doing our best to ensure that the knowledge does get out there.

Q54 Mr Martlew: Can I go on more generally now? What effect has the recession had on your workload?

**Mike Baker:** To make a general statement and add in some detail. It has had a significant and quite huge effect. In the last 12 months the jobseekers’ register has gone up in the North-West by 75%, which is just below the national curve but nevertheless a significant increase. We are still taking vacancies. We take in 35,000 vacancies per month in the North-West, which is below the figures we would have expected last year but they are holding up. An important point within Jobcentre Plus is that typically throughout 2008 we had around 26,000 people coming on to benefit and broadly that number leaving benefit. The figures now are 35,000 leaving the register, so although we have increased our off flows, which is a positive point to make, it has not kept pace with the on flows. Overall, we have responded in three ways. We have recruited people in the North-West, the second biggest region in Jobcentre Plus—we announced in April that we would employ an additional 1,800 staff. We have also looked at how we can maximise the use of our premises. Very importantly, we have looked at our processes, because not only have we had this huge increase, but we have got a very different type of customer coming through and some will be presenting as unemployed for the first time. So, our package of measures has had to change.

Q55 Mr Martlew: When we had full employment, did the numbers employed in Jobcentre Plus go down? Did the numbers you employ go down?

**Mike Baker:** Yes.

Q56 Mr Martlew: Was that the right policy?

**Mike Baker:** Well, in the spending review 2004 we were set the challenge overall—Department for Work and Pensions had a headcount reduction from 130,000 to 100,000. I know that we are now reversing that trend. Whether the policy was right, I’m not sure I’m qualified to say.

**Mr Martlew:** Perhaps that was a leading question.

Q57 Tony Lloyd: There is a real issue here, because if you are recruiting very significant numbers of new people, there is a training issue if you use Jobcentre Plus. The issue for us is how quickly those new people are not simply in post, but in post and useful to my constituents. What is the time scale around which you get proper value out of them?

**Mike Baker:** It will clearly vary, depending. A new recruit to Jobcentre Plus—to the civil service—will clearly not be as productive as someone who has been in the Department some time. We are actively ensuring—right across the DWP, to the wider family, if you like—that we are taking staff from across the Department. In fact, we have taken more than 750
staff who have transferred from other Departments. We are also looking at whether we can slim down our support areas, because all of the money that we have been given by the Government has gone directly to front-line staff. There is clearly a learning curve. We are well experienced with training. Last year, with the Employment and Support Allowance, just within the North-West, we trained 1,000 staff within the two-month window. We have actually increased our training support, but clearly we understand that customers who come through our door will often have very difficult stories, and needs that we must meet immediately, so we ensure that we have things like nursery sections and consolidation sections. We are absolutely convinced that the way to support customers coming through the door is to offer a personal service—an individual service—because every customer is different. Without the back-up and training, our staff cannot do that, so it is something that we put a lot of effort into.

**Q58 Tony Lloyd:** Without being rude, and bearing in mind that people who come to MPs are people who have a difficult story to tell, obviously from time to time people come along and say that they have had a non-personalised service, and that they have been treated as number 722 for the day. How can we get it right.

**Mike Baker:** It isn't easy, and I appreciate that we don't always get it right. We have had a whole range of new packages well—we are doing. We learn lessons from that. But coming into our business to test how well—or not service Target, which involves mystery shoppers, including one target that we call the Customer Learning. We have targets that we have to meet, our targets. I am proud of what the sta...
Q63 Geraldine Smith: Continuing on smaller towns, Morecambe, where I come from, has recently had a factory fire, and 200 jobs have gone. Obviously, that has a big impact in a small place, and your jobcentre team will only be a small team, which makes it harder. How do you deal with such cases in smaller towns? There is a feeling that sometimes the clients do not get the service that they should.

Mike Baker: I am due to go to Morecambe next week and I realise that the area for which you are responsible is probably our largest patch. I am responsible for all of the customer services in the North-West, and we clearly need to ensure that we are hitting all of our targets and providing the right level of services to your customers. On Rapid Response, for example, we need to ensure that we have the right number of advisers in that patch at any given time. In the case of the fire that you mentioned, I think that it is a matter of responding to—

Q64 Geraldine Smith: So are your staff pretty flexible? Do they move around to cope with certain demand?

Mike Baker: I would not say that of all our grades; we have mobile grades and non-mobile grades. We certainly have lots of cases—I will ask Peter to give a couple of examples—where we have had to respond to immediate needs. If I mention Woolworths, which we all know about, there were 56 Woolworths outlets in the North West. We were notified about those on 19 December—the Friday before Christmas. By 22 December, we had arranged for an adviser to go to every single site with the manager and meet with the staff. That was a virtual North-West approach.

Q65 Geraldine Smith: You mention that specific example, and I had feedback from one of the union representatives at the Morecambe Woolworths store. She said that Jobcentre Plus was not helpful at all and she didn’t get the help and support that she was promised. Could you perhaps look at that for me, because she came to see me, she was pretty adamant about it and she seemed an extremely reasonable person?¹

Mike Baker: I will definitely take that away. I heard Alan mention the Rapid Response Service and I think that is a huge win, not just for Jobcentre Plus, but for working across lots of different agencies in the North West. In the last 12 months, we have gone in to see more than 470 employers and we have a number of approaches. Woolworths was 24 hours’ notice. We have other examples; we had a little bit more notice with Premier Foods.

Q66 Geraldine Smith: With the Woolworths staff, what support are you saying you provided for those people?²

Mike Baker: What we were typically doing, and what we need to make sure we are doing, is giving a personalised service. In the case of Woolworths, that was short notice. Clearly, staff were very upset. What we can do now for each of them is a thing called a job kit, which provides them with a real A to Z understanding of what Jobcentre Plus is about: what they would need to do if they were a jobseeker; what is available in terms of supporting, for example, CV writing; access to some of our day one provision, which may include a day’s seminar about job search techniques; and it goes on. So there is a whole raft of things, depending on the needs of individuals that we are seeing. What we might do, and what we did in the case of Premier Foods, was two weeks later—well before the actual day they were to be made redundant—we had a trade show in the local town hall with lots of different providers, including HMRC and debt counsellors to come in and talk to those potential employees who had been made redundant and offer them different types of service. So it really depends on the employee, but there is a full package of measures available.

Q67 Geraldine Smith: Have you tailored your services for more professional people? You mentioned that there were a lot more professionals and, again, where I have heard criticism it is from people who have been working for a long time in a pretty decent job before losing it and who feel that Jobcentre Plus really cannot do very much for them.

Mike Baker: I was in the Jobcentre Plus in Williamson Square in Liverpool last week, or the week before, and the first customer that the advisers saw was somebody who had been unemployed for six months. The next gentleman was a director who was asking us to help him with an interview that Friday in London—a very experienced guy with huge salary command. So it is interesting to see a different type of customer. We have 70 packages—maybe I will ask John to say something about this—of different types of training that we can offer to professionals in terms of job search techniques and looking at skilling in different sectors. John, would you like to add anything?

John Korzeniewski: Our bit of the business is to ensure that there is proper provision in place, which can be very difficult when there are 20 people with 20 different needs. We do that by ensuring that in these circumstances we commission local providers, which might be the college but might be a private training provider, to be on hand when Jobcentre Plus are doing their work of interviewing the individuals. So it should be a fairly seamless journey from the original, initial interview through to provision. Some of that is around general things like CV writing and preparation for interviews; some of it could be specific to particular vocational areas. A lot of the inflexibilities that did exist in, for example, Train to Gain were taken away at the end of last year, so people can do second qualifications and so on. It is a lot easier to do.

Q68 Geraldine Smith: You mentioned that you were recruiting 1,800 people. We have had proposed tax office closures in a number of areas in the North-

¹ Ev 115
West. Are those people being offered opportunities? I heard — this is going back some time — that they were told they were going to be offered them, but no one had come forward with possible transfers. 

Mike Baker: I can look at that.

Q69 Geraldine Smith: Could you give us a note of how many have actually received jobs? 

Mike Baker: I will do that.  

Q70 Rosie Cooper: What percentage success rate have you had with the Rapid Response scheme? It has been used in my area and has been very welcome, but at the end of the day, how successful is it in getting people back to work? 

Mike Baker: We don’t keep statistics on where we send starts. I know that, in the past year, we have interacted with 32,000 customers, or potential customers, who have been involved in redundancies. We do not track our intervention with them as to whether or not they eventually find work. We know that around 60% of customers will find work within the first 13 weeks, and we have introduced new measures, day-one measures, we call them. For example, we have a programme called the Advisory Discretionary Fund, which allows our advisers up to £300 to make a payment to a customer to buy tools to start a job, buy clothes to go to an interview or anything that might assist them into work. So we have a whole range of new day-one measures and we are tracking those — it is early days, they were introduced in April — but we don’t specifically track the rapid response.

Q71 Rosie Cooper: Is there any reason why you would not track it? I think it is very good — I will say that clearly — but if it is very good, you might have thought to track it so you would know how good it was. 

Mike Baker: Can you add anything to what I have said, Peter? 

Peter Jamieson: So far, in the last six months, 260 employers organisations have been supported and, as Mike pointed out, 32,000 individuals have been supported. As part of the process, each individual gets skills transfer analysis and will have access to job-focused training. That could be provision that is procured through the Learning and Skills Council or bespoke provision that Jobcentre Plus procures on behalf of the individual. We do get feedback, a lot of which is anecdotal feedback from individuals, but, as Mike pointed out, we are not at the moment collating information on starts that subsequently lead to jobs through job-focused training. It is something that we are in the process of putting in place, because that feedback is clearly something that Ministers, in particular, are interested in.

Note by Witness: In Lancashire, three members of staff have transferred from HMRC to Jobcentre Plus and a further 26 have been offered posts in sites across the Cumbria and Lancashire Jobcentre Plus District. More widely, a further 10 have transferred from Land Registry to Jobcentres in the Preston and Fylde areas and, nationally, 750 members of staff have been transferred from other government departments to Jobcentre Plus in response to rising business volumes.

Q72 Rosie Cooper: You would expect so. May I ask you both, both organisations, if you believe Government could do something more to help you, and if so, what would that be? I am talking about immediate stuff, not just greatly long-term stuff. 

Mike Baker: For Jobcentre Plus, we have had the attention and we have had the funding, and some of the praise that we have had from Ministers, from Government and from the press has really helped. I have worked in the civil service for 25 years and sometimes it is difficult when we attract bad press. I worked in the Child Support Agency for two years and that was a tough time. The praise has helped: acknowledging what we do well helps, although, clearly, we do not always get it right. The funding has helped. The strategy is to stay with what we do well, but also, unlike in the last recession, to continue, with the welfare reforms, to target lone parents, those on incapacity benefit and the longer-term unemployed, who are usually difficult customers to get work-ready and to find work. To get the support and backing to deal with those is very rewarding. I was with staff on Friday at a values event in Morecambe and there was somebody who had been unemployed for 25 years and presented to Jobcentre Plus. The individual was homeless and our adviser found them work. That was through all the packages and measures that we now have available to help us. We are generally hitting our targets. At the moment, we are coping, but that obviously depends on how long the increased work load continues.

John Korzeniewski: Flexibilities are always welcome because, as we are acknowledging, at this time people are not necessarily coming forward in groups. They are coming forward as individuals, and so the ability to tweak programmes to meet those needs is always welcome. A lot has been done in that respect. There then arises a tension between the use of those flexibilities and the achievement of pre-existing targets. If the targets are in terms of full level 2s and we are offering part qualification because that is what people need, there is occasionally a tension for some of our officers. The other thing that I would say is that we are spending the money that is available.

Q73 Tony Lloyd: Mike, you have quite helpfully mentioned the assistance to the long-term unemployed. These are things that should have been done over many years. We have learned a lot in recent times. But if you look at an area such as my constituency, you see that high levels of long-term unemployment are still entrenched. That is still a necessary part of the process. Has that had to take a back seat during the recent high numbers of redundancies? 

Mike Baker: I think that I can fairly say, no, Tony. We deal with all of our customers depending on how long they have been in receipt of Jobseekers Allowance. We have trigger points, first at nine weeks, when we might get people in as a group for a back-to-work session. We then have 13-week and six-month triggers, and for those who have been unemployed for 12 months the activity in our advisory interventions increases. If anything, we are working harder because we know that, generally
speaking, about 60% of customers who first claim will find work within 13 weeks. That statistic is holding up at the moment, although clearly it might drift. But I would say, no. We clearly recognise that those are typically our harder-to-help cases. I will give you some examples. We have just introduced, again with a lot of ministerial support and funding, advisers to help with those who have drug problems. We now have in each of my districts an adviser who specifically focuses on those with mental health difficulties and those with carer difficulties. We are constantly trying to look at the various inhibitors to work and to focus on those.

Q74 Chairman: We are running out of time. Are you targeting training at particular sectors?

John Korzeniewski: Yes.

Q75 Chairman: Can you give us some examples? What is your strategy?

John Korzeniewski: Perhaps when the Learning and Skills Council was set up there was some notion of it being a planning body. That is not the case now with adult skills. We are supposed to be managing a demand-led system, and so we are charged with giving employers what they want. I guess that goes to the heart of the question that Mr Lloyd asked Alan Manning, about skills for now and skills for the future. But our focus in the demand-led system is on the current needs of employers. I believe that this issue is being taken forward through the notion of skills activism. I was aware of the view that the previous Department—DIUS—had on that, in taking it forward with the Skills Funding Agency and giving a lot of responsibility to that agency in the region, to determine, working with partners, the future skill needs of the region. In this region that would be being led by the single regional strategy. That is, as it were, a work in progress.

Q76 Chairman: What about Train to Gain and the uptake? The Guardian reported that it sees it as a “cheap way to improve”. It was initially criticised for a slow start, then oversubscribed. What is the situation with Train to Gain?

John Korzeniewski: This region has always done better than most other regions in the take-up of Train to Gain. In the last 12 months, two things have happened. First, the new flexibility that was introduced at the end of last year has enabled more employers to take more advantage of Train to Gain. Secondly, since we hit the recession—re-emphasising what Alan Manning said—there has been a change of attitude from many employers, compared with previous recessions, where they have used the downtime that they have for training, and Train to Gain has funded it. For those reasons, I think it is doing very well in the region and we are spending the money that is available to us from Train to Gain, so that would suggest that it is well regarded by those who need it.

Q77 Chairman: What else do you need to do in order to deliver a skilled and motivated work force as we come out of the downturn?

John Korzeniewski: I think all the resource that we have at the moment is being taken by the response to the recession. We need to find a way of turning our attention to the needs of the new industries, which again goes back to the question that you challenged me on, and that is an area of work still in need of development. The Skills Funding Agency will take that on in the new year, but that is the single challenge that we have got. It is the case that we are not losing the skills as much as we have done in previous recessions, for the reasons that I have set out.

Q78 Chairman: We need to say something about graduate opportunities—I will ask both organisations. What work has been done with the higher education sector to help unemployed graduates and professionals? Do you get enough support from the NWDA and Government Office?

Peter Jamieson: We are working with the North West Universities Association to be successful in securing some Challenge funding and some funding to respond to the economic downturn. We are actually working with the heads of careers from the universities to look at what support is currently in place with Jobcentre Plus for graduates, and what support they can put in place to enhance the mainstream offer for graduates. In terms of professionals and executives, we have 70 contracts in place now in the North-West to specifically support anyone with a professional or executive background who comes in and makes a claim for benefit. We are able to send them to a specialist organisation that can provide bespoke support specifically for that sector.

John Korzeniewski: As you are aware, the issue has been picked up by the Joint Economic Council, which is a big leader on our work, through the Regional Skills and Employment Board, where all the executives of all the bodies that are on the JEC work together. We are trying to develop the higher level skills project, which will integrate with Train to Gain and provide some support for employers. The other thing that is probably required is enhanced information, advice and guidance to make sure that graduates know what is available in the places that they are. So between those things will be the support that we have.

Q79 Tony Lloyd: Two quick questions. Alan Manning made the point that no one in their right mind would have designed an architectural review of skills delivery at this time if we had known where we were going to be at this time. What is important, though, is that it is done as seamlessly as possible. Is the planning in place to make sure that it is hiccup-less, in so far as these things humanly ever can be hiccup-less? What more needs to be done?

John Korzeniewski: The senior staff for the new world have been matched now. It is a matching process rather than a selection process. As of today, over the next two weeks all staff in the LSC will hear about their job match. The vast majority of them will
be matched into places in the new organisations, whether that is the Skills Funding Agency, the Young People’s Learning Agency or local authorities. The key is for senior staff to be in place. We are trying to have shadow structures in place for September for when the legislative change comes through on 1 April next year. We should be able to run the new systems while the LSC still exists to ensure that nothing is wrong. The National Apprenticeship Service is already in place even though it does not exist legally or separately from the LSC until new world, so it is moving forward as quickly as that. There is strain on individual colleagues as they go through the process due to the level of uncertainty. There are starting to be short-term capacity issues—for example, the National Apprenticeship Service has taken 350 staff nationally out of the LSC.

Q80 Tony Lloyd: Out of how many in that broad area?
John Korzeniewski: There are 3,000 overall in the LSC, so that is 10%3.

Q81 Tony Lloyd: But on the apprenticeships side of things?
John Korzeniewski: Yes, so if you replicate that, they have gone to the National Apprenticeship Service. We have to ensure that they don’t drop their current functions.

Q82 Tony Lloyd: It is a significant cut?
John Korzeniewski: It’s not a cut, in that it’s all part of the same thing.
Tony Lloyd: But it is significant.
John Korzeniewski: I am saying that we are on track to have shadow structures in place for this September, which will run while the LSC still exists, so we should be on track for 1 April.

Q83 Chairman: Sorry to do this, but I have one very brief question—the two of you could talk for an hour. John’s comments before about medium and long-term planning concerned me. We are under an awful lot of pressure to respond to the present economic downturn and get out of it—all institutions are—and that is right and proper. However, there will be a time when the future looks different. What more do we need to do, architecturally and elsewhere, to ensure that we are planning properly for the long term? Are the changes from LSC to its successors enough or do we need to refine the work with Jobcentre Plus with other regional institutions?
John Korzeniewski: If you will forgive me, I will talk about what I thought I knew rather than what I know. Certainly when Mr Denham was leading DIUS, he was very clear that there was a positive role for the Skills Funding Agency in terms of the skills activism agenda, whereby the head of the SFA in the region could leverage funding towards future skills needs. Obviously, skills are a derived demand, so people need to be working on the economy and so on, but we have that through present arrangements with the development agency and other bodies. I was confident that, as it was described under DIUS, that could happen, albeit in a slightly different way. We are waiting to hear whether those potential arrangements will roll through in the new Department. It could work more beneficially because, in a single Department, Lord Mandelson’s views on industrial activism and skills activism could come together more closely. In a month or so you could have a much better answer that would give you what you want, which is that at some point we are going to have to lift our heads from the recession, if we are not doing it now, and look at future skills needs in a region such as this. I am not just thinking about this city, but in places like Cumbria this is going to be very important.

Q84 Tony Lloyd: Not unkindly, you are flagging up a big question mark for us at the moment.
John Korzeniewski: The question mark is probably my ignorance about what is happening at this end. Certainly, DIUS was very clear that the SFA gave it the ability to respond to the challenge that you have raised. I would have been very clear about that.

Q85 Mr Martlew: Mr Baker, earlier in the meeting we heard that we don’t have a support system for short-time working—that is, we don’t pay. The Government say that support should come from Jobseeker’s Allowance and Tax Credits. Does that create a problem for you? Somebody who is working may be paid off for five days and then be back at work in three or four weeks. Is that an issue? Do they get paid properly?
Mike Baker: They do, and I mentioned earlier that we are generally meeting our targets. We have a target for paying benefits, and the first interaction that we have with a customer will not be about finding work, it will be about how much they may be able to get in terms of financial help, because we know that they are not going to look for work if they are worried about their money, so we focus on that. We are meeting all our targets in terms of paying benefits. It clearly is a problem and I know from my previous post, which was a policy post, about whether the Government are going to look at things such as wage subsides, for example, as opposed to having any interaction with Jobcentre Plus. If someone is working less than 16 hours, or not working full time and they present to Jobcentre Plus, we have a role to deal with them and to help them.

Q86 Mr Martlew: Say you have a factory with 800-odd people—a reality—and a quarter of them are off. Does that mean that they have to report to the jobcentre? Imagine that a quarter of them are off for one week and a quarter are off for another week.
Mike Baker: We have rules about short-time working and we have rules to do with people being laid off.

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3 Correction by by Witness: There are 3201 overall in the LSC, so about 10%.
Q87 Mr Martlew: Is it short-time working that you are talking about specifically?
Mike Baker: Yes. I don’t want to make an incorrect policy statement here, so Peter, do you understand the short-time working policy?
Peter Jamieson: There is financial support available to individuals where they are working under 16 hours in a week. They are entitled to some benefits. They would be classed as a short-time worker. We refer to them as a temporary stock of customers. As someone who is temporarily unable to work for a short period, they can claim benefit for a short period and then obviously return to work, so it depends on the contract with the employer.

Q88 Mr Martlew: So do they have to come to the jobcentre to do that? Do they have to come down every time they are off short term?
Peter Jamieson: Their claim would be handled clerically. It would be handled in a slightly different way and, in some cases, claims like that are taken on the employer premises, so they are not necessarily part of the mainstream offer.
Chairman: Thank you very much for your evidence. Can I say how grateful we are to all of the witnesses today, not just for the evidence that they have presented, but for the efforts that they are making towards taking this region out of these economic difficulties. Thank you again.
Wednesday 8 July 2009

Members present:
Mr David Crausby (Chairman)
Rosie Cooper
Tony Lloyd
Mr Eric Martlew

Witnesses: Steve Broomhead, Chief Executive, Northwest Regional Development Agency, Mark Hughes, Executive Director, Economic Development, Northwest Regional Development Agency and Vanda Murray, Deputy Chair, Northwest Regional Development Agency, and Chair, Business Link Northwest, gave evidence.

Chairman: We thought that we might make an early start because we half expect that a vote will put a bit of a hole in our timetable. I thank the witnesses for coming and welcome them to the Committee. Please feel free to remove your jackets if you wish. It would probably be best if you introduced yourselves before I start with the questions.

Steve Broomhead: Thank you, Mr Chairman. I am the Chief Executive of the Northwest Regional Development Agency.

Vanda Murray: I am the Deputy Chair of the NWDA and I chair Business Link in the North-West.

Mark Hughes: I am an executive director at the NWDA.

Q89 Chairman: Can you speak up please, because this is not a great room, although we have tried to turn the sound up? I was saying earlier that I am trained from trade union meetings at shouting at people from big pieces of machinery or from crane tracks, so maybe I am practised at it, but we would appreciate it if you could speak up so that we can all hear you. I will start the questions to the NWDA. In your revised corporate plan for 2009–10, you said that you had lost a total of £71.9 million from your budget, up to and including 2010–11, so can you explain what that loss of funding has meant for your budget, and, most importantly, what you are prioritising?

Steve Broomhead: We have lost that amount of money partly through efficiency savings and, in particular, to support the HomeBuy Direct scheme, which is managed by the Department for Communities and Local Government and delivered by the Homes and Communities Agency. There were vigorous discussions about the loss of that money last year, and the effect of the loss of the cash will be felt through the NWDA’s budget, probably from 2011 onwards. It presents us with a number of challenges. As a result of the recession, we felt that we needed to re-present our corporate plan back to the Government through our sponsor Department, the Department for Business, Innovation and Skills. It was not a re-presentation of the corporate plan because we had lost £71 million. We have gone through a rigorous exercise of talking to our partners in the public and private sector about the nature of our priority of moving forward. We have also been retasked by our sponsor Department, particularly around supporting businesses during the period of planning for economic recovery, and that is the main reason why we have presented that corporate plan. Clearly, there will be areas of activity that the agency will not be able to support in the way we have done before. Actually, I wrote only this week to all the partners in the region—all the local authorities and the key people in the private sector and in other parts of the region—to indicate from a strategic point of view how we intend to move forward. We have not said that we will not do X, Y and Z, but that the role of the agency—is what Lord Mandelson want us to do in particular—is to focus on planning for economic recovery. That means that we will have to be much more careful and rigorous about the way in which we assess our projects, looking for a very strong relationship with the HCA, particularly on physical regeneration, and with the Skills Funding Agency when it is created next year on supporting adult skills and the move from some of the college capital schemes, which have, rather disappointingly, been terminated. That is the way we should move forward. There has been full engagement with the region and, as I have said, I have written to regional partners this week to explain how we will go forward.

Q90 Chairman: Can you tell us something about the process you go through when deciding your priorities?

Steve Broomhead: The process starts with the regional economic strategy. The development agency’s role is to deliver the socio-economic—I use that term loosely—part of the RES. There is very strong partner engagement with local authorities through 4NW, which replaced the regional assembly, and with the private sector to ensure that we have evidence-based priorities that will make a difference to our regional economy through the RES. The agency then sits down with partners, again through 4NW, and with local authorities, private sector partners, the chambers of commerce and the Institute of Directors to ensure that we are focusing on the priorities they want. We also now have a structure of sub-regional partnerships for each of the sub-regions, and we ask those sub-regional partners each year to present us with a series of proposals and priorities that they think would have an effect more locally. We knit all those things together, discuss the issues, initially with the Government, and then produce a draft of the corporate plan that goes out
for consultation. The Government advice this year, because we are revising it as a result of the recession, has been not to conduct a full consultation across the entire region, so we chose about 20 partners to take advice from. It then goes to the board, which approves it. It is down here for comment at the moment, and we have heard informal feedback that it has been approved.

Q91 Tony Lloyd: Steve, our region is still very dependent on manufacturing and its associated industries. One of the comments that the CBi made in our open session a few weeks ago was that it is still felt that not enough was being done for manufacturing. Can you outline what the overall strategy for manufacturing is at the regional level? As a supplementary question, do you believe, across the different strands that you are representing here today, that the response to sectoral problems, for example in the automotive industry, have to be dealt with nationally, or is there anything more that we can do at the regional level?

Steve Broomhead: Manufacturing still accounts for 23% of the total GVA of the North-West economy, which is £120 billion a year. Manufacturing is clearly under some pressure at the moment because of the issues of last year, and it is still an important sector. In terms of the agency supporting engagement, we support manufacturing through the Manufacturing Institute and have strong engagement with the Manufacturing Advisory Service. There is a cluster of organisations for the aerospace and automotive industries, and two separate areas where the industry works with us on some of the issues about improving competitiveness and productivity. The CBi was probably right to say that we have to give more emphasis to manufacturing. We will be moving forward over the next 20 years towards a knowledge-led, low-carbon economy, but I think that manufacturing is still very important in parts of our region. I believe that we have given it exactly the right sort of attention that it has deserved. In terms of the automotive industry, we have had a strong relationship with BIS—BERR as was, until very recently. Of the challenges that have been presented to us, the major events have been with Jaguar Land Rover, with Vauxhall at Ellesmere Port, in particular, and of course with the supply chain. I think that we have the right sort of regional engagement. We have supported Vauxhall, and we had to fight a state aid case on that, which was for a large—£8 million—training grant. We have also given support to both Bentley and Jaguar Land Rover for training support, and we are supporting the supply chain through rather difficult times. Rosie has a car parts manufacturer in her constituency to which we have given some support. It is a challenge, but I think that the dialogue between the centre and the development agency is working very well.

Q92 Tony Lloyd: You are making an important point about the supply chain, because there are probably more jobs in the supply chain than there are upfront with the car and vehicle constructors. How does that work out in practice? The supply chain that we are part of might be supplying the automotive industry in the west midlands, and the supply chain on which the North-West depends might itself be from the west midlands or elsewhere. Is that brought together at a central Government level? Are you happy with your ability to interface with the Department here to make sure that we are getting the equation right across all the regions to protect the supply chain?

Steve Broomhead: Yes, I think that more could be done. We formed a coalition with Advantage West Midlands following the Land Rover issue to make sure that we worked more strongly together across the regions with the supply chain. I think the area could be looked at for the future, but I am comfortable that we are moving in the right direction.

Chairman: Eric Martlew will ask some questions about Business Link.

Q93 Mr Martlew: We have heard differing reports about Business Link, which surprised me to be honest, because we have known Business Link for a long time. I think the CBi was particularly complimentary about it. Is it your view that it is working very well with industry at this time?

Steve Broomhead: I will make a quick comment and then I will pass over to Vanda. Certainly the Business Link brand, which has been around for a number of years, is somewhat tarnished, as we have said. However, we have refreshed the organisation and put it on a regional footing. We do a strategic review with our sponsor department every year, and they recently gave us the welcome news that they thought, from the contacts that they have in BIS, that things had improved quite considerably. However, there is an issue about the brand, and perhaps I should pass to Vanda.

Vanda Murray: I think that the region’s Business Link has improved enormously, and there is a real understanding that, while improving, we still have some way to go. We measure that independently. However, in terms of all the evidence and measures, we are making real progress. Calls to the universal service are 60% up year on year; our intensive assists are achieving our targets; and our GVA targets are all being hit, so we are making real progress. More importantly, the service has responded very quickly to adapt to the needs of business, particularly over the past 12 months. When it became clear that businesses were having real problems accessing finance, we reshaped and refocused the organisation so that all the brokers were fully briefed on the issues that businesses were facing and on the products as they were coming out. We set up a dedicated access to finance team with professional people who could work very closely with, and intensively assist, businesses. We have intensively assisted 6,000 businesses over the past year. We have been running Thrive and Survive road shows around the region with partners such as the Institute of Chartered Accountants and the Manufacturing Institute, which, as you know, offers the manufacturing advisory service. We have therefore been working really closely with businesses to address the issues
that they face now. The evidence so far is that that is starting to have an effect. We have helped businesses secure finance, and we are working closely with partners, such as local authorities and others.

Q94 Mr Martlew: You have answered all of the questions that I asked. However, we have information that 50% of businesses go to the bank before they approach Business Link. Why is that?

Vanda Murray: They do, and we have started to work very closely with the banks over the past year, both at NWDA level, with Steve and Mark, and in Business Link. Businesses have close relationships with their banks, and they have often been their first port of call. We have worked very hard with the banks to try to educate them about what Business Link can do. Interestingly, 10% of referrals to Business Link now come from the banks, which shows that we are making progress, but there is still more to be done. Often, when we have case studies that support that, when the banks can’t help and businesses come to us, we can often help them, if they have a good business plan of course.

Q95 Mr Martlew: You mentioned local authorities. Are you working well with them, or are they duplicating what you are doing? I wonder how you can work well with local authorities in Cumbria, for example. It is a very difficult situation.

Steve Broomhead: Perhaps I should ask Mark to answer that.

Mark Hughes: Within the Business Link service, each of the five sub-regions has a particular relationship manager. We have about 70 office drop-in locations across the region where Business Link brokers can use local partner offices, such as local authorities. We have spent the last 18 months working with local authorities to integrate the Business Link service. So, for example, Blackpool council’s business support website information is supplied by Business Link. It was going to spend £500,000 on its website, but Business Link now supplies it free of charge, so it has been able to redirect that money elsewhere. In the Pennine Lancashire area we have Business Link brokers based in a number of the local authorities on the ground. We have regular review meetings with each of the local authorities. The landscape has moved enormously in the last 18 months, and in terms of the third party review of that, we recently had the 4NW scrutiny of the Business Link service in the region. Again, in terms of relationships with local authorities, it gave us seven out of 10, recognising the improvement that had been made, but that there is still some way to go. Wirral now finances some Business Link brokers in its area as well, so we have a different model in different local areas, but things have massively improved over the last 18 months.

Q96 Mr Martlew: I am very conscious that Cumbria never passed your lips with regard to good practice. Is that right?

Steve Broomhead: That was my mistake, Eric. If I may continue, with Cumbria, we have struck up a relationship on business and business support with the Chamber of Commerce, which is based in Carlisle, and through the Vision Board of Barrow and the Vision Board that has now been established for Copeland and Allerdale. While it is a regionally managed service—we put together the five Business Links three years ago—I am convinced that we have local delivery on the ground. We dealt with a lot of businesses who were very disappointed, particularly before Christmas, about the conversations they had had with banks when the pressure was on. Business Link was a safety net, particularly for those businesses that found they had to present different types of business plans back to the banks, especially with regard to some of the loans, overdrafts and facilities fees that they were experiencing. It is not surprising that businesses have a relationship with the banks, and the relationship with Business Link is, indeed, adding value.

Mark Hughes: On Cumbria, the Thrive and Survive events that Vanda mentioned have also taken place with the Cumbria chamber of commerce and CREA. I was cantering across the region, as it were.

Steve Broomhead: Don’t forget Cumbria.

Chairman: Rosie Cooper.

Q97 Rosie Cooper: Thank you. I nearly said good morning, which shows you where I am in the day—God help us. As MPs we often get people coming to see us about trying to borrow money. There are success stories, but most of the smaller businesses or individuals talking about expanding businesses, or trying just to stand still, are not so successful. If they do have a success, it costs a lot of money, and the amount they have to pay becomes really extortionate. As a development agency, what kind of feedback are you getting across those different levels? Do you think that the banks are getting back to normal? Are there any barriers, and what can you do—or what can we do—to start to break through and help people get on the road to recovery?

Steve Broomhead: Can I deal with the banks question and whether they are getting back to normal, and then I’ll pass to Mark and then Vanda. We have an extensive dialogue now with the banks, and that started just before Christmas. It is fair to say that it has taken some time for the banks, particularly those that have had Government intervention, to come to terms with their new role. So in terms of discussions around fair lending, which is what we want to see, we are seeing—perish the thought that I should say “green shoots”—fragile seeds with where they are now. They are much more supportive of SMEs than they were perhaps even three months ago. That is a product of the fact that they are coming to terms with their new role. Clearly it was a difficult time before Christmas. Banks had been reckless. This has been looked at by other parliamentarians and the regulators have had questions to answer as well. We set about working with the banks in a very positive way rather than joining in the furorou about beating up all the banking system, which was going to get us absolutely nowhere. That was part and parcel of the Agency trying to take a more positive economic leadership role when everybody seemed to be losing their heads.
amid economic doomsterism. So, I think that we have seen, to be fair, an improvement in relationships with the banks, in terms of fairer lending and getting money into the system from a cash-flow point of view.

**Vanda Murray:** Things are improving, but they are not back at previous levels. You made a point about interest rates; they are higher than they were and we believe they will stay that way for some time. Things are not going to go back to the levels they were at, and that will make it more difficult for companies to access finance. Their business plans have to be better, and we at Business Link have been working with many companies to try to make sure that their business plans are well prepared. But it is difficult. Things are improving—they are better than they were—but there is still more to be done, and the more we can work with small businesses to help them in their interactions with banks, the better. Interestingly, RBS customers who are refused finance are automatically referred to Business Link now, and we will work with them to try to secure finance from alternative sources. There is a lot of work going on behind the scenes and, as Steve says, Business Link is very much a safety net in the region.

**Mark Hughes:** The harsh reality is that money is more expensive and there is less of it. The enterprise guarantee scheme has started to kick in. There is variable use of it across the banks, but it is beginning to have an effect on the ground. The RDA has also made loans available to businesses. Along with other RDAs, we have created a transitional loan scheme of £10 million, and have spent about £5.5 million of that to date. That can sit alongside the enterprise loan guarantee scheme that the Government initiated. As Vanda said, I think that the situation is improving. We will never get back to where we were, and businesses will, in a sense, have to adjust their models to reflect that the financial situation has moved on. That really takes us into the other arena of the agency’s support, which is to make sure that business as a whole has a way forward, and that finance is addressed in that sense. So, the situation is improving, but we will never go back to what we had, and there will be businesses that were able to get finance 18 months ago but will not get finance in the future.

**Q98 Rosie Cooper:** In the evidence, you said that you held joint events with Lloyds TSB and HBOS. Can you describe what happens at those events? How are people invited? How do you publicise them? How do people know that they are happening? Who gets invited? How do you measure their success?

**Mark Hughes:** Just on the practicalities of that, it is very much a team effort. Business Link engages with roughly 120,000 people a year. It has its own database—an ongoing client base. All those events are held with other organisations. It could be a chamber of commerce, a bank or a local authority. It has its own access to businesses as well. Basically, we are all using our client relationship systems. We are making local publicity. We have upped our investment in promotion through newspapers and radio in different localities. There is a big push to draw people in. A typical event might be an afternoon or a morning, generally with a short series of speakers. What we are really focused on is trying to get individual businesses there to have one-to-one conversations with Business Link advisers and bank representatives who might be in that room, so that they can get practical assistance at the event, rather than just be talked to. The feedback that we get on those events probably reflects our highest level of satisfaction. We get our highest level of customer satisfaction with those events. It is an ongoing series of events, and we will probably have another series in the autumn, dealing with how businesses now grow out of recession—slightly changing the message.

**Q99 Rosie Cooper:** I was just wondering whether you will let MPs know when you are starting that series again, because that might be another avenue that would be of use to us when businesses are talking to us.

**Steve Broomhead:** Obviously, that is a good idea, and we will take it up.

**Q100 Tony Lloyd:** Mark, you mentioned a few moments ago the enterprise finance guarantee scheme, and I think that you said that it has begun to kick in. What the Federation of Small Businesses said to us some time ago is that there is still very low recognition of the scheme among its members. Also, what is more, it also drew our attention to the fact that only one correspondent said that their banks were making the scheme available. Obviously, that is historic, but given that the very nature of the scheme is designed to get us through the worst moments of the crisis and that it is plugging gaps that are not covered by the conventional banking system, is the scheme now doing what we want it to do? And, if not—your hesitation spoke of something there—what should we do?

**Mark Hughes:** The short answer is that it could clearly be doing more. It started off with an announcement without everything on the ground being in place, so it started off in the wrong place, as it were. What it relies upon to work is individual bank managers in individual branches knowing how the system works and then the banks’ back-room operations supporting that. Steve talked about our work with the banks; one of the things that we have been doing with the banks is basically almost coaching some of them and sharing best practice from one part of the region, where we have had a bank that has a very high take-up rate of the enterprise guarantee, with a bank in another part of the region. So, in terms of getting the scheme to work, it is really at that level, where you have to get the bank managers to appreciate that the scheme can be used. If you look at the proportion of the UK economy in the North-West, we get proportionately our share of the enterprise guarantee scheme. We are looking at about £40 million being distributed in the North-West to date, so we are getting our fair share. The question really, looking in the few months ahead, is whether the Government are going to maintain the scheme and how are they going to...
evolve it, because the scheme is a replacement for the small firm loan guarantee scheme. There is always a need for that extra risk to be borne by the public sector. So, as well as trying to make this one work more at the grass roots, we have another question about what happens when this scheme runs out. I think it is due to come to a close early in the new year.

Q101 Tony Lloyd: Can I just pick up on a point there? This problem about the banks not knowing what is there is really quite unprofessional on their part—you don’t need to answer that. What can you do at national or regional level to force through that culture change in the banks themselves? It is in their interest to operate the scheme, actually.

Mark Hughes: It is. Nationally, obviously, the Government meet with the banks on a regular basis. We have seen those messages going to the national banks. We have seen some of the positive engagement from the banks within the region actually stemming from that action at the national level. Steve mentioned that interaction with banks has increased a huge amount since, I think, November last year; prior to that, quite frankly, it was difficult to engage with them. With the message coming down from the centre, the banks were much more willing to engage with us. I think that that is one action that has actually worked. As Vanda mentioned earlier on, the other action that I think is beholden upon us in the region to make sure of is that the Business Link brokers are engaging with the bank managers in their locality. Again, we have also struck up arrangements with a number of banks—mentioned earlier—by which, if they do not believe that they can assist a company, they refer it back or refer the client to Business Link. We have had occasions when the bank has felt that it could do no more work with that company, Business Link has been introduced and then the bank has actually agreed to give it an enterprise guarantee, partly in conjunction with an agency loan, so that the risk is borne across it. I do not think that there is a silver bullet; hard work at different levels needs to take place.

Steve Broomhead: Certainly in the autumn, Chairman, there were probably far too many announcements by Government that we had to try to capture and turn into things that people in the region and localities can understand. The Enterprise Finance Guarantee Scheme and the role of the banks got caught up in all of that. If, jointly, Lord Mandelson and the Chancellor could send a message through the established systems and dialogue with the national banks about this scheme, to get greater clarity, I think that we would find that very helpful in the regional model.

Q102 Mr Martlew: Do you wish you had had more input into the Government initiatives? Are you getting people who are coming along with very good cases but the Government scheme doesn’t cater for them? Is that the case? Or are Government initiatives targeted properly?

Mark Hughes: The problem with this recession that we are still in is that it’s so multi-faceted. I think the Government have put in a good suite of initiatives. We have never seen a recession like this, and we have never seen a response like this—if you look from the auto sector, if you look from the loans—but there will always be people and businesses that will fall through those gaps. It is very difficult to say that there should be another big initiative. We have had discussions with different parts of Government on the detail of the schemes. In response to your question, some of those discussions could have been had earlier to benefit from experience on the ground of the type of businesses that will come through. Going forward, we have had the new industry new jobs announcement relatively recently. We have seen a much more positive and early engagement from Government with RDAs around what kind of initiatives might come through that policy document.

Q103 Mr Martlew: Do I take it, Mr Hughes, that you are talking to Government and that Government are listening?

Mark Hughes: They are. Obviously, they have their own constraints, but they are now talking to us earlier than in the past, because the work that we have done over the past six months in responding to the recession has been positively received.

Q104 Mr Martlew: The issue of the venture capital scheme, which we were told by the CBI created great frustration—not that it wasn’t a good scheme, but that it should have come in in January. Is it in now, from the end of last month? What problems did that create for you?

Steve Broomhead: The venture capital loan scheme was announced initially, as a matter of principle, by the Prime Minister last September on the Cabinet’s visit to Liverpool. We have had considerable discussion with Government, DCLG, BIS and the Treasury. The issue is the business model and whether it compromises in any way the public borrowing requirement. We are still considering that model. However, last Monday, we had a major event with 300 people from the financial sector within the region, and we made certain announcements about other schemes which will provide support in the shorter term, while the Government—in particular, the Treasury—look at some of the risks on the model. That sounds a bit of a bureaucratic answer, Eric, but the model that was being looked at did not meet certain tests of the Treasury. We have had a very strong dialogue with Government about it. I will ask Mark to say a little more.

Mark Hughes: Okay. The announcement that Steve was referring to is a £20 million fund, using agency money and ERDF money, which will give us enough until the end of the financial year—April 2010—to keep the flow of venture capital for existing businesses that are looking for that. That effectively buys us time to resolve the issues that we have with the Treasury around the main scheme, which was the intention to create a £140 million fund for a seven-year investment period in the region. We are still
locked into those discussions, which, as Steve mentioned, are around the impact on the public sector borrowing requirement. There is also some discussion around the legal structure.

Q105 Mr Martlew: So, basically, it was a scheme that wasn’t thought out when it was announced. You say you are using £20 million, when that £20 million should have been earmarked for something else, I presume.

Mark Hughes: The scheme was well thought out. It was announced that we would deliver the scheme subject to approval of it, which we subsequently did not get. The money that we are using has not been taken from somewhere else, because we would have wanted to spend that money, had it been approved within the time scale. The money was allocated, and we just found another temporary mechanism to deliver the money that was allocated to the scheme. We have not had to take money from somewhere else.

Steve Broomhead: And we will be taking up the matter with Phil Woolas, the Regional Minister. Perhaps one of his early areas for consideration was to see whether we can get movement on the scheme, as it was first presented.

Q106 Chairman: Do you use the Regional Minister in that way to feed back messages, or do you use the JEC?

Steve Broomhead: The JEC and the Regional Minister are one and the same, as far as I am concerned. Clearly, the Regional Minister carries back messages to the Government. The Regional Minister has a very strong interface with the Joint Economic Commission and with the public and the private sector. People have made representations about the JEC. We found it very helpful for focusing evidence based around the sorts of interventions that both the Government and the RDA should be making. For instance, we agreed with the Homes and Communities Agency at the JEC about the 20 physical regeneration projects that would fail because of issues, and we were able to bring some of them forward—one of them being the northern relief road in Carlisle, Eric. So it has had use. The role of the Regional Minister from my point of view, particularly in a recession, has been invaluable to getting messages back into the Government and providing assistance.

Q107 Tony Lloyd: Can I pursue the venture capital point? One of the historic criticisms of venture capital in this country has been that we do not go far enough either upstream or downstream, whichever way you want to describe it. We do not get to the early stages of the development. We begin to support only at the level when people probably no longer need that kind of support.

Mark Hughes: There is a ladder within the scheme and it includes proof of concept, which is the area that I think you are talking about. It does include loans and mezzanine finance for proof-of-concept projects. The current rules would allow us to invest up to £2 million within any particular scheme, and we think that it would address the area that you are talking about. For some sectors, that gap is much greater. For biotech and biohealth, the amount you need for that proof-of-concept area might be £7 million to £10 million. It would still be within our grasp, but clearly the Government are looking at that through the Rowlands review to see where gaps may exist in other technology areas beyond the level in which the regions can invest.

Vanda Murray: There is a real need for the scheme in the region. It is very difficult for SMEs particularly to access venture capital funding. We have evidence of need. The Business Link brokers, particularly the access to finance team, have worked and identified many opportunities, so we have a pipeline. They have been getting their business plans business-ready. The transitional scheme that Mark was talking about will be used very quickly so, as he said, that will buy us time, but there is still a need for the scheme itself.

Q108 Chairman: I am going to ask questions on prompt payment and the 10-day payment promise. How successful have you been in encouraging the public sector to pay within 10 days?

Steve Broomhead: Before the Government made it a priority in our region through one of the key objectives that was agreed at the Joint Economic Commission, I went to the press because I was not shy about the issue, and said that one of the best things we could do to get money moving again and cash flow was for people to pay their bills in the private sector within a 30 or 90-day limit, and for the public sector to meet the requirements that have been around for a number of years to pay within 30 days. My own organisation now pays undisputed invoices at the 98% rate within 10 days, so I did what I said that the region should be doing. It is a matter of variable practice. I am disappointed with local authorities and the NHS. We have evidence that local authorities are not paying on time. We also have evidence through our discussions with FSB and the Chambers that businesses are not paying their subcontractors within the statutory days. I asked the Regional Minister, Beverley Hughes—we need to audit this work, actually. It is all very well encouraging people to do this, but we need—I won’t say targets—some sort of audit work to show what is actually happening. Whether you need legislation, I don’t know. You can only encourage, but we have tried to provide the right sort of leadership to try to make sure this happens.

Q109 Chairman: So what about the private sector? Do you have any influence on encouraging the private sector?

Steve Broomhead: I have just written to people, not because I knew I was meeting here this afternoon. I have just written to the chamber of commerce, the IOD and the CBI to encourage them to have a debate with their members about the importance of paying within the 30 or 90-day rule. I can only encourage them to do that. Most of them, when we meet, say that it is one of the easier priorities—they could meet on a voluntary basis. But getting people
to do it is a difficult issue if you are not getting the right sort of support from the bank, so we go back into a circle on this. It is an area that Government could perhaps have another go at in terms of some sort of campaign.

Mark Hughes: There is very clear evidence that debtor days in the private sector, or days beyond payment terms, have increased throughout the recession. They have also more significantly increased for larger companies, so the larger companies are paying the supply chain at a much slower rate than the average company. There is clear evidence of that. The Government have tried to encourage larger companies, particularly supermarkets, to pay within that period, but there is a lack of evidence that that has actually happened.

Steve Broomhead: I have written to the chief executive of Tesco on that very point, because we had evidence that they were slow with some of their regional and local suppliers.

Q110 Rosie Cooper: I heard recently of companies in the North-West that are even moving the day they pay employees from the 21st or 24th of the month to the end of the month, at a stroke. They have no concept of the impact that has on family units and their ability to pay.

Steve Broomhead: We would like more evidence on that. Chairman, so we can take it up with Jobcentre Plus.

Q111 Chairman: You mentioned your disappointment with the local authorities. When the CBI gave evidence to us, it suggested that local authorities could help by pursuing more local procurement. Have you been able to exert any influence on local authorities to procure locally?

Steve Broomhead: Local authorities should think more locally in terms of procurement, or perhaps more regionally, but they have—as I have as accounting officer for the agency—pressures from regulations in Europe and pressures around value for money. So while it is obviously the right thing to do to procure locally, I am afraid sometimes the actual process and regulations mean that—on tendering, for instance, in procurement, particularly for larger contracts—it is difficult to ensure a more regional or local response.

Q112 Tony Lloyd: May I turn to the very big area of skills and training? Obviously the future of our region depends on the level of human skill, principally. Can you tell us a little bit about the working relationship you have with the LSC and also Jobcentre Plus, and the deliverers of education, the colleges? Is that working well within that context? Who defines the strategic ambitions? Perhaps you would also like to comment on the soon-to-be cessation of the LSC and whether that is going to cause problems in the area?

Steve Broomhead: First, the relationships with LSC, Jobcentre Plus and the providers—colleges and private training—are very good in our region. We have a regional skills employment board, which looks at the strategic issues facing the region in terms of individuals and in terms of the Leitch agenda around employers. I chair that group. While nationally it has not always had the impact, because there is still very much a dominant national policy on skills, which doesn’t always in my opinion recognise local and regional interests, it has been a very important body. The Learning and Skills Council has a regional board. I sit on that on behalf of the agency.

Q113 Rosie Cooper: Oh dear. I very much welcome the work that you do generally, Steve, and you know that, but I am calling for the sacking of the LSC board. I don’t know. I genuinely say that I haven’t met a more incompetent and innumerate bunch outside play school. So I have to except you from that, because I know you have worked very hard.

Steve Broomhead: I feel admonished. Remember the LSC is a national organisation. The centre has not always connected with the region. Frankly, we wanted—we said very clearly to the LSC—things like the capital programme and regional flexibilities. For instance, when an employer in Cumbria—let’s say in Barrow—has a big order for elements of a new aircraft carrier, some flexibility in moving resource would be good. But it will not allow us to do that easily via the national situation. I went to the skills Select Committee, and made very plain my dislike for the removal of the LSC as an organisation. I deal with issues about how effective it has been at the moment. We are replacing it with two new agencies in two new Departments; indeed, one of those has gone since we made these decisions—the Young People’s Learning Agency in DCSF and the Skills Funding Agency, which will now be in BIS. At a time of economic uncertainty, when you want to simplify things, particularly for employers, I do not think all these confusions have helped at all. I think it has been a mistake to abolish the LSC. I am on the public record elsewhere saying I think that it is a mistake. The LSC has not done a good job. I will not repeat some of the things that have been said in this House before, but the LSC’s capital programme has been disastrously mismanaged. All I can say, on behalf of the region, is that out of the ashes has come the fact that we have four colleges of 13 on the list that look as if they are going to be approved, and we have one third of the money. But there is very significant disappointment in a number of places, namely, Carlisle, which we have worked very hard on to get it past the line, and, if I may say, Skelmersdale—I declare an interest because I’ve been the chairman of the governors—to get that to pass the line as well. It has been disastrous in terms of its mismanagement. We have good relationships with Jobcentre Plus around the worklessness agenda. We wanted it to be more flexible when there have been major redundancies in the region. I think rapid response has been that in the main. A number of MPs have often written in, saying what can be done. Geraldine is not here today, but she had a disaster with a fire in her constituency at a food manufacturer recently. We have responded quickly. On the colleges, we meet regularly with the Association of Colleges to make sure that we are in
touch with their thinking. Indeed, we have provided some additional funding support to colleges around skills development and capital programmes over the last three years.

Q114 Tony Lloyd: Steven, I know that we are running out of time. Can you just answer quickly in that context? Picking up on something you said, in terms of the transition, what needs to be done now to make sure that it is seamless? Are we doing enough, to take the second question, to protect those who are falling out of work to make sure that this will be unlike the last recession, when people with engineering skills were driving taxis for the next 20 years? Are we stopping that happening?

Steve Broomhead: I think the transition for the Young People’s Learning Agency, which focuses on 16 to 19, in the region is going well. The Government Office and the LSC have played a really good part in making sure that it is a seamless transition. For the Skills Funding Agency, which concentrates on adult skills—the big issue for economic recovery in my opinion—there are more challenges ahead. To put one suggestion, which we are certainly keen on in our region, the SFA will have regional offices. In the case of the North-West, 30 to 40 people will be placed in those offices, working around strategic skills issues and skills planning. There will be some transaction activity, payments and performance monitoring, with the colleges in particular. We believe it will be important to align that work of the SFA with regional economic objectives, which means a stronger alignment with the RDA. This is not a land-grab suggestion by myself. I think it is almost strategic logic, where you locate by the body that has responsibility for economic leadership. Otherwise such an organisation at a regional level could find itself in splendid isolation, wondering what to do apart from ring up organisations like mine for support. That is the proposal that is being rehearsed inside the new Department for Business, Innovation and Skills at the moment.

Chairman: That brings us to 4.15 pm, pretty well on time. Can I take this opportunity to say thank you very much for that evidence? We are just about to take evidence from the Regional Minister. You are welcome to stay and see what we do to him. It might be fun—I don’t know, we’ll see. Thank you very much.

Witnesses: Mr Phil Woolas MP, Regional Minister, Government Office for the North West and David Higham, Deputy Regional Director for the Economy, Government Office for the North West, gave evidence.

Chairman: Welcome, Minister. Thank you for coming along to give evidence so soon after your appointment. I promise that we will be reasonably kind. I begin by asking you to introduce yourself and the other witnesses, just for the record.

Mr Woolas: Thank you, Mr Crausby, for the invitation. This new role is a tremendous opportunity for me. As anyone who knows me will tell you, I am thrilled to bits to be able to do this. I am joined by Liz Meek, Director of the Government Office for the North West, who is known to you, and by David Higham, Deputy Regional Director of Economic, Environmental and Regional Issues.

Q115 Chairman: Thanks for that. When you were first announced as Regional Minister for the North West, you were quoted as saying, “The North West region is the engine room of the British economy and it is leading us out of recession.” What are the signs that this is being, and will be, achieved?

Mr Woolas: The economic analysis behind that statement is the size of our economy in the North-West. As people will know, if we were a nation in our own right, we would be the 12th largest nation in the European Union. Our general value added is £120 billion, which is greater than any other region apart from London and the south-east and is also larger than Scotland. The critical point is that we have a higher proportion of exports—if you look at the relationship between general value added and GDP, the difference is, how much do we export and, to some extent, how much do we get in through tourism. That gap is significant and because of that factor and the export-led way out to recovery, we are in a good position, which is why we went into recession later than other regions. The second reason is less technical: to put it this way, if you are a company and you survived the past two recessions, you are a good company. Because a higher proportion of our GVA is manufacturing-based than in other regions—crude put, London and the south-east are arguably over-dependent on financial services, which have taken the brunt of the recession—we are well placed. On the other infrastructure points, I believe that we have the jigsaw puzzle in place. Our transport infrastructure is pretty much complete—the motorway network, the North-West main line, of course, has been upgraded and, having been upgraded, airport growth is one of the signals—to answer your direct question. If you look at the growth pattern of John Lennon and Manchester, you will see growth carrying on there. There are also critical areas such as the nuclear industry, the growth in media in the region and, of course, in universities. We have, again, in absolute numbers in the North-West, not the most higher education students, but the highest number of higher education students as a proportion of population. Therefore, the proportion of highly skilled younger people within the employment market is higher. I am not denying the problems, but those things are in place and mean that in the final economic analysis the reasons for our economic strength in the first place are putting us in that position.
Q116 Chairman: So what do you see as your priorities for dealing with the downturn in the North-West in the first year?
Mr Woolas: Jobs, jobs and jobs—the protection and promotion of jobs, which, of course, includes skills. The future job initiative is critical and that is what we need to focus upon.

Q117 Chairman: Do you have enough power as Regional Minister to deliver that effectively in the North-West? Are you satisfied with the limits of your powers as a Regional Minister?
Mr Woolas: I can’t come before this Committee with enough experience of this role to answer that question as much as I’d like to be able to. It is too early to tell, I think. The way we are in a strong position is in the development of the partnerships we have within the region. I know that it does not always feel like it from the constituency angle, but we probably have—maybe the south-west and the north-east would counter this—among the strongest partnership arrangements with the public and private sectors, but especially with the public sector. That means that what one needs to focus on to “join up Whitehall”, to use the jargon, is easier to identify. I am also a Treasury Minister wearing my London hat, so I think that helps.

Q118 Chairman: Yes. I know that you are relatively new to the job but can you—perhaps the other witnesses can assist—provide any evidence that this role has been effective in delivering beneficially for the North-West?
Mr Woolas: I can ask Liz Meek to help me out on that one in a moment. I think that the JEC is a good thing. It’s delivered some things. We have a critical meeting on 20 July—not just the JEC meeting, but a meeting of the major seven banks at regional level, which is clearly critical in terms of the decisions on credit availability and loan availability. Perhaps I can ask Liz to help out on that.

Liz Meek: The early successes of the JEC have largely been about unblocking projects that were blocked. Some of that was obviously done in fairly private negotiations involving Ministers and Departments, but we are pleased with the result as far as the North-West goes. Some substantial PFIs have been approved—the Greater Manchester waste PFI, for example. Some of the colleges perhaps did not get enough, but given the situation, we feel that the North-West did quite well. There is an area of activity that was probably the priority in the first couple of meetings of the JEC that analysed the schemes that were blocked. All the housing schemes worked jointly with the Homes and Communities Agency and the Development Agency, to work out where the priorities were so that the money could be targeted where it was most effective. It might not be headline grabbing, but I think that the North-West got from that construction opportunities it would not otherwise have had. A second area is about bringing this unique group together so that we work together. The public sector organisations around the table control over £20 billion. Having Jobcentre Plus, the health authority, the Learning and Skills Council and ourselves, together with the private sector, has meant that the various schemes that were being launched could all be tested, and we could ensure that everybody was pulling in the same direction. Those are two examples of what the JEC has done.

Q119 Chairman: As you have already said, Minister, you have been created a Minister and have a high-profile job in immigration. You have constituents to look after, as we all do. Can we be excused for thinking that the North-West ministerial job is really down in the pecking order? Will you have enough time to deliver on the North-West job, particularly during the difficulties that we are facing during this downturn?
Mr Woolas: Obviously, that is an issue that I have had to give a lot of attention to, so as to organise the arrangements with the office, and the structures. That has been my first priority—it is very pragmatic stuff about allocation of time, communication links and so on. The answer to the question is that my enthusiasm for this job is 100%. I am passionate about our region, and I think it is an absolute disgrace that Members from Opposition parties are not taking part in the Committee. That is bad for our region, and I wish that they would take part. I will be applying some pressure in that regard as they are letting down the people of the North-West by what is, I think, their rather childish attitude. My enthusiasm for the job is unsurpassed. I have had about eight months’ experience in the Home Office job, and we have established strategies, timetables and objectives there that mean more time is freed up. Of course, the priority during non-sitting times, in terms of chunks of time, is in the North-West. That means that I can answer your question honestly and say that the time is there, but it does require prioritisation.

Q120 Chairman: You haven’t got too many jobs then?
Mr Woolas: I put the constituency first, as I think it is right to do that. That is the most important point, but in terms of being able to establish priorities, that is there. Anyway, I love the North-West, so that comes first for me.

Q121 Rosie Cooper: The questions that I will ask have partly been answered, but I would like to go for a general point. The JEC has, on occasions, been accused of being just a talking shop with no real powers and only limited ability to get into the key decisions and influence key partners in Whitehall and local authorities. That has been partly responded to already, but not in total by a long way. Infrastructure projects have been mentioned, but what I would really like you to do is to tell me and the Committee which projects would not have actually happened had the JEC not been there, and which have actually made a real difference? I would also like to go on to talk about the Government office. There is another view—that it does not punch its weight. For example, last time we met we talked about MPs not having contact and not really seeing
the benefits of its being there. So, in essence, can you really say that the Government office makes a difference to the job you are able to deliver for us in the North-West?

**Mr Woolas:** My predecessor, the right hon. Member for Streatham and Urnston, would say yes. My experience is limited. I think the taxpayer gets better value as a result of the structures of the Government office and the JEC. You asked about infrastructure projects. You could look at the Greater Manchester waste PFI, the Edge Lane West project, the West Cumbria hospital and the further education developments that Liz mentioned— in the first tranche Bolton and Liverpool, and in the second tranche we got four of the thirteen college projects in the North-West, so we did more than our fair share in that regard.

**Q122 Rosie Cooper:** I totally disagree with you. The LSC should not have been allowed to be so incompetent and innumerate and get away with it while all you guys are sitting there watching them.

**Mr Woolas:** From the point of view of the region, comparative to other regions, the result was that we did better, but I think my point about the taxpayer is, would those projects have happened without that structure? Possibly/probably. Would it have happened as quickly and as effectively, and therefore with the saving to the taxpayer? I think not. That is the critical point— when we talk about unlocking that as well, I think we bring added value.

**Q123 Rosie Cooper:** Do you think it could be improved?

**Mr Woolas:** Yes, I do. I think that we have worked out, in each of the key areas of policy— Liz and David can expand if you wish, Chair—key priorities in each of the strategic areas, whether that be tourism, skills or economic development. We are able, therefore, to set out a programme with signposts on it that are clear, understandable and pragmatic, which is what I think we want in the North-West, and get on with it.

**Q124 Rosie Cooper:** Does that encompass all parts of the North-West? Eric will have questions about Carlisle. The only time I ever hear West Lancashire mentioned is when I see it on the map. How do you make sure that they are delivered?

**Mr Woolas:** We have developed the bottom-up approach to partnerships. If you look at the city regions and look at the partnerships between the local authority areas, the local area agreements and the multi-area agreements which pool funding streams through the Government public sector agencies, we are able to show and point to clear priorities and strategies in each of the geographical parts of our region.

**Q125 Rosie Cooper:** Not now, but would somebody let me know what my bit of the region’s priorities are please?

**Mr Woolas:** The beauty of the local area agreements is that within the minimum standards set out, each area or group of areas can establish priority functions. So, yes.

**Q126 Rosie Cooper:** I have seen that, but what I am really saying is that with this organisation—the Government Office and everything else— how do you actually take the top ones of those and make sure that they are delivered? You just do a tick box, which is what I see all the time, but how do you make sure that they are delivered?

**Mr Woolas:** By holding people to account and by shining a light, which is one of the reasons why I think these Committees are a very good development. We are able, therefore, to put things into the public domain from a regional perspective. We are very fortunate to have a developed regional and sub-regional media. Compared with other parts of the country, we are in a strong position. So shining a light helps, as does the work of yourselves and colleagues. That, again, is why I think that the Conservatives not playing their part is a travesty.

**Q127 Tony Lloyd:** Welcome. I share your passion for the North-West. I am delighted that you are the Minister. Can we turn to one of the specific and pressing issues that arises? Before you came in we had Steve Broomhead from the Northwest Development Agency. He confirmed what we had already been told by others, that among the major offenders in terms of slow payments of bills are the local authorities. As a former local government Minister, you know the terrain well. They are our partners. They ask things from central Government. Can we not beat them up a little bit more intensely to make them deliver on what ought to be a commitment?

**Mr Woolas:** In general policy terms—I will ask Liz to help me here— local authorities receive their funding on a three-year cycle. It used to be an annual cycle. It was a very wise decision to put it on a three-year cycle, whoever did that. That provides greater financial certainty. That is not being passed on sufficiently to service providers and others. The other side, as Mr Lloyd rightly says, is quick payment. We have a programme of work in this area.

**Liz Meek:** We do. It is one of the JEC priorities. We think we have done well on the public sector. About 90% are paying—

**Q128 Tony Lloyd:** This is public as in central Government?

**Liz Meek:** Public sector in the North-West. We think that 90% are meeting the pledge. It is not as good for local authorities. We wrote in the last couple of weeks on behalf of the JEC to every local authority. Once we get a response from them the JEC will consider it. Sir Richard Leese sits on the JEC. He is obviously interested in this area, so together we will be able to make a difference when we get the facts.

**Q129 Tony Lloyd:** Does that figure include, by the way, the health trusts?
Liz Meek: The health trusts are within the 90% that are paying promptly. So they are doing well.

Q130 Tony Lloyd: So central Government and agencies are good, local government—

Liz Meek: Local government are not as good, we believe, at the moment.

Q131 Tony Lloyd: Also, inevitably, what influence can you bring to bear on the private sector? We know also that the big firms do not pass on the advantage of prompt payment to the medium firms, and so on down the supply chain. What pressure is there on the private sector?

David Higham: That is an issue that we want to raise at the next meeting of the JEC on 20 July, because the private sector are represented on the JEC. We want to talk to them about how they improve their payment record. There is an initiative—the prompt payment code—which the development agency has been promoting and, frankly, we have had a very disappointing response from the private sector to it thus far. So it is an issue that we will be raising on 20 July. It is part of the function of the JEC to shine a light on these areas, as the Minister said.

Q132 Tony Lloyd: Most people have never heard of the JEC, including most private businesses. You may well have an agreement with the private sector directly represented on the JEC. That is great and some of them could be quite big and quite important. But we will still miss an awful lot of the regional economy if we do not get through to others. How do you project from the JEC to the thousands upon thousands of businesses, big, medium-sized and small, whom we want to be better payers?

David Higham: On the JEC we do not have individual businesses represented. We have representatives from the main business organisations, so we have the CBI represented on the JEC. We also have the private sector partners represented on the JEC. The private sector partners have an extensive membership among small companies. Off the top of my head, they represent something like 200,000 firms. I would see the private sector partners as a key mechanism for driving these messages down through the system. I agree. Clearly we need to reach all levels of business, rather than just concentrating on big business.

Q133 Rosie Cooper: I used to be the chair of a hospital and know that on occasion it was a struggle—in organisational terms, and not for any other reason—to ensure that it paid its bills on time. For the most part, when I was chair, that was reported back to the board. But what can be done, Minister, to encourage organisations, such as the health service where we have a direct influence, to pay their bills on time?

Mr Woolas: First of all, procurement policies and the relationship between public sector procurement and private sector, and public to public, are critical. We in the North-West—I appreciate that this is not a public awareness point—are the centre of excellence on that point. We provide that and I think that Tameside is the host. That is an absolutely critical factor.

The second factor is the relationship with the banks, because with generally relatively lower interest rates in the economy, the incentive for non-payment from that point of view is less than it used to be with high interest payments. The third point is naming and shaming. The Committee might want to look at that point to see whether or not we could have greater transparency. That is a point, because if you are losing your job because a supplier hasn’t been paid, or you are a supplier and the customer hasn’t paid, you’re going to be pretty annoyed, aren’t you?

Q134 Rosie Cooper: Thank you. Moving on to Jobcentre Plus, in the current times, most MPs are talking to constituents who have been made redundant or unemployed. They go to Jobcentre Plus and report that the staff are overstretched and there is a certain pressure on them. Do you think that they have the necessary resources in the current economic climate to meet the population’s needs?

Mr Woolas: It is a big challenge. The advice I have is that the number of people on the register has gone up by 75% in the past 12 months. If you look at claimant counts in May 2009, you will see that in all of Greater Manchester, Merseyside and the North-West generally, we are above the national average. In Lancashire, Cheshire, Warrington and Cumbria, we are below the national average, but overall we are above it. Do they have enough resources? That was the question, I think. I’m sure if we asked, they would say that they want more. I don’t have a feel for the individual—

Q135 Rosie Cooper: But I suppose that is the question. How do you get the feedback that those members of the public who are trying to access the services are getting a service that is of good quality, meets their needs, is rapid and does not give them the run-around? What I hear is that members of staff are actually telling people who use the services that they are overstretched, can’t do this and have no time for that. If they are your advocates and your front of house, and they are saying stuff like that, that suggests that either the feedback to your good selves may not be reflecting what is happening, or they could just be complaining. The question I am posing to you is: how do you know what is happening on the front line?

Mr Woolas: In the evidence that has been given by north-west Jobcentre Plus, I think it is right that we have recruited 1,800 more staff. I think the evidence from them is that the amalgamation of benefits and Jobcentre Plus has put us in a much stronger position than we would otherwise have been in. I appreciate that that is not a selling point, but it is an important policy point: I just wanted to get that in. To answer the question, personally I don’t know about any formal reporting arrangement, but Members of Parliament and their constituents provide the main feedback.
Q136 Rosie Cooper: Okay. I just wonder if it is something we need to look at.

David Higham: All I would say is that we have good relations with Jobcentre Plus. We meet with Jobcentre Plus regularly. Following this enquiry, we will take back the points that you have raised and talk to Mike Baker about them. I am sure that he can get back to you.

Q137 Rosie Cooper: You won’t need a microscope to get to the parts of Lancashire that I represent. Thank you.

What about the rapid response service? How are you measuring the performance of that in the North-West?

David Higham: Off the top of my head, I think that the regional rapid response service, which is the thing that was set up following the discussions between the main agencies, has helped something like 470 firms and probably about 32,000 people thus far. We are getting information back in that form. We also know that the service has been engaged in some of the major redundancies in the North-West, such as Shop Direct at Crosby. We get regular reports.

Q138 Rosie Cooper: What about the future jobs fund? That is a really important issue. Have you had applications from the North-West? What support have you given them? Are we going to make a difference here? Are we going to grab a few jobs?

Liz Meek: We are very pleased; we have had just over 30 applications so far that have been assessed, and they come from local authorities, the voluntary sector and the private sector. There is a good range. Most of our big partnerships have sent in bids. The multi-area agreement partnerships—Greater Manchester, Pennine-Lancs,—

Q139 Rosie Cooper: Tied to Pennine-Lancs, what about places such as West Lancashire and, if you like, the bottom end?

Liz Meek: We have had applications from Lancashire. We have had applications from the private sector and from voluntary sector organisations within Lancashire, so there is a good spread. As you know, it is a rolling programme. We have 31 or 32 applications now, and more will come in and be assessed. We have not made decisions yet. We are in the middle of assessing them, so I can’t really say other than that they look very good and innovative to me, and a large number of them, I am sure, will be approved. We are very optimistic that it will make a real difference.

Q140 Rosie Cooper: When will you start to approve them?

Liz Meek: Within the next three or four weeks, I think. It is a complicated process. They are with DWP, at the moment, and they are then coming to a regional panel. I can write to you and let you know when the outcome is.

Q141 Rosie Cooper: Not giving me any details—I am not supposed to know—but could you let me know if any of them affect my constituency at all?

Liz Meek: I will let you know what I can let you know.

Rosie Cooper: Thank you.

Q142 Mr Martlew: On the Learning and Skills Council, the Government have been lucky, in a perverse way I think, because we have had all the problems with the FE colleges. The Learning and Skills Council has not got many friends out there, but, in reality, if you take it away, there is an argument that it was doing a good job. Surely, this is the wrong time to be altering the structures; we are in a recession. Shouldn’t the Government have said, “We’re going to put it back.”?

Mr Woolas: From the point of view of the North-West?

Mr Martlew: Well, you can affect the North-West—you are the Minister for the North West.

Mr Woolas: I support the policies of my colleagues in Her Majesty’s Government. The restructuring of the LSC is designed to provide a better focus on skill provision, and the fact that the student or the recipient of the skills training is perhaps not that aware of, and perhaps not worried about, the structures in Government means that I do not think that it matters that much.

Q143 Mr Martlew: I don’t expect you to say that the Government have got it wrong, and I do not even expect you to say, “If we knew we were going to have this recession, we wouldn’t have done it now,” but what efforts are being made in the North-West to see that the demise of the LSC will not affect the quality of service that is going to be given?

Liz Meek: I chair, jointly with Steven Broomhead, a group that is about the transition for 16 to 19—sixth forms—which is basically being transferred to local authorities.

Mr Martlew: Where they used to be, of course.

Mr Woolas: Twenty years ago.

Liz Meek: Our job is to make Government policy work. I am very encouraged by the progress that is being made and by the enthusiasm and commitment of local authorities on that one. The region is doing very well on apprenticeships, both in the private sector and also we have a programme of public sector apprenticeships. We are all working together to make the new arrangements work. That is what we are paid to do.

Q144 Mr Martlew: We have considered the question of Jobcentre Plus and the evidence we have is that it has been doing a very good job and has been working with the LSC. Do you think it worked effectively with the LSC? What provision has been made to ensure that Jobcentre Plus works with the successors?

Liz Meek: The organisations both sit on the JEC, and they have worked together with the development agency on the rapid response arrangements, for example. That wouldn’t have happened several years ago. I really think there has
been a step change in collaboration at the highest level between these organisations. It is our job to ensure that that collaboration survives the transition. We know it’s a risk. We are very much on the case and will ensure that no effort is spared to ensure that the new structures work with us, as well as the old ones have been doing in recent times.

Q145 Mr Martlew: My last question is about apprentices. I hear my Government saying everything is fine with regard to apprentices and that they are being looked after in the recession. Unfortunately, when a constituent rings me up and says that her son who was an apprentice plumber has lost his job and when I try to find out what practical help there is, it is very difficult to find what the Government are doing. Can someone tell me what is happening?

Liz Meek: One of the early things that the JEC did, as a personal initiative led by Bev Hughes, was to ask the LSC to contract a programme that was about that very thing—where apprentices were going to lose their position because their firms were threatened, to find and pay for ways in which they could continue their training. That contract was let and has been operational, I think, since February or March. As I understand it, the aim of it was to do that very thing. I am not aware of any problems with it.

Q146 Mr Martlew: Nobody seems to be aware of this particular programme—Jobcentre Plus didn’t, the FE college didn’t. Where is it going wrong?

Liz Meek: I will take that away and see what we can do. The LSC is aware of it.

Q147 Mr Martlew: I hear my Government saying that we have taken this action and hear the chief civil servant from the north west saying that if an apprentice loses a job there is a system to allow them to finish the training. When I actually tried this with the Jobcentre Plus and the FE college, nobody seemed to know about this particular scheme. The apprentice I am talking about is now unemployed.

Mr Woolas: That is not acceptable, Chairman. The national apprenticeship service is coming into being—we have 350 staff transferred over. We will take that away and ensure that that is fed through the FE and Jobcentre Plus sectors.

Q148 Mr Martlew: That is obviously a bad case, but there is actually a national scheme that is operating regionally, which should stop this waste of future skills happening.

Mr Woolas: The Prime Minister has made it very clear what our priorities are in real help for people in hard times. He made it clear in the policy launch last week that our goal is that we will not allow for a generation of unemployed. Therefore, the point that Mr Martlew is making is extremely important. If there are structural problems that are resulting in this particular case, we will solve them. If it is a matter of political will, I will take that up. It is very clear that the Prime Minister’s instruction to his Ministers is to prioritise this area.

Mr Martlew: That is very comforting to us. Thank you.

Chairman: We have been advised that it is not a problem of funding; it is quite often a problem of finding places with employers. The desire is there, but how we can practically ensure that it happens is the point.

Mr Woolas: Thank you for bringing it to our attention. It shows the value of the Committee.

Q149 Tony Lloyd: Can I return more specifically to the Learning and Skills Council? One of the issues that has been raised with us is that, while Train to Gain had a relatively slow start, nevertheless it is now oversubscribed in the North-West. Since the LSC has told us that it is a demand-led programme, obviously what that does not mean is that when the money runs out then we are effectively rationing training. Now, training is the seedcorn of the future. This is for the existing work force, most of whom are the long-term work force, as we know. Can you, Minister, shoehorn more money from central Government into Train to Gain? In any case, can you help us in seeing how we can expand the work that Train to Gain so clearly does, which employers and employees want?

Mr Woolas: Yes. Can I shoehorn more money in? There is a further pot available, of which we are attempting to get our—more than our—share, because obviously that is critically important. What might help are some figures that we have, which the Committee might be interested in, if you have not had them already.

David Higham: Since it was launched two and a half years ago, it has helped 34,000 businesses in the North-West. It has enabled 28,000 people to achieve higher qualifications in the North-West. It gets extremely good feedback from employers and from trainers. It is a very good scheme. As the Minister says, more money is being made available for it. We need to make sure that we access that funding.

Q150 Tony Lloyd: What proportion of the national Train to Gain cake can we take in the North-West?

Mr Woolas: The number of businesses helped is, as David said, 33,763, and it is 127,000 nationally, so we have more than our share of companies.

Q151 Tony Lloyd: In that case, there is a good argument, since we can use the money, for the North-West being an efficient place for the Government to spend their money.

Mr Woolas: That is a very important point, and I am going to write it down.

Q152 Tony Lloyd: Minister, you will remember in the last recession that one of the things that employers did was simply to lay people off. We saw huge levels of unemployment—long-term unemployment, when people who went out of work stayed out of work. One of the things that is an interesting phenomenon this time around is that more companies are prepared to keep people on a short-term basis, which is encouraging, because it means that there is always half an eye on the future.
But are we doing enough to encourage both employers and employees to stay in short-term work where that is inevitable? Obviously, if we are not doing enough, the alternative is long-term unemployment, with all the social and economic consequences.

Mr Woolas: The point that has been made is central to strategy. The mechanism of course is financing, in large part, through the guarantee loan scheme and liquidity of the banks. The question you asked was whether we are doing enough. In the job watch that we have, I am not aware of the numbers of unemployed who have been made unemployed because of lack of such finance. There must be those people—of course, there are many thousands of small businesses—but going back to the previous discussion, what proportion of that comes back to late payment we think is not significant. However, the agenda that we have, which was actually the first briefing that I received as the new Minister, included this point. Our agenda is to ensure that those options are looked at as best we can, and that public finance, if it is possible to make it available, is used for that purpose. It reflects the point about the higher skill levels, because companies have reported that they do not want to lose critical mass of skills because of the investment that they have made in them. Retention levels are higher as a result of the situation than they have been for some significant time. I think that they are higher than they have been since the 1960s, which is a very interesting development in the North-West economy. So we could probably do more, as you ask, but on whether or not I am satisfied that it is central to our strategies, yes, I am.

Q153 Tony Lloyd: In a sense, you have already answered this—well, you have given a partial answer to it. I think you said that you are not aware that the financial issue is a major question. That’s interesting. The Federation of Small Businesses and the TUC have together put forward a proposal for a short-term wage subsidy. They clearly believe that—they have thought that that, added into the mix would give a lot of companies now the confidence that they do not need a short-term wage subsidy?

Mr Woolas: Let me be very clear about what I was saying. Of the significant numbers of job losses by single employers, we have not been made aware that that was the significant factor. Outside of that, there will be that factor.

Q154 Tony Lloyd: In that context, and this will perhaps help David Higham respond, there certainly is a demand—that has been enunciated by the FSB and the TUC—for a wage subsidy for short-time working. What is the position on that? Are we considering its efficacy, or is that something that has been ruled out?

David Higham: Ministers have said that they do not support the proposal. I think that is for two reasons. First, as the Minister said, there are some more effective ways of helping companies at the present time, most notably through, for example, dealing with shortages of credit etc. Secondly, when you look at wage-subsidy schemes that have been introduced in the past, they tend to be quite costly. They are costly because of what, in technical terms, is called dead-weight, in other words you often find yourself supporting employers who would not have laid people off anyway. It is a question of costs and benefits. At the moment, Ministers have taken the view that the costs of wage subsidies outweigh the benefits, given that there are other ways of addressing the problem.

Q155 Tony Lloyd: Access to credit is, of course, very important, we know that there is a huge issue. However, access to credit does not provide the same function as a recognition that in a period of low demand the cost of maintaining the labour force is too high for the revenues that are coming in. The whole argument around the wage subsidy is that it is a temporary stop-gap allowing us to go to the bottom of the recession until demand picks up. That is not really the same as access to credit because you can have access to all the credit that you want, but if you cannot service that credit then you go bust, so it is not the same.

David Higham: No. To come back on that, I quite take the point that employers have got to balance the cost of holding on to labour against likely revenues. If you look, not just at the initiatives that have been taken around the provision of credit, but more general initiatives around accelerating infrastructure projects or, taking account of some of the Minister’s opening remarks, what has been happening on the export side, we know that the North-West is a very export-dependent economy. We know that the pound has fallen substantially and gives north-west firms a substantial competitive advantage. I would have thought that that, added into the mix, would give a lot of companies now the confidence that although they may not have the revenues at this point, come six or nine months in the future, they will. You have to look at the whole package in totality.

Chairman: There is a Division so we will suspend the sitting for 10 minutes and recommence at 5.14 pm.

Sitting suspended for a Division in the House.

On resuming—

Q156 Chairman: Welcome back. The NWDA has a reduced budget at a time when you could argue that it needs more? What kind of message does it send to the North-West business community if we are cutting the NWDA’s budget?

Mr Woolas: The focused money that is available for businesses has increased over the years. If you look at the help that is provided—this probably goes back to the previous question on the wage subsidy—most significant, of course, is the tax credits, which relates to the question that was asked before. The
cancellation of the referendum on the Regional Assembly, the refocusing of the regional structure and the development of the city regions and the local area and multi-area agreements meant that we could have a bottom-up approach. I think that that makes it more focused.

**David Higham:** When we look at the NWDA budget of about £400 million a year and the size of the North-West economy, which is worth about £120 billion, focusing on the budget itself rather underplays the role of the development agency. The key issue for the development agency is how it uses its budget to lever in other forms of funding, and how it uses its leadership in the region to influence other agencies. It is only by influencing the private sector and by leveraging in other funding that it makes its main impact. While it is tempting to look at the budget itself, that gives a slightly misleading impression of the role of the agency. The agency continues to play a very important role in taking the region forward, and will continue to do so.

**Q157 Chairman:** What can we do to speed up the delivery of support to business men? For example, why did it take six months to launch the venture capital loan fund?

**Liz Meek:** As I think you know from other witnesses, there have been technical difficulties with the model that was proposed. It looks as though it is falling the wrong side of the Treasury classification rules, in that it will be public expenditure rather than private. That is actually a serious issue, because it relates to the risks that the Government would have to take on if it went ahead. The scheme that has been developed does not look as though it will be able to go forward in that form. However, we—the Regional Agencies, the Treasury and the Department for Business, Innovation and Skills—are working urgently to produce an alternative way forward that would do what we want to do, which is to make money available for the businesses in the region. Meanwhile, as you will have heard from the development agency, it has diverted some resource to an interim scheme and we are all putting pressure on the banks. The Minister is seeing the banks in Liverpool on the 20th to get bank lending back up to the levels that it was at, which is really important.

**Q158 Chairman:** We hear about the prospects of a double dip recession occurring with the second part of it being the result of cuts in public expenditure—right or wrong—after 2011. What is your view on that? How will the prospects of that specifically affect the North-West?

**Mr Woolas:** Part of our strategic goal is to boost confidence to show that the jigsaw puzzle, as I described it in my opening remarks, has the leadership that it needs to develop confidence. The role of the media at a regional level is much more positive in helping build confidence than it is on the national scale, which tends to confuse politics with economics too frequently in my view. Local papers, regional papers and regional electronic media have a vested interest in our success, in talking us up, not talking us down. The suggestion that has been made in some quarters that a double-dip recession would be prompted by public expenditure is not based in any economic reality, but there is this factor in the modern world of confidence, and we are determined that we are not going to let that happen to us.

**Liz Meek:** It is worth mentioning the future projects that we have in line for the JEC.

**Mr Woolas:** This is the exciting bit.

**Liz Meek:** We talked earlier about some of the JEC work to save schemes that were threatened. The JEC is actually in transition, I think, and obviously, with a new Chair, will take a different course. To answer your point about the future and confidence, we are very keen to prepare for the upturn and to ensure that all the regional agencies work together around a relatively small number of key regional priorities. We've identified four, which include the media industry—building on what's happening at media city—renewables, the nuclear industry, and the corridor between Manchester and Liverpool. But, we will be moving on to others. The idea is to come up with specific proposals to ensure that we are ready to fly when the situation is right.

**Q159 Chairman:** Over what time scale are those proposals?

**Liz Meek:** They are medium term, so, I guess, over a period of years. Obviously, media city is being constructed as we speak and big decisions are being taken in the next year or so on nuclear. We want to be sure that the region is ready to take advantage of those.

**Q160 Tony Lloyd:** Can I turn to one of the fairly new initiatives, which is the role of the city region? Obviously, Manchester and Greater Manchester—our city region—is one of the pilots. As a Greater Manchester MP, I very strongly welcome that initiative, but two questions stem from it. The first is about the time scale of the devolution of power and what powers will be devolved to the city region because, frankly, this doesn’t make sense if it's only a batch. It only makes sense if it gives the city region some real control and, to quote your words Minister, bottom-up power. The second part of the question is that I can well understand that there is anxiety from other parts of the region about the role of the Manchester city region already being the economic development part of our region. There is an issue as to how we maintain equity across the region whilst legitimately devolving power to the city region.

**Mr Woolas:** We are leading in the North-West. The Greater Manchester city region is the leading city region in the United Kingdom.

**Tony Lloyd:** Some would say in the world.

**Mr Woolas:** Well, it’s undoubtedly that, Mr Lloyd. I have to choose my words very carefully because I am a Greater Manchester MP myself, but there are two city regions that we’re putting into place—the Greater Manchester and the Leeds city region. In our case, it is overseen by the Chancellor of the Exchequer; in the Leeds case, for information, it is overseen by the Secretary of State for Communities and Local Government. With the city region, we are in the process of discussing the relevant powers. We
are ahead of the pack on that. Indeed, I met the leadership last Friday to discuss the political priorities involved in this. On the equity point, it is very important and it is a goal of policy that we have such agreements in place for the whole of the region. Of course, as I mentioned before in relation to the quote that you read out, Mr Chairman, Merseyside and Greater Manchester are big city engine rooms. But we have tremendous advantage across the region and, in all the areas, we will have those multi-area agreements. Cumbria, of course, is a county—a district—so there is a slightly different arrangement there. Parts of Lancashire are obviously two-tier, but we will have those multi-area agreements, or local area agreements where applicable, in place for the whole of the region. Then, of course, the priorities can be set much better for those areas.

Q161 Tony Lloyd: In terms of time scale, do we have any idea when?
Liz Meek: We are hoping it will take three to six months to have the new arrangements in place, but they’re being negotiated as we speak, so it’s not possible to say exactly what will be in the agreement.
Chairman: May I thank you again, Minister, and your team, for what has been extremely good evidence in what must be a very busy schedule?
Written evidence

Memorandum from HM Government (NW 01)

INTRODUCTION

— The global economic downturn has had a significant impact on business and communities in the North West, it has been most acutely felt in the automotive, engineering, construction, retail and finance sectors.

— The Government is providing real help to families and businesses. All regional partners have a part to play both in making sure the region is best placed to deal with the consequences of the downturn, and to respond to the upturn, through initiatives such as “Real Help Now”, within the context of New Industry, New Jobs.

— Government has come together with regional agencies, local authorities (through 4NW, and the Regional Leaders Board), the private and third sectors in the Joint Economic Commission led by the Regional Minister and North West Development Agency to ensure that the North West responds effectively to short-term challenges and to ensure that the North West exploits longer-term opportunities for growth.

IMPACT OF THE RECESSION

1. The current economic situation has seen the combination of a unique set of factors—a credit crisis, increases in commodity prices, and a fall in consumer demand—create a global recession on a scale unprecedented in the post-war period. This memorandum focuses on the impact this has had in the North West. It sets out action that central government and regional agencies, working with local partners, have taken to provide support for businesses and communities, most notably through the establishment of the Joint Economic Commission for the North West. A more detailed response on the impact of the recession is being provided separately by the North West Development Agency in its written evidence.

2. The North West’s economy has strengthened over the last 15 years, underpinned by major economic restructuring which has enabled growth, diversification, and regeneration in communities. As a result, the region is better placed to face tougher business conditions and a more challenging global market. However, despite the inevitable lag in accurate economic data, it is clear the downturn has been felt most in the automotive, engineering, construction, retail and finance sectors.

3. Although the North West has a lower exposure to high level banking, finance, and dependent services than London, the strong growth seen in recent years has begun to slow. Lending associated with the housing market and investment in commercial property and business assets has been affected, leading to a dramatic reduction in confidence about the economic outlook, as evident from surveys by the Institute of Chartered Accountants.

4. The construction sector (accounting for 6% of the NW economy) has been most severely hit, particularly house building but also commercial markets, including large-scale developments requiring funding from the financial markets. House prices have fallen across the region, alongside a rapid increase in repossession orders. The region’s automotive supply chain has also experienced difficulties, with major automobile manufacturers on short-week working, and new vehicle registrations at low levels. Advanced manufacturing meanwhile has seen some competitive advantage in exports following the recent fall in the sterling exchange rate.

5. Access to finance remains the single biggest issue for business, with high arrangement fees and bank interest rates for loans, and a lack of understanding over availability of financial products. In some instances, large firms are using their market power to extend payment time to suppliers, impacting upon working capital. Overall, the region has seen 2,700 bankruptcies and winding up orders made in the last quarter of 2008.

6. The number of people out of work has increased over the past year in the region from 201,000 to 271,000—representing an increase of 35%. Unemployment in the North West stands at 7.9%, although figures suggest that the rate of increase in unemployment may be slowing. Those claiming Job Seekers Allowance has increased over the past year (April 2008 to April 2009) from 111,859 to 195,119, and the NW rate at 4.5% is higher than nationally (4.1%). This partly reflects long-standing structural issues in the regional jobs market. Redundancies have been concentrated in manufacturing, logistics, retail, and construction.

1 Firms are taking on average 60 days to pay an invoice. For firms with 1000+ employees it is 90 days.
2 Purchase Managers Index, RBS
3 May 2009—Labour Market Statistics, ONS
4 February 2009—Labour Market Statistics, ONS
5 March 2009—ISA claimant count, JC+
6 HR1 Submissions to BERR, JC+, AB11 ONS
GOVERNMENT RESPONSE

National

7. In January, the Government announced further measures to reinforce the stability of the financial system, increase confidence and capacity to lend, and support the recovery of the economy. It has also acted directly to help well-run companies struggling to secure finance as a result of tougher credit conditions. Measures have been introduced to increase liquidity and ease credit conditions for SMEs. Guarantees and loans have also been provided to help the automotive sector’s transition to low carbon vehicles.

8. A major issue facing business has been maintaining cash flow. Initiatives as part of the Real Help for Business package include:

   — Enterprise Finance Guarantee Scheme (EFG): £1 billion of guarantees to support up to £1.3 billion of bank lending to smaller firms. In the NW, 140 loans worth £11.6 million have been offered to business.

   — Working Capital Scheme: Banks have been provided with up to £10 billion of guarantees covering 50% of risk. This secures up to £20 billion of working capital credit lines for companies, and frees up capital which banks must use for new lending.

   — Capital for Enterprise Scheme: A new £75 million fund to provide equity investment for viable companies; this can be used to pay off existing debt to free up capital for cash flow and investment for the future.

9. To further help with cash flow, the Government has committed to paying bills within 10 days ensuring Government payments reach suppliers quicker than before—including up to £66 billion across central departments and up to a further £82 billion across the NHS and local authorities, and is promoting better payment practice between businesses by encouraging them to sign up to the prompt payment code.

10. HM Revenue and Customs is committed to working with businesses which are facing difficulties in paying taxes. Business rate payers can now defer 60% of the increase in their 2009–10 business rate bills until 2010–11 and 2011–12. Since 11 November, 100 North West businesses have deferred VAT and taxes in this way, equivalent to £188 million.\(^7\)

11. Real Help for Businesses offers real, practical help to cut bills by simple changes in the way resources like energy and water are used, and waste are handled. This complements Improving Your Resource Efficiency, one of the new suit of products launched under “Solutions for Business”, which provides a range of specialist support and advice.

12. The Government has a clear framework to ensure an integrated response to the recession. The National Economic Council, chaired by the Prime Minister, is supported both by a Regional Economic Council (co-chaired by the Chancellor of the Exchequer and Secretary of State for BERR), and a Council of Regional Ministers.

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\(^7\) November 2008 – March 2009
Regional

13. The Joint Economic Commission for the North West was established by the Minister for the North West last October to meet as and when required to:

— assess and monitor the performance of the NW economy;
— discuss the challenges facing the region and agree any necessary individual or joint actions, to ensure that the North West economy emerges from the current downturn stronger than before; and
— enable Regional Ministers to ensure that decisions of the National Economic Council (NEC) can be implemented and that information on impacts in the NW can be fed back to the NEC.

14. The JEC is co-chaired by the Regional Minister, the Rt Hon Beverley Hughes MP and the Chair of the NWDA, Bryan Gray. Membership comprises the Chair or Chief Executive of all the major public agencies, alongside local authorities, the private sector, higher education, the third sector, and the trade unions. The Secretariat is provided by GONW.

15. The JEC acts as part of a fast-response mechanism which, through the Regional Minister, enables the Government to keep in touch with developments on the ground and offer support where needed. It has met five times since October, and has focussed on five areas:

— Labour Market;
— Support for Business;
— Public infrastructure and investment;
— Impact of the downturn on communities; and
— Preparing for the upturn.

Labour Market

16. Regional partners have agreed a Joint Plan to respond to the Labour Market downturn and support employers and individuals. Through close partnership and alignment of offers—including a Rapid Response Service (RRS), and Response to Redundancy Programme—swift action on redundancies has been put in place.

17. Those unemployed can get help early on, including jobsearch skills, and access to training/re-skilling opportunities. RRS is offered to every employer with 20 or more redundancies and in local communities who have been disproportionately affected by multiple smaller scale redundancies. Funding for 2009–10 has increased nationally to £12 million, with £1 million allocated to the North West. Companies supported in the region to date include Woolworths, Leyland Trucks, Burtons and Arla Foods.

18. The JEC has also taken action on apprenticeships to ensure these are in sustainable skill areas to help maintain employment. The public sector is playing its part though initiatives like Civil Service North West. A steering group of public sector employers (local authorities, Strategic Health Authority, North West Universities Association, Civil Service NW, NWDA, JCP, LSC, NAS, AoC) has been formed to drive the take-up of apprenticeships across the public sector, chaired by the North West Local Authorities Employers Organisation (NWEO).

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Support for Business

19. In December, the JEC announced the establishment of a Transition Loan Fund of at least £10 million for businesses in the region. This was followed in January by £35 million funding from the NWDA to help regional entrepreneurs get businesses off the ground. Loans have been offered to date with a value of £2 million, with advanced discussions on others.

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8 NWDA, Home and Communities Agency, JobCentre Plus, Learning and Skills Council, Highways Agency, and NHS NW.
9 Through 4NW.
10 NW Confederation of British Industry, Federation of Small Businesses, Private Sector Partners.
11 North West Universities Association.
12 NWVCS and NW TUC.
20. NWDA has also increased dedicated Access to Finance support within Business Link Northwest (BLNW). A specialist team has helped businesses become aware of available options, providing direct access to appropriate sources of finance to support business growth. Business Link has provided free “health-checks” to 4,119 businesses since October, and assisted firms to source working capital, capital equipment, and advise on restructure.

Public infrastructure and investment
21. The JEC reviewed all major capital schemes and prioritised them for action according to whether they are a significant regional priority, sufficiently well developed with funding and partners in line, and experiencing blockages that required urgent action. These schemes have been flagged as priorities for the North West through the Council of Regional Ministers. The Regional Minister has also written to the appropriate Departments to seek help in unblocking. To date a number of major projects have been enabled to proceed through this mechanism.

22. A sub-group of the JEC is looking at the housing market. The group is coordinating a site by site review of stalled developments to prioritise actions to get house building restarted, looking at mechanisms to stimulate new investment and meet demand.

Impact of the downturn on communities
23. The JEC has focused strongly on communities. Work led by the Third Sector has looked at how to better help those with personal debt and housing repossession problems. Local Authorities, Housing Associations and the third sector are working to enhance the availability of co-ordinated advice services, and raise awareness.

24. Twelve councils in the North West have already agreed to fast track the Government’s mortgage rescue scheme, which will help those having trouble repaying mortgages to stay in their homes.

Preparing for the Upturn
25. Regional partners have remained focused on strengthening the economy to ensure it is well placed to take advantage of the upturn. Initial work has commenced, led by 4NW and NWDA, on developing a single Regional Strategy. The JEC has also received a report on how to develop and retain skills; it has identified four areas of long term strategic investment where action may be taken to expedite delivery to the benefit of the regional economy in terms of productivity and competitiveness:

— Atlantic Gateway;
— West Cumbria Energy Coast;
— Renewables;
— Creative and cultural industries.

Communications
26. Businesses and communities need to be aware of the help available. The JEC has therefore established a dedicated website. It has also held meetings in different sub-regions to further raise its profile, and provides an opportunity for greater engagement by stakeholders. The Regional Minister has written to all NW Members of Parliament and Local Authority leaders to inform them of the JEC’s work.

27. Alongside this, partners have developed a “Real Help for the North West” booklet, launched during the Prime Minister’s visit to the region on 12 March. This explains the help that is available now to families and businesses, and where to find it.

Local
28. GONW is working closely with Local Authorities in the context of the downturn through Local Strategic Partnerships (LSPs). It has negotiated and will monitor the three year Local Area Agreements (LAAs), on behalf of Central Government. The current LAAs, ending 2010–11, include challenging economic targets encompassing business growth and reductions in unemployment.

29. Two Multi Area Agreements (MAAs) were signed on 13 January with the Liverpool City Region and Pennine Lancashire. These are in addition to the region’s first MAA in Greater Manchester. A further agreement is currently under negotiation with partners on the Fylde Coast.

13 Chaired by the Homes and Communities Agency (HCA).
14 Fast track authorities are: Wigan, Preston, Oldham, Ellesmere Port and Neston, St Helens, Wirral, Blackpool, Knowsley, Trafford, Manchester, Ribble Valley, and Sefton.
15 http://www.supportnw.co.uk
30. In the Liverpool City Region MAA, a new council partnership comprising Liverpool, Knowsley, St Helens, Wirral, Sefton and Halton councils will be given greater responsibilities in more than 10 areas covering employment, and skills. Platforms are being negotiated to cover the economy, housing and transport. In Pennine Lancashire central government will hand over greater responsibilities in fifteen areas covering employment, skills, transport, regeneration, housing and planning. The Fylde Coast negotiations are focusing on infrastructure, skills and employment.

31. The Budget announced that Greater Manchester will be one of only two “City Region pilots”. Drawing on the recent Manchester Independent Economic Review, Government will work with partners to develop proposals for new strategy-setting powers over adult skills funding, the coordination and alignment of investment, and the piloting of new employment programmes.

Interventions by Individual Agencies

NWDA
32. NWDA has refreshed its Corporate Plan for 2009–11 to ensure increased immediate support for business and continued long term investment in capital projects, skills and other activities to stimulate recovery and position the region for sustainable long term growth. This builds on the support that was already being planned as a result of the economic challenges and will support the new mission for RDAs as recently determined by Government.

Homes and Communities Agency (HCA)
33. HCA has steered the work of the Housing Sub-group of the JEC to ensure development of responses to maintaining supply, meeting demand, continued investment in existing stock and helping families facing repossession. It has ensured existing programmes and commitments remain on target and innovative responses are developed, including delivery of a regional record £194 million NAHP, 3,256 new homes with 3,243 on-site, and strengthening of links with development and lending sectors.

Jobcentre Plus
34. Jobcentre Plus has developed a range of initiatives to help employers and unemployed people, including individuals from disadvantaged communities. The Rapid Response Service is the cornerstone of its response to support both individuals and employers affected by redundancy. From November, the scope of the support was broadened to include all job losses rather than just large-scale redundancies.

35. Under Local Employment Partnerships (LEPs), employers agree to consider some of the most disadvantaged unemployed applicants to fill their vacancies after they have received bespoke pre-employment training. In the North West over 12,700 businesses have signed up to LEPs, helping over 19,000 disadvantaged customers start new jobs. The Integrated Employment and Skills Service also provides career guidance—over 3,500 newly unemployed people in the NW have benefited from this service.

Learning and Skills Council (LSC)
36. The North West LSC is working closely with partners through the Regional Skills and Employment Board (RSEB) to deliver a range of initiatives to support individuals affected by the recession. This includes a £22 million Response to Redundancy programme to assist 21,500 individuals under notice of redundancy or newly redundant, which provides skills development activities relevant to vacancies and sector based skills demands. An additional £14 million is being invested to up-skill and re-skill 13,500 individuals who have been unemployed for longer than six months.

37. The LSC is also investing £2 million to provide enhanced information, advice and guidance for 15,000 young people entering the labour market for the first time. An employer pool has also been established for up to 450 Apprentices threatened with redundancy, or made redundant, to enable them to complete their Apprenticeship and, where necessary, offering wage replacement as a fund of last resort.

NHS NW
38. NHS North West has optimised its contribution to the private sector economy by fulfilling the Government’s 10 day payment commitment, which would apply to approximately £5.3 billion of spending by NHS North West organisations on non-pay items. It has also expanded relevant services to respond to the immediate health consequences of the recession. A crucial example of this is the expansion at a national level of the Improving Access to Psychological Therapies programme.
39. NHS North West are also utilising the £1.7 million allocated to the region to develop an immediate support service operating across PCTs for those who have or are about to experience being made unemployed; and providing system-wide leadership to social value and corporate responsibility by launching a “Manifesto on Social Value”, which includes commitments on using local suppliers and creating new jobs and apprenticeships.

4NW

40. Working through the 4NW Economic Development Group, and in partnership with North West Improvement and Efficiency Partnership as well as Government Office and NWDA, local authorities and stakeholders have sought to take a constructive response to the credit crunch and recession. Although local authorities are also financially impacted upon by the downturn, they have significant further potential to assist in preparing the region for the upturn and will continue to promote best practice responses.

Government Office North West (GONW)

41. GONW represents Central Government in the region, joining up the work of 12 Departments and feeding back the region’s views and unique needs to Whitehall. It works with partners at a strategic level to ensure they are up to speed and working effectively together.

42. It supports the Regional Minister in her extensive programme of meetings with businesses and business organisations in each of the sub-regions. This has ensured she is fully aware of how the recession is affecting business and has a basis for a considered, co-ordinated regional response. GONW also support the Regional Minister in her engagement with the Council of Regional Ministers and the Regional Economic Council.

43. As part of its remit to ensure Central Government is aware of the region’s concerns and ideas, GONW has organised events bringing senior ministers (including the Prime Minister and Lord Mandelson) to meet business people. It also supported a visit by the full Cabinet to Liverpool in January.

44. GONW, 4NW and NWDA are working with partners on initiatives for the longer-term. In particular facilitating the Regional Funding Advice (RFA) process, ensuring the region focussed on improving its record on delivery of priority investment projects. The resultant RFA sets out clear integrated regional priorities, has a spatial focus and has a strong emphasis on delivery.

Annex

ACHIEVEMENTS OF THE JOINT ECONOMIC COMMISSION

Labour Market

— Accelerated and safeguarded private sector apprenticeship programmes eg Construction Skills clearing house for apprentices losing existing provider.

— Civil Service North West Apprenticeship Programme launched on 27 March 2009. Over 130 apprentices already in place.

— Rapid response to redundancies—12 cases currently (inc Woolworths, Leyland Trucks, Burtons, Arla Foods), 15 further cases in development.

— Delivered a series of joint (JCP, LSC, NWDA and ACAS) sub-regional communication events for providers and business intermediaries to cascade the “offer” to those facing redundancy.

— Public Sector Event—with Chief Executives and HR Directors (including LA, Health, Education and OGDs) to explore ways of engaging the Public Sector in tackling rising unemployment and worklessness.

Support for Business

— Enhanced support available via Business Link since December.

— Nearly 3,000 business health checks delivered since October.

— Over £500,000 loan funding to start ups, growth businesses, social enterprises in Jan/Feb 2009 compared to £800,000 for whole of 2007–08.

— £10 million Transitional Loans Fund launched in December and over £1 million loans already agreed.

16 Cabinet Office; Department for Business, Enterprise & Regulatory Reform; Department for Children, Schools and Families; Department for Culture, Media and Sport; Department of Energy and Climate Change; Department for Environment, Food and Rural Affairs; Department for Work and Pensions; Department for Transport; Department of Health; Home Office; Ministry of Justice.
PUBLIC INFRASTRUCTURE AND INVESTMENT

— Unblocking capital projects:
  — Bolton Sixth Form and Community Colleges and Liverpool Community Colleges fast tracked 4 March 2009 (LSC £90 million).
  — West Cumbria Hospital announced 3 March 2009 (NHS £100 million).
  — Liverpool Edge Lane and Hall Lane (DfT £950,000).
  — Greater Manchester Waste Disposal Authority PFI deal (£640 million construction costs, £3.8 billion total contract) signed 8 April 2009.
  — Nearly 450 housing sites have been reviewed and are being prioritised for intervention inc Lower Broughton, New Islington, St Mary’s (GMr), Tannery (Merseyside), Upton Dene (Cheshire).

IMPACT OF THE DOWNTURN ON COMMUNITIES


PREPARING FOR THE UPTURN

— 4 long term strategic priorities
  — Atlantic Gateway.
  — Cumbria Energy Coast.
  — Renewable Energy.
  — Creative Industries.

COMMUNICATIONS

  — Letter to 4NW Leaders Forum 18 February 2009.
  — Letter to NW MPs 16 March 2009.
  — Support NW Website launched April 2009 http://www.supportnw.co.uk

WORK IN PROGRESS

— Skills for the upturn.
— Young people joining the labour market.
— Debt and housing repossession advice.

Memorandum from Manchester Airport (NW 02)

THE IMPACT OF THE CURRENT ECONOMIC SITUATION ON THE NORTH WEST AND THE GOVERNMENT’S RESPONSE

Manchester Airport welcomes the opportunity to comment on the committee’s inquiry into the impact of the economic situation on the North West and the Government’s response.

We have limited our comments to the impact of the recession on the aviation sector and our relationship with the North West Development Agency and the Government Office for the North West, as these are our primary relationships with Government Agencies.

Aviation is a major UK industry carrying over £180 million passengers and over 2.1 million tonnes of freight a year and the crucial importance of aviation to the UK economy is well documented in the Aviation White Paper and the Eddington Report.

Airports are major economic drivers for the regions in which they operate both in terms of employment and providing the connectivity needed to attract high profile businesses to the region. Manchester is the largest airport outside of the south-east and handled 22 million passengers in 2008. Manchester Airport generates over 41,000 jobs and £1 billion of regional GDP.

The economic downturn has had a significant impact on the aviation sector both globally and within the UK resulting in falling passenger numbers and revenues for airports and airlines.

MAG airports have also been affected by the slowdown in passenger growth. Passenger numbers across MAG airports are expected to decline some 5% in 2008-09 on the previous year, with the biggest fall in Manchester (7%).
There is no doubt that aviation like many sectors is facing challenging times in a difficult economic climate. We strongly believe that now is not the time to burden a high-performing sector with additional taxes and legislation. Initiatives such as proposed increases to Air Passenger Duty (APD), proposals to introduce “Administered Incentive Pricing” (AIP) for the use of aeronautical and maritime pricing and proposals around airport policing would have a detrimental effect on the aviation sector at a time when it is most vulnerable.

APD currently costs departing passengers around £2 billion a year. The proposed changes to the rate of APD would have a huge impact on prices for long haul tickets, particularly in the second phase. An economy ticket to Singapore (band D) would potentially cost £85 more in 2011, equating to a rise of over 16% on a typical fare of around £520, should the airline choose not to absorb the increase.

Another proposal which would have a detrimental impact on airports is OFCOM’s proposal to apply market-based charges for the use of radio spectrum for aviation and maritime purposes. The proposals are likely to cost Manchester Airport in the region of £1.2 million per year.

These examples illustrate some of the tax and regulatory issues the aviation industry is currently facing. We strongly believe that given the important contribution aviation makes to the UK and the regions, placing additional taxes and legislative burdens on the industry would have a significant impact at a time when it is struggling to compete and attract passengers.

We have recently established a joint steering group between NWDA and Manchester Airport with the aim of securing the sustainable growth of the airport for the wider benefit of the North West. Through the Steering Group NWDA and Manchester Airport will work together to identify opportunities to capitalise on the economic activity generated by the airport, whilst ensuring that airport connectivity is considered appropriately in determining regional transport policy.

Manchester Airport is broadly comfortable with the Government’s response to the economic situation on the North West. We think this could be strengthened, especially by the NWDA, by:

— playing to the region’s distinctiveness and strengths: there is a tendency at present for Government Agencies to seek agreement with the North West stakeholders via a “lowest common denominator” approach. We would like to see a clear set of priorities which seek to capitalise on the region’s strengths and exploit its competitive advantage;

— focusing on those sectors in the region which are best placed to meet the economic objective of addressing the productivity gap between North and South, eg nuclear technology, aviation, core city growth, the “Whitehall of the North” and key growth sectors such as hi-tech manufacturing; and

— focusing on the North West’s unique assets. For example no region outside of the South East can boast an airport with the same level of international connectivity as that provided by Manchester Airport.

Our concern is that the NWDA can have a tendency to become distracted from the key economic drivers for the North West, in its efforts to build consensus across the whole of the region. While there is a need for consensus, this should not detract from the overriding objective of closing the productivity gap with the South of England.

Memorandum from Greater Manchester Police (GMP) (NW 03)

The true relationship between the economic downturn and crime levels (GMP’s core business) is unknown. Indeed, whether a recession has a direct cause and effect relationship with crime levels is debatable. The notion that higher unemployment will directly result in more criminal acts does not ring true. In reality there are a multitude of complex, interrelated factors and it is too early to say what the impact of the economic downturn is on this relationship.

Internally, at a corporate level, GMP has undertaken an assessment of the strategic issues that may impact on policing as a result of the economic downturn. In doing so, consideration was given to organisational issues other than potential increases in crime. These issues have been assessed in terms of the expected impact they would have on the organisation and the likelihood of their occurrence. Appropriate actions for mitigating the associated risks are now being identified and put in place.

At the local level, Basic Command Units are working with partners, from both the private and public sectors, to monitor the effects of the economic climate. For example, the Oldham Division is working in collaboration with the Oldham Partnership, which has established monthly “Credit Crunch War Cabinet” meetings, where issues are considered from across the Partnership.

In terms of the role of Government Office North West (GONW), anecdotal evidence indicates that it does not accept that the economic downturn is an appropriate justification for increases in crime. Furthermore, anecdotal evidence suggests that GONW has requested updates on the public sector’s response to the economic climate on an ad hoc basis.
It is arguable that the real impact of the recession on the public sector is yet to be felt and may not be until the end of the current Comprehensive Spending Review in 2011. The looming threat of widespread job losses across the public sector (KPMG are now predicting around 100,000 posts will go), would have implications both on individual organisations and crucially on partnership working. The real or perceived effects this may have on service delivery could have implications for public confidence, of which course is now a key measure for the Police Service and local partners.

GMP is responsible for policing Manchester Airport, which, following a couple of years of strong performance, growth and record operating profit has this year seen a significant downturn in passenger numbers (projections are that numbers could reduce by a couple of million). It follows then that profits will reduce accordingly, and there has already been a reduction in staff employed by the Airport and pressure upon capital expenditure programs. However, in the past year recorded crime has reduced by more than a quarter and detection rates still achieved 35%. This is viewed as an example of situational crime reduction through environmental redesign. Indeed the Airport has made significant investments in facilities over the past few years, including a number of target hardening measures. It is anticipated that, when the economic situation recovers, the Airport will be strongly placed to capitalise from a growing economy.

Beyond Manchester Airport, the aviation sector is set to feel the impact of the impending aviation security processes. The forthcoming Policing and Crime Bill will bring forward legislative requirements upon all National Aviation Security Programme airports to undertake “proportionate” processes with local police forces to agree common threat assessment processes, the development of an Airport Security Plan and reach an agreement over the policing levels and their costs. Whilst this has been strongly resisted and lobbied against by the industry, the Bill will enshrine it. This will mean that many medium and small operators, will have to meet new direct costs of policing their Airports. Many operators would argue that even in the best of economic times, their profit margins are such that they cannot meet the costs of policing. However at this particular point in the economic cycle, many are likely to say that if they are forced to absorb the costs their operation will no longer be viable. This would see the aviation sector again lobby extremely hard against these changes when they are brought forward.

Memorandum from Electrical Engineering Forum (EEF) (NW 04)

EEF BACKGROUND

1. EEF is the representative trade body for the manufacturing sector. The organisation was founded in the North West and has a history going back more than 120 years.

2. In the North West EEF has around 800 member companies from all sectors of manufacturing and from a range of business sizes. EEF has offices in Warrington, Liverpool and near Preston from which its staff of 55 provide a comprehensive range of business support services including employee relations advice, legal guidance and representation, human resources consultancy as well as a comprehensive learning and development programme. EEF represents its members on the regional policy fora that impact on their business and operations.

EEF REGIONAL LINKS

3. EEF has strong working links with the key business bodies in the region and is a member of the Regional Development Agency’s (RDA) economic forum and the Government Office economic forum. EEF inputs regularly to the Bank of England’s programme in the region focussing on the quarterly economic trends data that is collected at regional level.

4. EEF is also on the steering group for the Manufacturing Strategy and Action Plan (MSAP) currently in preparation by the RDA. On the innovation theme of the strategy, EEF has led the debate in partnership with the advanced engineering and materials department of the RDA, cluster groups, the Universities Association and the Manufacturing Institute.

MANUFACTURING IN THE REGION

5. EEF research indicates that the North West is the most important region in the UK for manufacturing output contributing 18.9% of UK output in 2008. The sector employs over 370,000 people. The region has a strong manufacturing base with chemicals, defence, electronics, automotive, pharmaceuticals, food and drink and aerospace all represented.

6. Manufacturing in the North West has a strong bias to exports with around 65% of production exported. Key markets are the US, larger EU members as well as growing prospects from China, India and Russia.

7. Manufacturing in the region has been a strong performer through to the end of quarter 2 2008. There had been a strong profile of positive investment in the sector over a period of five years that had driven up performance and productivity.
INNOVATION

8. Since 2003 innovation in manufacturing has grown 18% compared with 9% in services and 7% in the economy as a whole. North West manufacturing has a strong profile of innovation and productivity growth and many companies in EEF membership operate in niche markets. In 2004 45% of manufacturing companies indicated that they operated in a niche market—that figure for 2007 was 61%.

THE IMPACT OF THE ECONOMIC SLOWDOWN

9. The credit crunch began to impact manufacturing in the third quarter of 2008 when businesses related to construction saw a dramatic downturn in trade. A number of EEF members were forced to make redundancies to avoid going out of business.

10. EEF business trends date for 2009 q1 show cash flow, investment, orders and output have all been dramatically hit by the downturn in the economy. The chart below shows balances of the key variables for EEF members.

11. All sectors of manufacturing are forecast to contract in 2009. Manufacturing as a whole is expected to fall 8.6% with engineering down 10.9%.

12. Growth is forecast to return to manufacturing into 2010 but it is likely to be less than 1% and there are many risks to that figure.

13. There has been widespread de-stocking throughout manufacturing in the region in the last two quarters. This has had a deep impact on the region’s manufacturing supply chain that is still reasonably focussed on the North West. There is limited evidence that this de-stocking has finished.

14. In a regional comparison the North West was not the worst performer being third of the English regions for the first quarter of 2009. That figure is not forecast to hold up into 2009 when the North West may slip into the bottom four of the English regions.

15. The automotive sector in the region has been particularly hit with contraction forecast to be 21%. The sector in the region remains in a very difficult situation with a regionally focussed supply hit also badly hit.

16. Pay deals in manufacturing are at historically low levels where they are being agreed at all. EEF’s latest pay survey shows the average deal at 1.7% but 20% of all companies are deferring pay deals with 45% freezing conditions.

OVERALL RDA PERFORMANCE

17. The Regional Development Agencies (RDAs) divide opinion. Many people argue that they are unaccountable and unnecessary quangos. EEF has a number of concerns about the RDAs, but we believe that they provide business-led critical mass for promoting regional economic development. Put more simply, they are better able to address what are often region-wide economic issues than central government (too distant) or local authorities (too fragmented). Critics who propose abolishing them completely have yet to come up with a credible alternative.

18. Nonetheless, EEF believes that RDAs need clearer objectives, a greater focus on outcomes rather than outputs and often need to work more closely together to overcome artificial geographical boundaries. In most cases RDAs should also be commissioning bodies, rather than delivery agents.

19. In terms of their performance, EEF published a report in 2007 which found little direct evidence of RDAs having made a major difference to regional economic development. However, RDAs have made a major contribution to urban renewal and have come into their own in coordinating responses to regional crises, such as the foot and mouth outbreak or the closure of the Rover plant in the West Midlands.

**North West RDA and the Manufacturing Strategy**

20. The RDA in the North West has a strong track record in developing a good working dialogue with business. EEF enjoys a close working relationship with the agency particularly through its Economic Development team. The advanced engineering and materials staff have provided expert guidance on a range of issues.

21. As referred to above EEF, has a strong interest in the development of the regional manufacturing strategy. EEF is closely involved in this key initiative and has involved members across the region in its development. This involvement will continue. The RDA has been very patient and has consulted widely and very effectively on the strategy. There has been considerable buy in from the interested parties in the region.

22. It is essential that the strategy is completed and work is able to advance without delay on the programmes identified in the consultation work. This work has the potential to really effectively coordinate support work and initiatives for the manufacturing sector as the recession carries on.

**The Single Regional Strategy in the North West**

23. The regional economic strategy has a number of challenges to take on as it develops towards 2010. In fact in the North West the process has been generally and genuinely consultative and although time consuming the RES team in the RDA have been helpful and good at communications. The major challenge for the RES now is to try to address the difficult economic times as well as to capitalize on the business support simplification process.

**Government Office North West**

24. Government Office North West has been a good coordinator of action and has a comprehensive programme of economic data collection and discussion. Again, EEF enjoys close working links with Government Office North West staff and relies on their guidance and help across a range of issues.

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**Memorandum from the Federation of Small Businesses (NW 05)**

**Summary**

— Trading levels continue to get worse and at a faster rate.
— Invoice payment times are getting longer and public sector not yet delivering on 10 days promise.
— Credit insurance costs increase as does the cost of existing and new credit through banks.
— North West banks are turning down half of all small business applicants for credit.
— Too few banks are making Enterprise Finance Guarantee Funding available.
— Some sectors doing better than others—tourism, repair & maintenance and those providing services previously done “in house”.
— Small businesses in supply chains for defence and motor industries will be suffering.
— Construction has been badly hit but more, smaller contractors trying the domestic market.
— Most vulnerable sector is the small, independent high street retailer.
— Federation of Small Businesses (FSB) enjoys a good relationship with Northwest Development Agency (NWDA) & Business Link Northwest (BLNW) but there is room for improvement and great benefits if fully exploited.
— Better use could have been made of NWDA in managing the Enterprise Guarantee Funding.
— North West Joint Economic Commission (NW JEC) in danger of being a talking shop, needs better public sector/private sector balance and improved feedback from national.
— BLNW is improving all the time and is open to new ideas but still poorly utilised, better marketing would help.
— The Boards of both NWDA and BLNW are missing the benefits of have representatives of business organisations on them.
— Need to look at the composition and role of 4NW; it is not valued by the independent private sector.
— Make taking on an apprentices easier for small businesses.
— Small businesses disillusioned by government promises of help that are too slow to roll out.
— The last budget was not very helpful for small businesses, many excellent opportunities missed.
Evidence

— Initiative such as Real Help Now and the joint response on redundancies needs to be better marketed.
— Dangers in too much decision making at local authority level resulting from Sub National Review of government. Have they the capacity? And will they be inclusive in their consultations?
— VAT reduction cost small business more than they gained.

1. Introduction to the Federation of Small Businesses

1.1 The Federation of Small Businesses (FSB) has around 215,000 members nationally and is the UK’s largest business lobbying group—approximately 22,000 of those members are in the North West. The FSB’s principal aim is to protect and promote the interests of its members and the small business sector in general.

2. The effect of the economic situation on the region; including the effect on different sectors and on different sub-regions

2.1 According to FSB members in the region the volume of trade has continued to decrease at a growing rate over recent months. In February, 46% of members reported reductions in trade levels. By April this had increased to 55%. Those experiencing an increase in trade have slipped from 24% to only 18% over the same period. (note 1)

2.2 Adding to the difficult trading conditions members are reporting a huge and unsustainable, from their perspective, rise in the time it takes the private sector to pay invoices. The most recent figures show nearly 38% of our members are now waiting longer than they were in February for settlement.

2.3 There are very few signs that the 10 day payment scheme for the public sector, promised by government, is being adhered to with a massive 83% reporting longer payment periods.

2.4 In the last six months over half of those respondents applying for credit insurance have seen the cost increase.

2.5 Increases in the cost of existing and new finance have also increased by more than 50% and 72% respectively over the last two months. Almost half of those who applied for a loan or overdraft in the same period were refused.

2.6 A significant number (22%) of small businesses remain unaware of the government’s guaranteed finance schemes. Less than 40% of those who are aware believe it will encourage increased bank lending.

2.7 When asked about the Enterprise Finance Guarantee, of those who were aware of their bank’s position, only one in four said their bank was making it available.

2.8 The rural economy is almost entirely reliant of small businesses and their situation during this recession is even more critical than ever. The decline of services in rural areas, mainly banks and post offices, has had an undesirable knock on effect on the rest of the community these served. The FSB proposes setting up Post Banks similar to those operating successfully in some other European countries. Based on the Post Office network it is felt that the Post Bank system would provide the necessary banking and investment opportunities to survival and perhaps revival of rural areas. Details on the FSB’s website at www.fsb.org.uk

2.9 Anecdotal evidence on the effects of the recession on different sectors reveals that:

— Tourism, so far this year, is benefiting from a weak £ in Europe and an uncertainty about continued employment in some sectors.
— Businesses in repair and maintenance sectors eg motor repair appear to be less seriously affected as are those in businesses where services were provided “in house” and are now contractors out to them.
— As projects in the defence sector are put back the small business supply chains, particularly in Cumbria and Lancashire, will themselves find trading difficult.
— Smaller companies in the motor industry supply chain will suffer considerably unless they too benefit directly from any government initiatives.
— Construction’s problems are well documented and businesses, large and small, in this sector are desperate for a revival. Some smaller contractors have widened their markets to include domestic repair and maintenance in order to stay in business and retain experienced workers.
— The IT sector presents a mixed picture as projects like Media City in Salford increase demand. This is counterbalanced with a reduction by businesses in general to purchasing new equipment—it’s make do and mend for the time being.
— Most vulnerable are the independent retailers. Even before the recession the continuing and unchecked growth of larger, multinational retailers was causing many closures. This has worsened considerably in the last year. Some estimates suggest that, by 2015, there will be few, if any, traditional family run shops left. It is also estimated that, for every job created in a major retail outlet, three jobs will be lost due to closures on the high street. The FSB is to conduct research on this subject later this year.
According to figures published by BDO Stoy Hayward, there are around 120 small businesses closing each day, many of these will be on the high street. Research by Experian shows that four of Britain’s worst hit high streets (by percentage of empty shops) are in the North West:

- Rochdale—29% (the 3rd worst in the whole country)
- Congleton—22%
- Ulverston—21%
- Bootle—21%

3. The effectiveness of Northwest Development Agency in assisting businesses in the current economic downturn

3.1 The FSB’s relationship with NWDA and BLNW has improved significantly in recent years. Both independently and as a member of the Private Sector Partners NW Ltd (note 2) the FSB has opportunity to discuss issues with the NWDA’s chief executive, his senior managers as well as the managing director of BLNW.

3.2 However, this does not mean the system of communication is perfect and it is sometimes felt that communication and agreement at senior levels does not always reach more practical operational levels within the organisations.

3.3 There is a great and untapped capacity within the private sector to support and advise not just the NWDA but all other government agencies in the region. This opportunity is weakest when agencies assume the private sector has the resources to respond to lengthy and technically papers in anything but a cursory manner.

3.4 In our opinion, BLNW has responded quickly and effectively to meet the changing need of businesses. Their move to put great emphasis and resources into supporting access to finance has been welcomed.

3.5 The FSB feels it is too early to pass judgement on the NWDA’s effectiveness in the current economic situation. However, it is our belief that they should have been allowed a more prominent role in managing the allocation of Enterprise Guarantee Funding. Their understanding of the region and where the funding would do the most good is better than the banks who are inclined to consider their own commercial position before that of businesses they might loan to.

4. The response of the Joint Economic Commission

4.1 The intentions of the NW JEC are good and worthwhile. However, bringing together, as it does, representatives from a wide cross section of sectors and interests in the region, the JEC is in danger of attempting to solve all ills and not achieving anything substantial. The FSB has attended four of the five JEC meetings and is concerned that it has gathered a tremendous amount of information and appears to have done little with it.

4.2 There appears to be a disproportionate amount of focus on the public sector. The JEC would benefit from a more balanced membership between the private sector and the public sector.

4.3 The meetings themselves would benefit from more feedback on what issues are discussed and resolved at the national meeting of regional ministers.

5. The capacity of the Government Office for the North West, Government agencies such as Business Link, Learning and Skills Council, and Jobcentre Plus, and other partnerships to respond effectively to the economic downturn

5.1 There is strong evidence that the changes, two years ago, to Business Link Northwest have been welcomed by small businesses. The information, diagnosis and brokerage model is seen, by the FSB, as the most effective means of supporting small businesses.

5.2 A joint FSB/CBI/BLNW survey in late 2008 showed improvements in accessibility, service levels, quality of support and relevance of support. Despite this BLNW’s services are only used by 15% of those seeking advice and support. Accountants at 50% are the most likely first port of call for business advice and BLNW should put greater emphasis on using them as an access point. Marketing of their services is still weak.

5.3 BLNW have shown willingness to accept criticism and do everything they can to address fundamental problems with their services. This was clearly shown when, following an FSB report criticising advisor/broker abilities, they worked with the FSB on a scheme that partnered brokers with small business owners in order for them to better understand their “customer”. The programme was considered a great success by both parties. Consideration is being given to extending this programme into Train To Gain.

5.4 The Board of BLNW has recently been selected and the FSB was disappointed that its representative was not successful in being selected. Whilst appreciating that there are recommended criteria for such positions we believe that the exclusion of representative body, such as the FSB, simply because it is a business organisation, is a fundamental error. Without commenting on the abilities of those chosen it needs to be recognised that, as individual business people, they are less likely to bring the same depth and scope of
information on business needs to the table than those from business organisations. The FSB have recommended to BLNW that they set up an advisory group, from the region’s business associations and professional bodies, to sit in a formal advisory capacity to the main board.

5.5 The same principle applies to the selection and make-up of the NWDA’s Board. It is a missed opportunity to be better informed on what is happening in the private sector when representative organisations are excluded. The recent job description and person specification for new NWDA Board members are pitched at a level that would almost certainly exclude almost all business people running small companies. Given that around 98% of all businesses in the North West are small this means that it is highly unlikely for this majority in the business community to have adequate representation.

5.6 The majority of the private sector representative bodies, including the FSB, were disappointed by the way the Regional Leaders Forum, 4NW, was appointed without proper consultation or negotiation. 4NW was formed from the executive committee of the North West Regional Assembly (NWRA), a body that was not supported by the independent private sector in the region. In the eyes of the FSB, the NWRA proved to be an ineffective and counterproductive. We believe that accepting the executive as the regional leaders forum is a mistake. The inclusion of a small number of non politicians in the hope of convincing an outside world that it is inclusive only adds to its lack of appeal. If there is to be a leaders forum then it needs to comprise equal partners with a balance between the political and the non political.

6. The usefulness of government initiatives such as Real Help Now, in providing support and enabling access to finance, for businesses in the North West

6.1 Small businesses were initially encouraged by government announcements regarding access to finance but have become disillusioned by the delay in getting these programmes into place.

6.2 There is no real evidence to show whether Real Help Now has been useful other than one comment that a business had seen it and thought it might help. It is generally felt that it needs better marketing and promoting.

6.3 The government missed several opportunities in the last budget announcement to support small companies. These are detailed in the FSB’s Budget Submission document at www.fsb.org.uk but principal amongst these missed opportunities were: the granting of automatic rate relief, creating a corporate mediator and the reduction and simplification of the taxation burden.

6.4 The government’s decision to reduce VAT may have looked good, but, in reality, it appears to have had very little positive impact on trade volumes. In fact, many small businesses saw an increase in their costs as they coped with this change.

6.5 The FSB were dismayed by the recent Funding Roadshow, hosted by Ian Pearson MP, which appeared to be an attempt to disprove what small businesses are actually experiencing regard difficulties accessing finance. This feeling was exacerbated by the fact that it was largely delivered by a senior representative from a partially government owned bank who was trying to convince a better informed private sector that it was lending to the small business sector. This event also had the purpose of asking business representative organisations to carry out marketing of government initiatives on their behalf. PR events of this nature should be reconsidered by government.

6.6 The initiative between Jobcentre Plus, LSC, NWDA, BLNW and ACAS to work together in response to redundancies is welcomed. The FSB is worried that small businesses are in danger of slipping through the net and missing out on this opportunity as they would not normally have to report less than 20 redundancies. We urge all the participating agencies to give this initiative the widest possible circulation so that small businesses can also benefit.

6.7 The new apprenticeship scheme is in danger of becoming every bit as complicated for employers as previous schemes. Small companies in particular will be less inclined to take on trainees at any level if it involved too much red tape.

7. Whether the approach of regional government and its agencies during the current economic situation strike the right balance between short term need and planning for the future

7.1 The provisions, within the Sub National Review of Government, to allocate more decision making at local authority level sounds good in theory. In practice this could lead to a confusion of local schemes and initiatives that will make management of the regional economy very difficult. It also relies heavily on local authorities having or being able to obtain the capacity to take on these new roles. The FSB is concerned that, in many North West local authorities, this capacity does not exist and it would be costly to introduce it.

7.2 Scrutiny of the single regional strategy at this local level also makes it far more difficult for regional partners, like the FSB, to participate in effectively because of the number of meetings likely to come out of this. The FSB is concerned this will give an inconsistent approach, using only those partners able, willing or allowed to take part in decision making.

7.3 This could well lead to the type of situation that occurred last year in Greater Manchester when the Association of Greater Manchester Authorities (AGMA) attempted to force through their Transport Innovation Fund bid without proper consultation with the independent business sectors. Using only selected advisors chosen by themselves and the Manchester Chambers of Commerce, and all known to be pro the
congestion charge, they approved a scheme that was, in our opinion, neither cost effective nor fit for purpose. The result of this was a massive defeat in a referendum with 80% of the voters rejecting congestion charging. It is hoped that the lessons learnt by this very costly and embarrassing episode will not be repeated and a more inclusive consultation process will be used in future.

Notes
i The figures quoted in paragraphs 2.1 to 2.7 are taken from polls of FSB members conducted in February and April 2009.

ii Private Sector Partners NW Ltd brings together around 25 of the regions’ business associations and professional bodies and combined membership has approximately 120,000 North West businesses.

Memorandum from CBI (NW 06)

The CBI is the UK’s leading business organisation, speaking for some 240,000 businesses that together employ around a third of the private sector workforce. Member companies which influence all policy positions include: 80 of the FTSE 100, some 200,000 small and medium-sized firms; more than 20,000 manufacturers and over 150 sectoral associations. No other UK organisation represents as many major employers, small and medium-sized firms or companies in the manufacturing or service sectors.

Summary
— Recession deepened in Q1 2009 and outlook, specifically from manufacturers at record low levels.
— NWRDA and Business Link should be commended for their reaction to recession, despite confusion of Government announcements.
— There is little evidence that the Joint Economic Commission has had a material impact on mitigating the effects of the recession for private sector firms.
— Regional Government agencies hampered by “policy overload”.
— Government initiatives variable in quality and failing to deliver.
— Focus on the short term had been correct, but emphasis should now be on building for the future.

The effect of the economic situation on the region; including the effect on different sectors and on different sub-regions:

1. The impact of the recession in the North West will not become clear for some considerable time, but a range of independent views indicate that the Region’s economy has shrunk by an average of 1.6% in Q4 of 2008 and Q1 of 2009.

2. Firms in all sectors have reported steep declines in both domestic and export orders and optimism levels for manufacturing output in 2009 are amongst some of the worst on record.

3. Much weaker and more uncertain demand, and the ongoing tightness of credit conditions, are continuing to weigh down on business activity. Firms have already responded with a dramatic level of destocking. Further running down of inventories is expected, but at a slower pace, over most of this year. Meanwhile, sizable cut backs in investment and staff numbers are expected. Business investment is forecast to fall by 9.3% over 2009 and 3.4% in 2010. Unemployment is now expected to peak at 3.25 million in early 2010.

4. The level of the economic impact across the North West varies by sub-region owing to the diversity of the economy and the varying degrees of reliance on specific sectors. For example, the rapid decline in the commercial and residential property sector has not been felt as acutely in Cumbria and it has in Greater Manchester.

5. Consumers have already sharply reduced their spending and increased their savings in response to the deepening recession, but the downward pressures on household consumption are expected to intensify further. Higher unemployment is forecast, while those in employment are likely to see only very muted growth in their earnings given pay freezes for many and cuts in pay for some. Increased concerns about job security, and the further erosion of household wealth from lower house prices, will also factor in terms of tipping the balance between consumption and saving. CBI now forecasts a 3.4% fall in household spending this year and a 0.4% decline next year.
The effectiveness of the Northwest Regional Development Agency in assisting business in the current economic downturn

6. The NWRDA has responded efficiently and effectively to the economic downturn, quickly realigning its activity to try to offer support in the market place. However, as a conduit for Government policy, the NWRDA has been stymied by the failure of Central Government to turn policy announcement into action on the ground.

7. For example, the NWRDA acted swiftly to bring about the delivery of the Venture Capital Loan Fund, with the promise of project commencement in April 2009. It is now understood that delays in HM Treasury mean that June 2009 is the earliest likely start for this programme. In the intervening two months businesses that were viable, aside from access to credit, will have ceased trading.

8. The NWRDA has been taking a noticeably higher profile in recent months; it is important in times such as these that bodies like the NWRDA are visible and showing leadership for the Region. Being a business led organisation, the NWRDA has real contact with the business community and it is reassuring to see their actions have, generally, been to recognise the problems faces by firms in the Region whilst maintaining optimism for the future.

9. Business Link North West, a wholly owned subsidiary of the NWRDA, has moved swiftly and decisively to act, particularly in attempting to provide solutions to the lack of liquidity available to private sector firms. The realignment of BLNW in 2007 has allowed it to act in a strategic manner across the Region and to leverage as much resource as possible to the benefit of those firms struggling to access credit.

10. BLNW has focussed efforts on providing support to firms facing issues with access to finance. Its actions have highlighted the need for such bodies to be at a regionally strategic level, which allows it to lever in a greater resource for the benefit of business across the North West.

The response of the Joint Economic Commission, established by the Regional Minister in November 2008, to economic downturn

11. The establishment of the JEC in 2008 was a much welcomed move during worsening economic conditions. The business community welcomed its establishment and objectives; namely;
   — review information and intelligence on the economic and social impacts of changing economic circumstances;
   — agree a regional response to them; and
   — look at opportunities to push forward both existing and planned infrastructure projects that would benefit the North West economy.

12. The JEC has performed its outlined task in reviewing information and intelligence and provides a useful forum for public sector bodies to share such information amongst themselves.

13. The JEC has also performed an adequate role in translating National Government announcements into an outline for actions by the public sector within the Region. Although the delivery of these actions, has in many cases, still to be seen.

14. However, there is little evidence of the JEC having a noticeable impact on the third objective. For example, at the November 2008 JEC meeting it was agreed that “Minister for the North West to write to all public sector organizations in the region to encourage prompt payments.” Six months on and a recent survey revealed that 80% of Councils were not hitting the 10 day target set by the Prime Minister.

15. When the JEC was established it had an important role to play in focusing attention on the worsening recession and to be a central point for the development of action. The JEC clearly met the first criteria and was supported in that role by the private sector representatives who are in attendance.

16. However, as the recession has continued the private sector representatives have largely begun to question the purpose of JEC. The recent paper submitted to the May meeting of the JEC entitled “JEC achievements” contained items largely of interest to the public sector and of questionable validity. For example, “All Government Departments, local authorities and other public sector agencies in the region have been asked to honour the prompt payment commitment to settle invoices within 10 days and many are so doing” It has already been shown that 80% of councils are failing to meet this target, hardly something most people would recognize as an achievement.

17. The JEC suffers from having no powers and can only fulfil a role of “encouraging” action and “raising” issues with Government departments, who are under no obligation to respond or react.

18. The rapid reaction and decisive action of the NWRDA and Business Link NW have already been outlined earlier in this response.
19. The other agencies named and for which a response is sought could all be classed as performing adequately, given the conditions in which they operate; namely that there has been a plethora of policy announcements from Government but fewer real actions.

20. The terms of reference for these organisations necessarily inclines them to be reactive rather than proactive in nature, and to that end it would be accurate to suggest that they have reacted as well as can be expected.

21. It is unlikely that GONW, the LSC or Jobcentre Plus are in a position to mitigate the effects of the recession but are positioned to enable the recovery post recession to be speeded up. However, the LSC will be abolished in 2010 and so will have a limited role in supporting the recovery from the recession which will, in all likelihood, be continuing after its demise.

The usefulness of Government initiatives such as Real Help Now, in providing support and enabling access to finance, for businesses in the North West

22. Government focus on solving the credit crisis has quite rightly been on ensuring that the UK banking sector is recapitalised and in a position to restart lending to businesses as soon as possible.

23. It is clear that this effort has not yet solved the problem of the lack of liquidity in the market place and it will take some time for this to be the case.

24. Much of what is offered under the Real Help Now banner is in fact a simple rebranding of pre-existing products; to that end the Real Help Now documentation is a useful tool for bringing that information about sources of support into one place, but it offers few “new” solutions for business. For example, it should be noted that the Real Help Now booklet suggests that the skills pledge is part of the “real help for business now” when it was launched in 2007.

25. Furthermore, the Real Help Now booklet details the availability of funding through the Venture Capital Loan Fund, which as has been mentioned earlier in this response, has been delayed until June at the earliest.

26. As a further example, Train to Gain does not always deliver value to business—42% of employers believe the programme had no impact on their business and three quarters (74%) described the brokerage service as mixed or poor.

27. The area of business support is suffering from the recycling of initiatives, the re-packaging of old initiatives under a new banner and a lack of action to back up policy.

Whether the approach of regional Government and its agencies during the current economic situation strike the right balance between the short term need and planning for the future

28. It is right that during this recession much of regional Government’s focus has been on dealing with the short term impact and with trying to manage a coordinated response to the economic downturn.

29. Some Government agencies have performed well in realigning their priorities and allocating resources, to the best of their ability, in order to meet the immediate needs and shortcomings being experienced by private sector firms.

30. The CBI has recently proposed that economic indicators and evidence from members suggests that the recession might have bottomed out. This implies that the next stage in the cycle will be growth, although that may be many months away, and thus planning for growth and aiding businesses to come out the recession quickly should receive greater priority.

31. Beyond the recession, the drivers of economic growth will almost certainly be different to the recent past, with consumer and government spending expected to be more constrained. So business investment, exports and import-substitution will need to make a much greater contribution to economic growth than over the 1997–2007 decade.

32. A great deal of private as well as public sector investment will anyway be needed to support UK competitiveness, help the transition to a low-carbon economy and secure the nation’s future energy and infrastructure needs. Fiscal policy therefore needs to be shaped to support international competitiveness.

33. It follows that the tax burden in general and the business tax burden in particular, should be prevented from rising further not just through the recession but during the recovery and beyond.

34. If this is to be achieved, a radical reform in the approach to public service delivery will also be required, to enable overall public spending to be reined back without unacceptable harm to the UK’s economic and social policy goals. Public sector investment must be protected, with the necessary savings found from the current expenditure budget. And fiscal policy should be used where appropriate to support the shift to a low carbon economy.
Memorandum from the Centre for Local Economic Strategies (NW 07)

The Centre for Local Economic Strategies (CLES)\(^{18}\) is delighted to respond to this call for evidence from the North West Regional Committee of the House of Commons on the impact of the current economic situation on the North West and the Government’s response. The recession has presented significant challenges for the region of the North West and its localities and neighbourhoods. CLES has worked extensively with local authorities and regional organisations in the region to discuss how they respond to these challenges in order to strengthen their resilience in the face of national and global economic change.

As a membership based organisation, CLES has a number of members based in the region and it is through our links with these members and through our own research that our response to this call for evidence is shaped.

A key outcome from the current economic situation on the North West has been the proactive response of local authorities in the region who have been shown to respond quickly and imaginatively to the onset of recession in their areas. There is also evidence of close local authority working with sub-regions co-ordinating responses and communicating ideas and responses from across North West. The effectiveness of the local authority response makes a strong case for ensuring that local authorities are given a strong role in managing recovery of local areas in the future, as they are well placed to deliver effective solutions to make economies resilient. Regional organisations must recognise the vital role that these authorities play in the future development of sub-regional organisations and regional strategy.

The recession has also highlighted the complex governance arrangements at a regional level with a variety of organisations attempting to co-ordinate responses to recession in the region and provide support where gaps remain. Our work with partners and authorities in the region leads us to believe that the regional tier is vulnerable to being perceived as unaccountable to communities across the region and overly complex. There is confusion around responsibility and roles, particularly in relation to development of strategy and delivery. In addition, given the magnitude of the challenges we now face in our economy and wider society, there is a lack of new ideas as to how the economy of the North West moves forward into the future, with an over reliance on the assumption that our economy can return to the model that it has followed during the last 10 years of growth. It is imperative that the new regional strategy recognises the need for new approaches to economic development that are not based purely on the assumptions that have underwritten the Regional Economic Strategy in the past, but also face up to the challenges of inequality, skills and environmental change that will continue to impact on the region as the full impacts of recession unfold.

CLES is involved in a range of different research projects at present including the development of resilient economic strategies, economic assessment and economic governance. Our ideas on resilience are based on the interdependency of the commercial, public and social economies and more information about our ideas can be found on our website. www.cles.org.uk

1. **The effect of the economic situation on the region; including the effect on different sectors and on different sub-regions**

1.1 The economic situation has had a significant impact upon the North West as a region. Whilst CLES do not provide quantitative information that organisations such as the Regional Intelligence Unit generates, we can provide evidence of the noticeable effects of the recession upon local government and in particular their policy, strategy and project decisions. We have undertaken independent research and research with partners into the responses of local authorities in the region and have found that local authorities have been particularly proactive in a number of ways including:

   — **More locally focused procurement practice**—a number of authorities in the region have sought to restructure their procurement strategies and decision-making processes to enable local suppliers to acquire service delivery contracts. This has often included: closer networking and engagement with SMEs and the third sector over procurement opportunities; meet the buyer events; and the unbundling of contracts to support small local organisations tendering. The process of procurement is incredibly important for the sustainability of local businesses and the wider resilience of the local economy.

   — **A number of short term process and partnership responses**—many local authorities and collaborations of neighbouring authorities in the region have set up task groups to respond directly to the effects of the recession in their locality. These task groups have often provided a forum for discussion and action for local authority service managers and directors together with the local private and third sectors. Local authorities have also upped the ante of their links and partnerships with Business Link and debt organisations, to up their support to businesses and individuals during the recession. There is evidence that some local authorities are considering how their strategies and plans need to be amended in the longer term to take account of the impacts of recession as they unfold.

\(^{18}\) The Centre for Local Economic Strategies (CLES) is an independent national think-doing organisation involved in regeneration, local economic development and local governance. CLES brings together a network of subscribing organisations, which includes regeneration partnerships, local authorities, regional bodies, community groups and voluntary organisations. CLES offers a range of services including: events and training; publications; enquiry and information service; policy advice and a consultancy trading arm.
The effectiveness of Northwest Regional Development Agency in assisting businesses in the current economic downturn

2.1 The support offered by the NWDA to businesses during the recession has taken place mainly through the auspices of Business Link services. This service has changed significantly in recent years, primarily as a result of the Business Support Simplification Programme (BSSP) which has aimed to simplify and rationalise the support provided to business and changed the role of Business Link from delivery agent to broker. This has also resulted in moving business support and advice to more of a sub-regional structure and reducing the role of local authorities in supporting businesses in their mainstream economic development work.

2.2 The impact of recession is more likely to be felt by small to medium sized businesses, which operate within the most deprived areas and neighbourhoods of local authorities. In addition, many social enterprises and micro businesses will find the recession challenging. With business support moving to the sub-regional level it is not clear how well equipped Business Link is to respond to the needs of business as they emerge, particularly social enterprise and those businesses located in the most deprived areas of the region. The proposals contained in the Review of Sub-National Economic Development and Regeneration with regard to the regional sphere were designed to make regional strategy more streamlined and simplified and ensure that bodies such as the Regional Development Agencies were more accountable to not only local authorities but also organisations and communities in the region.

2.3 The commencement of the process of developing the new (Integrated) Regional Strategies was designed to be the start of the era of new accountable regional government. The regional strategy agenda also has the potential to provide a strong framework for the future to help the region recover in the long-term from the impacts of recession. However, from what CLES has seen so far of the process in the North West, there are questions about how the regional strategy planning process has been developed to date in the region.

2.4 Firstly, the NWDA has undertaken a very brief consultation on the Principles and Issues Paper, which has outlined the main assumptions and questions, which will inform the regional strategy process. The agency’s willingness to outline the key assumptions which underpin their thinking for the regional strategy is welcome as is the short and pithy nature of the document. However, what is disappointing is that there appears to be no link between what we are learning about recession in the region and the development of the future regional strategy. The current plans for the regional strategy as set out in the principles and issues paper are very much focused on a return to a growth model as a strategy for recovery. There are no new ideas in here or reflection on what the failings of regional growth model have been in the last decade, for example, increase in inequality and poverty.

2.5 Whilst growth should be a consideration in the North West’s response, we need to think more widely about the process of response, considering issues relating to social justice, tackling inequality and mitigating the effects of climate change to ensure that our places are truly resilient to change. Development of the region is often seen as synonymous with growth. However, whereas growth is about quantities of jobs, investment and infrastructure, development implies a change in structure or character and has the ability to be more dynamic. More research is required to consider how the agency targets support in those areas which are furthest from growth and most vulnerable to the impacts of recession.

2.6 Secondly, the evidence base of the development of the Regional Strategy is intended to be influenced by local authorities in the form of the Economic Assessment Duty, which will become a statutory duty for all top-tier authorities from April 2010. This process is designed to enable better strategic relationships between the regional and local spheres and thus enable greater lines of accountability with regard to regional and local economic decision making. The reality is that the NWDA are pushing on with the development of the Regional Strategy without waiting for the production of the economic assessments at the local level. This may mean that the Regional Strategies are not necessarily being informed by solid local evidence and knowledge of how local economies are functioning and being shaped.

2.7 Thirdly, and relating directly to the content of this question of the call for evidence is the fact that the whole process of economic development continues to be focused from the regional level upon the commercial economy, that is the functioning of the private sector. Responses to the economic downturn should not just be focused upon sustaining the function of the private sector or commercial economy. Instead
3. The response of the Joint Economic Commission, established by the Regional Minister in November 2008, to the economic downturn

3.1 The role of the JEC in the North West is to assess the performance of the regional economy; to discuss the challenges that this faces and take action accordingly; and to enable the Regional Minister to feed information both ways between the region and the National Economic Council. These were established by central government to improve their communication with the regions regarding economic development and issues, enabling the government to keep abreast of development and offer support as necessary.

3.2 CLES feels that the role played by the JEC is too centrally focused, and therefore does not pay enough attention to the specific cases of individual localities. Therefore the information being received by the Government does not accurately reflect local outcomes or learn from local innovation or solutions. We feel that the JEC should play a greater role in influencing regional policy and in making financial decisions that will affect local organisations and businesses.

3.3 In terms of direct actions, we have little knowledge about how successful the communications and recommendations of the JEC have been. While a number of measures have been undertaken, for example around worklessness, apprenticeships and supporting businesses, we could not find readily available information on specific projects and what their outcomes have been. As well as limiting our ability to comment on the effectiveness of the JEC, this also suggests that there is limited transparency and/or activity of the JEC. We would therefore prescribe a greater role for the commission in the future, but one that is more focused upon localities and supporting locally specific solutions.

4. The capacity of the Government Office for the North West, government agencies such as Business Link, Learning and Skills Council, and Jobcentre Plus, and other partnerships between government agencies, local government and the private sector to respond effectively to the economic downturn

4.1 The myriad of agencies in the North West working in the fields of regeneration and local economic development appear well equipped to respond to the effects of recession in the region. There is certainly capacity in numerical terms in the Government Office, in the NWDA, and in the LSC to respond to the recession yet there are some concerns as to whether these types of organisations have the strategic and innovative capacity, or in fact the correct remit to effectively respond. One specific example of correct or incorrect remit is with regard to the dual role of Jobcentre Plus.

4.2 Jobcentre Plus can no longer continue to be both an administrator of benefit and a broker of employment. Jobcentre Plus’s current role provides a contradiction between support to find a job and punishment for those who do not conform to the system. There are a number of other organisations in the public and third sectors which offer a much better personalised and individualised approach to employment support which the Government’s welfare reform agenda is striving for. CLES believes the function of Jobcentre Plus needs to be reformed creating a national benefits administrator AND a separate sub-regional employment brokers for all benefit claimants. Additionally Jobcentre Plus does not necessarily have the capacity nor does it have the required skills in support and brokerage terms to deal with the challenge of recession and in particular a new wave of unemployed individuals. The recession has made unemployed a significant number of highly skilled professional people from sectors such as financial services. The brokerage and support offer of Jobcentre Plus, will not directly enable a return to work for these new claimants.

5. The usefulness of Government initiatives such as Real Help Now, in providing support and enabling access to finance, for businesses in the North West

5.1 CLES warmly welcomes the Government’s response to downturn through initiatives to help SMEs to stay afloat during downturn, such as the Enterprise Finance Guarantee Scheme, the Working Capital Scheme and the Capital for Enterprise Scheme. While these are decisive steps by the Government to reduce business failure and job losses, we are concerned about how prolific their uptake has been in the region.

5.2 Recent evaluation of uptake at national level found that only four firms in the country have benefited from the £75 million Capital for Enterprise Scheme to provide equity to small businesses, five months after it was launched. The total sum invested was therefore only £6 million of the pot set aside, despite 329 applications being received. Also, one in three firms applying for loans through the Enterprise Finance Guarantee have seen their applications turned down.
5.3 While we cannot comment on the exact uptake or impact of these measures in this region, we do feel that uptake could be much higher, and therefore regional, sub-regional and local government in the North West should be actively engaging with local businesses to spread awareness of the opportunities and build SMEs capacity to apply for funding, thus preventing them from getting into financial difficulty and easing their cash flow.

6. Whether the approach of regional Government and its agencies strike the right balance between short-term need and planning for the future

6.1 In the North West, the RDA has been very rapid and proactive at developing the new Regional Strategies to replace a raft of previous strategy at regional level. While it is good to see this enthusiasm and activity occurring while many other regions are only just beginning to think about their RS, we fear that development of this crucial Strategy will lack a robust evidence base; will lack ownership and consensus amongst all tiers of government and local businesses; will fail to understand the full impact and dynamics of recession; and yet will be too reactionary to recession, jeopardising long-term strategic actions and goals. It is important to get the Regional Strategy right, rather than done as soon as possible, and therefore the RDAs and Government should be cautious to ensure they include appropriate measures based on sound understanding and in good consultation with all stakeholders.

6.2 More generally regarding the role of the NWDA, CLES in collaboration with Localis, recently held a seminar to discuss what the role of local authorities and their partners should be in driving local economies and achieving resilient local areas and economies. This included representatives from local authorities in the North West as well as non-governmental organisations. When asked to comment on the effectiveness of RDAs, the convened group all agreed that there are problems with RDAs, and questions were raised about the extent to which they were fit for purpose. They also agreed that they severely lack democratic accountability, and that they represent administrative but not fiscal decentralisation.

6.3 As original advocates for the development of regional development agencies, CLES believe NWDA plays an important role in the strategic economic planning in the North West. However, we believe that it is important that local authorities also have the opportunity to ensure that the interests of their local areas are represented in the regional strategies, particularly those areas, furthest from growth.

Memorandum from the North West TUC (NW 08)

INTRODUCTION

The North West TUC welcomes the introduction of Regional Select Committees. We believe they add a valuable layer of scrutiny and accountability to the vital functions performed by various bodies at a Regional level.

The need for a greater links between the Region’s elected politicians, and North West Governmental institutions and agencies is clear. We have welcomed the creation of 4NW as a significant step towards achieving this, and believe that Regional Select Committees are a further boost to this agenda.

We are disappointed however to note that not all political parties have taken the opportunity to be represented on the Regional Select Committee. The North West TUC believe that these issues are too important to be left to one party alone, and we fear this failure to accept the responsibility for Regional Scrutiny has left a gap in the process.

The effect of the economic situation on the region; including the effect on different sectors and on different sub-regions

It is clear that the Economic Situation presents challenges across all sectors and across all sub-regions. We are particularly concerned about the effect on key regional sectors such as manufacturing and the retail economy.

What is of significant concern is the effect of the global downturn on high performing, high value manufacturing companies and their supply chain, and we welcome the government’s industrial activism in this area.

We believe this illustrates the need for government intervention and support where appropriate within the manufacturing economy. Simply allowing market forces and the recession to “run its course” would have had a highly detrimental effect on our manufacturing base, and the wider regional economy as a whole.

We do recognise however that there are some less established, but similarly high performing sectors of the North West Economy such as the digital and creative industries, and it is important to ensure that the continued growth of such sectors is supported and that major projects to enable this such as Salford Media City are not jeopardised by the overall economic climate.

We would also highlight the role that the region’s energy capacity and expertise can play in helping us through the downturn, and in being a key sector in the future economy.
We would also be concerned at any shrinking of the public sector and public services. We do not believe that this is an appropriate short or long term response to the downturn in the region, as the public sector itself is a vital block of the North West Economy, and the services it provides are increasingly important and valuable during times of economic difficulty.

We also welcome efforts to share intelligence and deal with the downturn at a Sub-Regional Level, and are pleased to be involved in The Mersey Partnership’s “Response to Economic Conditions” group, comprising local authorities, and other agencies with involvement in Sub Regional Economic Affairs.

The effectiveness of Northwest Regional Development Agency in assisting businesses in the current economic downturn

We believe the NWDA has, and continues to play a key role in supporting businesses and working people. They have a positive record in working with Unions and Employers on issues of shared interest, particularly around productivity, workforce development, and Skills. We have strongly welcomed the NWDA’s focus on highlighting the importance to employers and businesses of continuing to recognise and support skills and training throughout the downturn, and indeed in making clear the link between high skills and having a workforce appropriately equipped to enable our economy to move out of recession and prosper in future.

We do believe that this work is valuable, and whilst the North West TUC are working to ensure that businesses and workforces are aware of the support that is available, we feel that it is important that more could be done to highlight the many excellent avenues of support that are available.

The response of the Joint Economic Commission, established by the Regional Minister in November 2008, to the economic downturn

We are pleased to be involved with the Joint Economic Commission as an excellent opportunity to work together to solve common problems. We have welcomed much of the action taken by the commission in developing a regional framework to co-ordinate response to redundancy situations, develop and safeguard apprenticeship places, and deliver skills offers to JSA claimants.

We also welcome action on public infrastructure and investment. We are keen to see the welcome early announcements of funding for projects, continue to progress further forward into building/development stage, for those capital programmes where this is not already happening.

The capacity of the Government Office for the North West, Government agencies such as Business Link, Learning and Skills Council, and Jobcentre Plus, and other partnerships between Government agencies, local government and the private sector, to respond effectively to the economic downturn

We have been pleased to be involved in NWDA/GONW Regional Economic Forum, which has played an important role in bringing bodies together at a regional level to share intelligence and build relationships in working together to tackle the downturn.

We also strongly welcome the formation of 4NW in response to the Sub National Review. This was a bold move, but the early nature of the response to proposals in the SNR has meant that the Region has an effective body in place, to identify and tackle the issues of concern.

The involvement of stakeholders including the NW TUC on this body has been significant in developing a broad based, joined up approach to the issues facing the region, allowing appropriate and co-ordinated public sector, private sector, and political consideration of the challenges and also in agreeing action to tackle them.

We also believe that Multi Area Agreements can be a step forward in a joined up approach to responding effectively to the economic downturn, and in preparing for the future. We believe that Trade Unions have an important contribution to make to this work, and would be keen to explore avenues for Trade Union involvement in “City Regional” Structures and processes.

However, whilst welcoming much of the action on skills by the Government and other Regional Bodies, we are concerned by a new skills landscape emerging from DIUS/Skills Funding Agency, that does not have the same Regional element as before and we feel that some kind of Regional Strategic element remains necessary.

We would also be concerned that any shrinkage in the public sector could have an adverse effect on the capacity of JCP to respond appropriately to the downturn, and we believe that the capacity of JCP to deliver should be a key focus.

The usefulness of Government initiatives such as Real Help Now, in providing support and enabling access to finance, for businesses in the North West

We are keen to build on the assistance that “Real Help Now” provides, and have ensured that Trade Union Officials are aware of support that is available.

We are also positive about the opportunities that proposed initiatives such as the “Future Jobs Fund” provide. We believe that Unions could play a role in ensuring this is a success, perhaps through identifying possible jobs within workplaces that the programme could help fund.
We do believe however that more could be done on more longstanding avenues of support for workers, such as Statutory Redundancy Pay. We welcome the rise announced in the Budget, but feel this should go further, and action should be taken to bring SRP into line with average earnings, compared with the approximate level of 50% that it currently represents.

*Whether the approach of regional Government and its agencies during the current economic situation strike the right balance between short term need and planning for the future.*

We believe that the NWDA and 4NW approach has been absolutely right. We welcome the “early” development of RS2010 (The North West’s Single Regional Strategy) and believe that dealing with the present whilst preparing for the future is the correct approach.

Our view is that this will allow appropriate development and strategic planning for strong regional sectors such as Energy, Aerospace, and Creative and Digital Media and the broad involvement of stakeholders across the region in this process is welcome.

We do note however, that in order for the excellent work currently undertaken to be realised in the future, then appropriate effective regional structures and agencies must exist to drive it forward.

With this in mind, we have serious concerns about any proposals from a potential future government to abolish Regional Development Agencies.

The North West TUC believes that they play a vital role in driving forward economic development, and without the regional expertise and strategic focus that they provide, the future opportunities for a strong, diverse North West Economy and Community may not be achieved.

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**Memorandum from the North West Business Leadership Team (NWBLT) (NW 09)**

This submission covers the following main points:

- NWBLT’s evidence covers broad impact of the recession on a range of industry sectors in the North West.
- Impact of current recession not wholly negative in the region.
- Joint Economic Commission welcomed and may have ongoing future value.
- Importance of strong regional leadership and clear priorities in future strategy.
- Need to maintain strength of North West Regional Development Agency (NWDA).
- Manchester City Region pilot welcomed.

1. The North West Business Leadership Team welcomes the opportunity to provide written evidence to the North West Regional Committee of the House of Commons on the impact of the current economic situation on the North West and the Government’s response. NWBLT brings together Chief Executives and other senior decision makers from the region’s major businesses and has held regular debates on the impact of the recession on the region. We are happy to share our thinking on the broad impact it is having on the range of industries in the region which we represent.

2. Most of the previous recessions within our collective memories have hit regions such as the North West very hard. Whilst the current downturn has been particularly severe, both nationally and globally, and has impacted hard within this region upon sectors such as automotive and aviation which are major economic drivers and employers, the overall picture as experienced by our members varies considerably. The diversity of today’s North West economy does appear to be providing a level of resilience not experienced in previous recessions and for example the performance of major employers in the region such as BAE Systems and the Co-operative Group remain strong.

3. With regard to the Government’s response, specifically in relation to the North West during the period of the current recession, we believe this has on the whole been very positive. The establishment of the Joint Economic Commission, including the personal commitment and leadership provided by the Regional Minister, has been helpful in ensuring a regular, constructive and meaningful dialogue between Government and both the private and public sectors in the region and our local communities. During the six months in which the JEC has been overseeing Government support affecting public investment and infrastructure, labour market issues, business support, impact on communities and the preparation for the upturn, there has been a noticeable improvement in the coherence of economic policy across the North West. We believe there are important lessons to be taken forward for the future from the current experience which can be of permanent benefit in terms of the successful implementation of regional Government initiatives.

4. We also consider that there are further messages to be taken on board in relation to future economic strategy. In an increasingly global economic environment, regions will need to be better insulated against the increased risk of further downturns. This calls for strong leadership in regional policy and, in particular, strategies which play to each particular region’s distinctiveness and strengths. Our experience here in the North West is that Government agencies tend at present to adopt a “lowest common denominator” approach in seeking agreement with regional stakeholders. Regions such as the North West will increasingly
need, in future, to adopt a clear set of priorities which capitalise upon strengths and exploit their areas of competitive advantage. The production of the single integrated Regional Strategy should provide the opportunity to signal such strong strategic leadership, which should then be taken forward consistently over a period of years. Short term crises should not then need to impact too heavily upon long-term progress.

5. Whilst readily understanding the political imperative for introducing schemes such as the Home Buy initiative last autumn, we regretted the necessity for this to be funded by a substantial reduction in the budget of the NWDA for two years. As implied in our earlier comments, we believe that the strongest defence against regional economic problems is strong leadership behind a clear, long-term strategy. NWDA has demonstrated its ability to provide such strategic regional leadership and we would be concerned if its ability to fulfil this role were to be further diminished by any additional cuts during the current recession.

6. NWBLT welcomes the decision, announced in last month’s Budget statement, to proceed with the Manchester City Region pilot, which we believe will help considerably to strengthen the long-term prospects for this major City Region in terms of economic investment and development. With the establishment of the Manchester Economic Commission, and the Manchester Independent Economic Review, there is now a real sense of clarity, coherence and confidence about the long-term future of the Manchester conurbation. We believe that this has the potential to be a model for an increasing number of British cities.

7. We trust that this submission will be helpful to the North West Regional Committee of the House of Commons. Mindful of the many other bodies from whom the Committee has sought evidence, we have not attempted to measure, or analyse in detail, the effect on each particular sector or sub-region. We are however willing to meet representatives of the Committee, either here in the North West or at the House of Commons to discuss at greater length the views expressed above with regard to the North West as a whole.

8. As requested, I have confirmed the contact details and postal address of the North West Business Leadership Team together with hard copy of this submission to the Regional Committees office.

Memorandum from Wirral Council (NW 10)

Wirral welcomes the opportunity to feed into the North West Regional Committee in its call for evidence into the impact of the economic downturn. This response is intended to be in support of the Liverpool City Region response, but providing some specific points on behalf of Wirral and its key partners at a local level.

The following summarises the impact of current economic conditions and also sets out briefly our key responses. It is important to note the limitations of many official data sources. For example, data may not be available at the Wirral level or lower. Furthermore, much of the data has a significant time lag—thereby not accurately reflecting more recent worsening conditions.

1. Effects of the Downturn in Wirral

1.1 Employment rate

Latest data for September 08\(^{19}\) indicates that Wirral’s overall Employment Rate has decreased by 3.1% points from its December 2007 position of 71.4% to 68.3%. This compares with a NW rate of 72.1% and a GB rate of 74.5%.

1.2 Worklessness

The proportion of Wirral’s working age population claiming Job Seekers Allowance (JSA) in April 2009 has gone up to 5.3% (9,806). This has increased over the last 12 months from 3.5% (April 2008)—an increase of 3,382 people. The current Wirral rate of 5.3% compares with a regional rate of 4.6% and an England rate of 4.1% for April 2009.

1.3 Job Density

Latest data from 2006 indicates that Wirral’s job density is 6.8. This means that there are 68 jobs for every 100 working age people. This is an increase from the previous year’s rate (2005) which was 6.1.

1.4 Redundancies

Analysis of HR1 redundancy notifications provided by Jobcentre Plus has demonstrated a relatively high volume of redundancies in the borough. In 2007–08, 5 employers notified a total of 1,051 redundancies (821 of these were attributable to job losses at Burtons). Analysis of HR1s from April 2008 to January 2009 shows a further 20 employers notifying an additional 942 job losses.

Recent announcements include Tulip Foods in Bromborough, who recently confirmed the closure of the plant with over 300 job losses. Cammell Laird announced up to 200 redundancies in March 2009. Bromborough based chemical plant Croda International have recently announced the closure of the Wirral site with the loss of 115 jobs.

\(^{19}\) Source: ONS Annual Population Survey.
1.5 Business Rates (National Non Domestic Rates)

A significant impact has been felt over the last 12 months in respect of Wirral’s business rate collection. For example, figures for end of financial year March 2009 indicate that the collection rate had dropped from 97.7% (2007–08) to 93.4%. Although collections are ongoing for these arrears, it is clear that businesses have found it harder to meet their liabilities this year.

2. Additional Impact

2.1 Housing market

The economic recession exists alongside a slowdown in the housing market across Wirral. This is evidenced by reducing house prices, lower sales numbers, less new-build housing, more empty homes including unsold new homes and greater financial difficulties for mortgaged owner-occupied. This slowdown has had an impact on the construction sector of Wirral and has increased demand for affordable housing whilst loss of economic confidence has dented housing market confidence slowing down interest in moving home or investing in home improvements.

Housing market expectations are that we do not anticipate a marked recovery in the short term. Much will depend on the recovery of the economy generally. Therefore the housing market will continue to be under pressure for the remainder of 2009 and into 2010. This will increase demand for affordable housing, demand for innovative solutions to see new homes built and occupied such as more shared equity schemes. Until economic confidence improves, the housing market is likely to struggle. This will place continued pressure on products designed to stave off repossession.

2.2 Feedback from health partners

It is anticipated that the recession will have an adverse impact on the lifestyle of the population, particularly those adversely affected such as people losing employment and experiencing economic and social problems. This could increase numbers of people smoking, drinking above safe recommended levels, being inactive, eating poor diet etc.

The North West Public health Observatory has been commissioned by the Directors of Public Health to model the expected impact of the recession.

2.3 Feedback from welfare services

It is anticipated that there will be an increased number of people using Welfare Rights Unit (DASS) services and this has been the case in the last quarter compared to same period last year.

2.4 Debt and Financial exclusion

Feedback from voluntary sector organisations demonstrates a substantial increase in service users. Wirral Advice Network indicates significantly increased demand for debt advice over the last year, with Wirral CAB reporting that 25% increase on the same time last year. The CAB have recently accessed government resources to enable additional opening hours for debt advice, in response to the increased demand.

2.5 Council Benefits

(Housing & Council Tax Benefits plus Local Housing Allowance)—Over the past months it has become increasingly evident that the economic downturn is directly impacting upon Benefits service delivery locally. This is consistent with the national picture as authorities identify a trend of consistently increasing live caseloads, “footfall” and general workload. For Wirral, in the past twelve month period the caseload has increased by some 2,072 claims, and continues to rise. The rate of change is considerably more noticeable from January 2009 onwards.

3. Response to the Recession: Partner Activity

3.1 Business Support

In order to support Wirral businesses through difficult times, every effort is being made to ensure companies can easily access the national support available. This includes:

— Invest Wirral working with Business Link to ensure that information is cascaded through and online business forums networks and Wirral Investment Network (WIN) which represents the Business and Professional Sector.

— Setting up an online local business support/events calendar using a mixture of Working Wirral and European Regional Development Fund (ERDF) support which further promotes key support services.

— Seminar with NWDA in January regarding access to finance held at the Floral Pavilion.
Businesses from across the borough benefited from a “Boost your Business” event at the Floral Pavilion, held on 25 and 26 March. The event aimed to inform the borough’s business community of the support available to them during the current economic climate. Invest Wirral—the Council’s business support and investment team—have produced a brochure with a breakdown of all of the support agencies that can help as well as their contact details. Feedback from the event has been positive—for example one company has reported a saving in excess of £6,000 in business rates as a result of advice from the event. The event included the North West Development Agency, Business Link North West and will include speakers from a number of other support agencies. Invest Wirral will host this type of event again over the course of coming months.

Introducing new financial support programmes and ensuring existing measure have enough flexibility to provide maximum benefit.

Development of a Wirral Apprenticeship programme. This will support the council and its partners to continue tackling worklessness and skills issues by offering support within a structured apprentice programme.

3.2 A partners meeting to respond to the recession has been established with all key partners from across the LSP network. Additionally, Wirral Council meet monthly with the Wirral Chamber of Commerce and Federation of Small Businesses to ensure that regular and accurate feedback is received on the issues facing small businesses locally.

3.3 In consultation with other partners, including the NWDA the Council is looking at providing enhanced business support. To complement existing business networking, every effort is being made to ensure companies can easily access the national support available.

3.4 Small Firms Rate Relief—this is being followed up with additional awareness promotion of the scheme for eligible businesses to pursue. In addition, the Government announced changes to the Ratings scheme for empty properties as part of the recession budget which came into force from April 200—these will of course also be promoted by the Revenues section.

3.5 Strong partnership working at an operational level is being supported and developed by the Wirral Economic Development & Skills (WEDS) partnership which is receiving regular updates on the downturn and partners share organisational intelligence and policy updates. Officers are also participating in Merseyside meetings to look at the effects of the recession, and agree some co-ordinated responses.

4. OTHER ACTIVITY

These measures complement work being undertaken by partners including:

- **Jobcentre Plus (JCP)**—In addition to their core services, JCP has brought down the eligibility for certain programmes from six months to day one to enable the newly unemployed to access their enhanced offer.

- **The Learning and Skills Council (LSC)**—the LSC works closely with JCP and to deliver an Integrated Employment and Skills programme across Greater Merseyside; and Train to Gain programme and the pre employment has been subsequent enhanced in response to the situation.

- **Business Link**—is working with Council service areas to increase access to business support services.

- **VCAW annual conference, May 2009**—this conference aims to identify the anticipated impact of the economic downturn, look at practical ways of moving forward and highlight the Government’s Action Plan, “Help Right Now” and the support that is available through this initiative. The conference also aimed to identify how COMPACT can be fully utilised to support the sector through these turbulent times.

- **Merseytravel**—Merseytravel has frozen tunnel tolls at their current levels from 1 April 2009 to 31 March 2010, following a meeting of the Passenger Transport Authority. The decision means toll levels for all classes of vehicles will be maintained, with the aim to support businesses and the public during the current economic climate.

5. HOUSING STRATEGY

The recession has prompted a change in the targets for new-build housing as part of the HMRI programme, re-phasing of HMRI development programmes, changing tenure of new-build schemes. It has also led to changing priorities in using public resources, principally land values as in both Fiveways and Church Road the Council’s financial stake in HMRI development has been used to pump-prime new-build and see new homes and shops being built. The recession has caused a shift in strategic housing priorities towards creating opportunities to support and enable the occupation of new-build housing particularly by first-time buyers. This has been in the form of developing options for shared equity, rent-to-buy and making the most of national initiatives such as Home Buy Direct.
6. NEW INTERVENTIONS
The Council and its partners are currently in discussion as to the best ways to support Wirral residents and businesses in the current situation in addition to current activities. The interventions outlined below detail the opportunities are planned:

6.1 BIG Support Grant/Consultancy Support: The Council is fully aware of the challenges that many businesses in our area are facing at the present time, and recognises the need for us to work collectively with our partners to minimise the adverse impacts of the economic downturn on businesses and their employees. Access to capital and cash flow has been identified as a major problem. Wirral’s business makeup is dominated by micro-businesses (those with fewer than 10 employees) and a number of these have reported continued difficulty in speedy access to funds through current and indeed proposed arrangements. Therefore a programme has been designed to specifically support (SME’s 250 employees and less) with a specific focus on micro businesses. The fund will be available for a wide range of support, including access to consultancy and grants. It is also hoped that the availability of such financial support will encourage banks and other lending institutions to also invest in these businesses.

6.2 The “Think Big” Investment Fund currently supports exiting and inward investing businesses on a range of big projects that will support employment growth and business expansion. Given the current situation, Officers have drafted a new set of criteria for the fund which will allow businesses to safeguard jobs within a new set of defined criteria which will allow businesses to access finance for other outcomes rather than just growth.

6.3 Apprenticeships—Officers have developed an apprenticeship programme for the borough, with access to all vocational areas. Apprenticeships will support the council and its partners to continue tackling worklessness and skills issues by offering support within a structured apprentice programme. Therefore a scheme has been developed across Wirral supported through Working Neighbourhoods Fund (WNF) resources to a maximum of £1.7 million. This activity will add value to recent national announcements on supporting apprenticeships with 100 new apprentice places in the workplace available for residents of Wirral.

7. WORKING WITH THE NWDA
Wirral is working extensively with the North West Development Agency (NWDA) within the Liverpool City Region and independently on responding to the economic downturn. Generally, the partnership working has been effective but there are a number of areas where Wirral would want additional dialogue/flexibility.

7.1 Business Support
The NWDA has introduced its 30 business support products that have been developed in line with nation BSSP guidance. The Council has facilitated workshops with NWDA staff to promote the support products. However, the BSSP products developed by the Agency have intervention rates attached to grants and interest rates attached to repayable loan facilities that were set in a different climate. We would like NWDA to work with Liverpool City Region to review, where appropriate, these interventions rates on a short term basis using Merseyside ring-fenced ERDF allocations to plug deficits where appropriate. This needs to be overseen by National Government to support changes to the European Programmes currently agreed by DCLG.

8. INFRASTRUCTURE
Given the pressures to commit 85% of the North West Operational Programme ring fenced ERDF monies by December 2010 would allow a consistent City Region message to identify opportunities that cannot be realised at present. The NWDA have been flexibility in their approach to development and have put measure in place to apply flexibility in the use of ERDF.

8.1 The use of grant intervention in gap funded schemes is determined by the development in question being classed as “speculative”. Therefore, particular developments are deemed ineligible if there is an identified end user for that development. Given the current financial difficulties faced by developers in accessing financed for speculative developments, we ask that, for a limited period, gap funding can be used for schemes where an end user is identified. This is of particular importance to the Private Sector as the financial institutions are unwilling to borrow money to schemes where there may not be revenue generated at the instant a development is completed. Given the pressures to commit 85% of the North West Operational Programme ring-fenced ERDF monies by December 2010 would allow a consistent City Region message to identify opportunities that cannot be realised at present.

9. POWER
The power constraints facing the City Region as a whole will fundamentally restrict the scale of renewal planned for over the next 20 years. Most of the Strategic Sites identified for the long term regeneration of the City Region have limited, or no power supply. The NWDA undertook a study across the North West identifying the challenges that are faced as a region in respect of power over the next 20 years.
CONCLUSION

Wirral partners are taking forward a co-ordinated and coherent response to the economic situation. The Council is co-ordinating a series of partners’ meeting to respond to the recession with key partners from the LAA, businesses and communities.

The underlying principle of responses is based on good economic intelligence and policy, with an understanding of business fundamentals and long term strengths. There is a need to maintain a long-term focus on skills, innovation and regeneration and it is important to keep a longer term strategy ready for when recovery starts.

Memorandum from the North West Universities Association (NW 11)

NORTH WEST UNIVERSITY ACTIVITY RELEVANT TO THE CURRENT ECONOMIC CLIMATE

SUMMARY

This paper briefly outlines a number of areas in which universities are taking action in response to the current economic climate. It also indicates constraints on this action due to:

— Resource issues.
— The Equivalent Level Qualifications Policy.
— The capping of student numbers.
— Difficulties in accessing European Regional Development Fund resources.

INTRODUCTION

1. The North West has fifteen higher education institutions (HEI), including the Open University in the North West. Around 250,000 students attend HEIs across the region, with 150,000 students domiciled within the North West, and a further 70,000 UK students and 27,000 overseas students entering the region to study. Over 36,000 staff are employed by North West HEIs and they generated an income of £2.055 billion in 2006–07. A recent study for NWDA shows that overall the HEIs in the North West and their graduates contributed around £3.5 billion in GVA to the regional economy in 200720 (for comparison purposes these figures are £3.2 billion for the hotels and restaurants sector and £6.5 billion for the “financial intermediation” sector).

2. The North West’s universities are a major “industrial sector” in their own right, for example they:

— contribute significantly to exports through recruiting overseas students;
— support the regional attack marketing brands;
— grow new businesses through spin outs and incubators; and
— are one of the largest employers of blue collar as well as white collar staff in the region.

3. The universities of the North West are all rooted in place. Indeed nearly all of the institutions have the name of their physical location in their institutional name. Their locality to some extent shapes every Higher Education (HE) institution in terms of organisational culture, education provision, the physical campus and the nature of partnerships. The HEIs also have a major impact on the communities that surround them in terms of the physical environment, property values and use, transport infrastructure, labour patterns and the skill base. Universities generate global knowledge networks of academics, entrepreneurs and financiers that support the movement of capital, knowledge and talent into the cities of the North West.

4. These relationships cannot be measured in terms of turnover and profit and loss. They are, however, an integral and to date unmeasured component of the regional balance sheet.

CURRENT UNIVERSITY RESPONSES TO THE DOWNTURN

5. The major challenges for universities in the economic downturn are to:

— Maximise graduate employment.
— Maintain and enhance the HE contribution to economic development both in the current economic climate and in preparation for the economic recovery.
— Respond to the higher level skills needs of those in work or seeking employment.
— As major employers, purchasers and investors in the region, take steps to mitigate the effects of the downturn.

6. However, the HE sector like other sectors is also under strain from revenue squeezes, rising utility costs and changes in the market (including global competition). Some institutions are reducing headcount.

7. Examples of steps taken to date are:

(a) Universities looking for means to bring forward capital spending.

(b) A dialogue has commenced between HE Human Resources Departments and the LSC/National Apprenticeships regarding increasing the utilization of apprenticeships within the sector.

(c) The North West Universities Association (NWUA) has agreed with NWDA that £250,000 of the NWDA funding provided for the development of new higher level skills provision will be used to provide a redundancy response fund.

(d) A dialogue has commenced between university careers services, the LSC and Jobcentre plus regarding joint action to combat graduate employment, particularly in relation to the summer 2009 graduate cohort and advice to graduates who are under threat of redundancy or have been made redundant. Discussions are also being held with the national ESF Unit regarding the deployment of ESF to support service enhancements.

(e) HEIs in the North West have been enthusiastic in seeking support from the HEFCE Economic Challenge Investment Fund (ECIF) set up to provide resources for activity to combat the effects of the economic downturn. However, the fund was hugely oversubscribed and not all North West bids were successful. A list of the successful bids is given at Annex 1.

(f) NWUA has been successful in securing £160,000 from HEFCE to provided resources to support the engagement of the HE sector with regional plans to respond to the economic downturn and to provide information on relevant HE activity to individuals, businesses and regional stakeholders. Annex 2 gives details of the actions to be carried out.

(g) At the request of NWDA, the HE sector is collecting information on its strengths in relation to two key sectors for the future of the region: Environmental Technologies and Digital and Creative Industries. The first of these has been completed and can be downloaded from http://www.nwua.ac.uk/docs/pdf/ETS_2009_Feb20.pdf.

(h) The HE Sector is looking to maximise the utilisation of ERDF funds from the current North West Operating Programme to support its actions in relation to economic development, based on the successful cooperation between NWDA and the HE sector in the last programme. Details are provided in Annex 3.

(i) The introduction of prompt purchasing arrangements and related measures.

LIMITATIONS TO UNIVERSITY RESPONSIVENESS

8. A number of limiting factors have been identified in relation to university responses to the economic downturn.

9. Employment issues: As indicated above some universities are reducing staff numbers. Within this context there are limitations to the extents to which they can address issues such as increased levels of apprenticeships.

10. Advice: The main function of university careers services is to meet the advice needs of those studying at the university in question. A limited service is offered after graduation and to graduates of other universities (usually further limited). There is scope for increased interchange between Careers Services and Jobcentre Plus, but any enhanced service to graduates will require additional resources. Some ECIF bids, for example the consortium bid led by the University of Cumbria and the bid from Liverpool Hope, address this issue and there may be opportunities for ESF support in this area as indicated above. The NWUA HEFCE funding mentioned above will also allow some enhancement of web-based services.

11. Higher level skills: Scope for activity in higher level skills is limited by the ELQ (Equivalent Level Qualifications) restrictions and also by the present capping of student numbers.

12. ERDF supported activities: Currently, most universities are reporting significant delays in the approval of ERDF projects, and, in some instances, negative appraisals in relation to activities of a type supported under the previous ERDF programme. Productive discussions recently have taken place in an attempt to address these issues.

13. ECIF bids: The HEFCE Economic Challenge Investment Fund (ECIF) was heavily oversubscribed. Consequently, a number of bids from HEIs in the North West were not approved and two bids were only partially approved. Therefore, the allocation of additional resources to the ECIF would enable a greater range of activity to take place.
14. **Graduate destination statistics:** An analysis of graduate destination statistics will be provided in May following the completion of the 2008–09 survey. However, the census date for this survey is January 2009. It would be helpful to have a more up to date picture of the position of 2008 graduates and to begin to survey 2009 graduates at the earliest opportunity. However, significant additional resource would be required to undertake this on a rigorous basis.

**CONCLUSION**

15. The universities in the North West are a major asset to the regional economy and are both willing and able to play a significant role in combating the economic down turn and stimulating economic recovery.

**Annex 1**

**NW UNIVERSITIES AND THE ECONOMIC CHALLENGE INVESTMENT FUND**

The Economic Challenge Investment Fund (ECIF) was established by HEFCE to develop projects to help individuals and businesses during the downturn. The fund aims to support:

— *Individuals*—to enable those who are either unemployed or under the threat of unemployment to access training, development and other support to help them continue in their current employment or find new employment

— *businesses, particularly SMEs and third-sector organisations such as voluntary and charity organisations*—to provide professional knowledge and expertise to help equip them to survive in economic recessionary period.

In the North West, nine universities have been successful in securing funding from the £27.6 million national funding pot. Together, the projects bring nearly £3 million into the region and account for 11% of the total funding available. Projects will deliver short-term support between April 2009 and September 2010. The table below provides a summary of North West projects.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Project Details</th>
<th>HEFCE Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liverpool Hope University</td>
<td>Direct careers guidance for professionals &amp; graduates faced with redundancy &amp; new graduates who have been unable to secure employment. Short follow-on programmes related to careers guidance, outplacement service to enhance employability skills. Delivery of specifically designed short credit crunch programmes and development of new bite-sized accredited awards.</td>
<td>£300,000</td>
</tr>
<tr>
<td>Liverpool Institute for Performing Arts</td>
<td>Support to help 38 business start-ups, linked to the objectives of the Liverpool Culture Company, in their first 12 months of trading. Following a diagnostic appraisal, each business will develop an idea and plan how to make use of institutional support including coaching and mentoring. Match funding from the National Council for Graduate Entrepreneurship.</td>
<td>£59,520</td>
</tr>
<tr>
<td>Liverpool John Moores University</td>
<td>Supporting unemployed graduates and professionals through a five day course drawing on concepts of career development learning. The proposal will also support new graduate businesses through two half day workshops for new graduate entrepreneurs. Match funding from the university and the LSC.</td>
<td>£385,000</td>
</tr>
<tr>
<td>University of Bolton</td>
<td>Will offer a range of graduate apprenticeships in the creative and digital industries, CPD modules for 195 beneficiary companies, CPD, APEL and other short courses to improve the knowledge base and business practice. Match funding will be provided by ERDF and participating employers.</td>
<td>£249,958</td>
</tr>
<tr>
<td>University of Central Lancashire</td>
<td>Support for graduate internship activity*</td>
<td>£135,000</td>
</tr>
<tr>
<td>University of Chester</td>
<td>Accredited provision for unemployed and underemployed graduates in the Cheshire &amp; Warrington sub-region including a postgraduate course in Business Innovation &amp; Development. Provision offers university-based taught components, one-to-one careers coaching and structured placements. 300 individuals stand to benefit from this initiative. Match funding will be supplied by ERDF, or the institution itself.</td>
<td>£168,322</td>
</tr>
</tbody>
</table>

*Note: A graduation ceremony is a significant event in the life of a university and should be well-attended by the university community.*
Institution | Project Details | HEFCE Funding
--- | --- | ---
University of Cumbria | IAG to the unemployed, free or subsidised training to individuals including the unemployed, and graduates working with SMEs. Taster courses provided in STEM related Logistics, Engineering, agriculture and environmental technologies. Match funding from the RDA, Nuclear Decommissioning Authority, the LSC and the university. | £1,000,000
University of Liverpool | Support for graduate internship activity* | £150,000
University of Manchester | Support for unemployed languages and humanities graduates through summer development programme. Coaching and mentoring for employability and enterprise and master classes to any new graduate of a NW institution, outreach to individuals remote from the labour market and help for SMEs and third sector organisations to capitalise on graduate talent through online resource and networking events. Match funding from Manchester Business School and employer partners. | £500,000

Total NW HEIs | £2,947,800

* Partial funding of the requested amount.

**NWUA Actions**

The North West Universities Association (NWUA) has identified a linked set of key actions to support the engagement of the Higher Education (HE) sector with regional plans to respond to the economic downturn, to provide information on relevant HE activity to individuals, businesses and regional stakeholders, and to operate a higher level skills response fund to support those at risk of redundancy or who have been made redundant. These key actions, which have been developed in response to regional demand expressed in a number of ways including through the regional Joint Economic Commission, chaired by the regional minister, are:

1. to collect monthly and quarterly data/case studies/information as agreed with HEFCE;
2. to support the potential role of universities as employers by undertaking analysis, facilitating meetings and communications with relevant regional partners;
3. to explore and support potential interventions to counter graduate unemployment;
4. to provide coordinated information on HEI activity relevant to the downturn, particularly in relation to ECIF projects, to regional stakeholders including Business Link and other employer facing organisations;
5. to provide content on the NWUA website and relevant partner websites, tailored to the current economic conditions and providing individuals and organisations with relevant information and signposting regarding HE activities and associated opportunities;
6. to support a joint NWUA/NWDA exercise to consider emergent sector-specific strengths in the region, with a view to positioning the region in an optimal position during the economic recovery;
7. the development of a portfolio of responsive CPD provision to meet the needs of those at risk of redundancy or those recently made redundant through a commissioning model similar to that of the NW HLSP;
8. to support linkages between the activities above and NW entrepreneurship schemes such as the High Growth Start Up Programme, NCGE activity and related programmes;
9. to consider opportunities for supporting the public sector, in particular health and social care, in relation to workforce issues and the economic downturn, working closely with NHSNW, Skills for Health and Skills for Care; and
10. to provide support to the NWUA representative on the Joint Economic Commission (JEC) for the North West.

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**Annex 2**

The North West Universities Association (NWUA) has identified a linked set of key actions to support the engagement of the Higher Education (HE) sector with regional plans to respond to the economic downturn, to provide information on relevant HE activity to individuals, businesses and regional stakeholders, and to operate a higher level skills response fund to support those at risk of redundancy or who have been made redundant. These key actions, which have been developed in response to regional demand expressed in a number of ways including through the regional Joint Economic Commission, chaired by the regional minister, are:

1. to collect monthly and quarterly data/case studies/information as agreed with HEFCE;
2. to support the potential role of universities as employers by undertaking analysis, facilitating meetings and communications with relevant regional partners;
3. to explore and support potential interventions to counter graduate unemployment;
4. to provide coordinated information on HEI activity relevant to the downturn, particularly in relation to ECIF projects, to regional stakeholders including Business Link and other employer facing organisations;
5. to provide content on the NWUA website and relevant partner websites, tailored to the current economic conditions and providing individuals and organisations with relevant information and signposting regarding HE activities and associated opportunities;
6. to support a joint NWUA/NWDA exercise to consider emergent sector-specific strengths in the region, with a view to positioning the region in an optimal position during the economic recovery;
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10. to provide support to the NWUA representative on the Joint Economic Commission (JEC) for the North West.
Examples of ERDF Projects

The North West’s universities have a strong track record of delivering European projects through the Objective 1 Merseyside Programme (2000–06), the Objective 2 Knowledge Based Action Plan (2000–06) and Regional Action Plan (2005–08). Headline outputs are detailed in the table below.

<table>
<thead>
<tr>
<th>Objective 1 Merseyside</th>
<th>ERDF</th>
<th>No of SME assists</th>
<th>New Jobs</th>
<th>Safeguarded</th>
<th>Jobs</th>
<th>Increased Sales</th>
<th>New processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>£57,651,240</td>
<td></td>
<td>2,021</td>
<td>2,643</td>
<td>—</td>
<td>—</td>
<td>£142,000,000</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective 2 Knowledge Based Action Plan (KBAP)</th>
<th>ERDF</th>
<th>No of SME assists</th>
<th>New Jobs</th>
<th>Safeguarded</th>
<th>Jobs</th>
<th>Increased Sales</th>
<th>New processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>£33,548,020</td>
<td></td>
<td>5,937</td>
<td>6,007</td>
<td>8,647</td>
<td>£713,731,537</td>
<td>2,767</td>
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</table>

<table>
<thead>
<tr>
<th>Regional Action Plan (RAP)</th>
<th>ERDF</th>
<th>No of SME assists</th>
<th>New Jobs</th>
<th>Safeguarded</th>
<th>Jobs</th>
<th>Increased Sales</th>
<th>New processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>£18,992,249</td>
<td></td>
<td>1,582</td>
<td>2,272</td>
<td>3,635</td>
<td>£173,260,926</td>
<td>1,441</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Objective 2</th>
<th>ERDF</th>
<th>No of SME assists</th>
<th>New Jobs</th>
<th>Safeguarded</th>
<th>Jobs</th>
<th>Increased Sales</th>
<th>New processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>£52,540,269</td>
<td></td>
<td>7,519</td>
<td>8,279</td>
<td>12,282</td>
<td>£886,992,463</td>
<td>4,208</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>ERDF</th>
<th>No of SME assists</th>
<th>New Jobs</th>
<th>Safeguarded</th>
<th>Jobs</th>
<th>Increased Sales</th>
<th>New processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>£110,191,509</td>
<td></td>
<td>9,540</td>
<td>10,922</td>
<td>12,282</td>
<td>£1,028,992,463</td>
<td>4,208</td>
<td></td>
</tr>
</tbody>
</table>

The current round of ERDF funding (2007–13) is being allocated through the NW Operational Programme. The following projects have been approved.

<table>
<thead>
<tr>
<th>HEI</th>
<th>Project Title</th>
<th>ERDF</th>
<th>Project Details</th>
<th>Expected Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Liverpool (&amp; University of Manchester)</td>
<td>Knowledge Exchange in Laser Engineering (KE-LAS)</td>
<td>£882,000</td>
<td>Facilitation of knowledge exchange between laser materials research facilities at the Universities of Liverpool and Manchester’s North West Laser Engineering Consortium (NWLEC), and SMEs.</td>
<td>60 Businesses assisted&lt;br&gt;20 Businesses engaged in new collaborations with the knowledge base&lt;br&gt;Results: 20 Businesses improving their performance&lt;br&gt;10 Jobs created</td>
</tr>
<tr>
<td>University of Salford (&amp; University of Liverpool; University of Central Lancashire; Urban Vision and the Building Research Establishment (BRE))</td>
<td>North West Construction Knowledge Hub</td>
<td>£3,000,000</td>
<td>This consortium project aims to embed sustainable consumption and production throughout all activity, from design to demolition, within construction SMEs to enable greater efficiencies in meeting new standards as they arise.</td>
<td>245 Businesses assisted&lt;br&gt;245 Businesses reduced industrial and commercial waste&lt;br&gt;30 Applications of low carbon technologies&lt;br&gt;Results: 20 Businesses improving their performance&lt;br&gt;300 Jobs created&lt;br&gt;300 Jobs safeguarded&lt;br&gt;1.5mt&lt;br&gt;Reduction in annual CO2 emissions from Programme interventions (tonnes pa)</td>
</tr>
<tr>
<td>Lancaster University Management School (University of Central Lancashire; Urban Vision and the Building Research Establishment (BRE))</td>
<td>IDEAS (Innovation, Design, Entrepreneurship and Science)</td>
<td>£384,914</td>
<td>Knowledge Exchange to SMEs on innovation best practice. Connecting the network of Daresbury Science Innovation Campus (DSIC) SMEs into the wider Business School networks of knowledge. Learning from the DSIC mix of business and science to develop new methods for Knowledge Exchange.</td>
<td>70 Businesses improving their performance&lt;br&gt;20 Jobs created</td>
</tr>
<tr>
<td>University of Liverpool</td>
<td>The Virtual Engineering Centre</td>
<td>£2,501,743</td>
<td>Establishment of a Virtual Engineering Centre (VEC) that will provide the UK engineering value chain with VE capabilities for optimising costs-effective design, manufacturing and operational options. Builds on a strong public-private sector partnership that brings together the University of Liverpool, STFC Daresbury, the NWAA.</td>
<td>23 Businesses assisted&lt;br&gt;13 Businesses engaged in new collaborations with the knowledge base&lt;br&gt;2 New Business start-ups&lt;br&gt;Results: 25 Jobs created</td>
</tr>
<tr>
<td>University of Lancaster</td>
<td>The NW Eco-Innovation Programme (ECONATE)</td>
<td>£1,743,000</td>
<td>Work with SMEs providing intensive assistance, mentoring and embedding an eco-innovative approach into mainstream activity.</td>
<td>360 Businesses assisted&lt;br&gt;13 Businesses engaged in new collaborations with the knowledge base&lt;br&gt;2 New Business start-ups&lt;br&gt;Results: 107 Jobs created&lt;br&gt;373 Jobs safeguarded&lt;br&gt;240 New Environ. Products&lt;br&gt;160 Business improving performance</td>
</tr>
</tbody>
</table>
North West Regional Committee: Evidence  Ev 67

<table>
<thead>
<tr>
<th>HEI</th>
<th>Project Title</th>
<th>ERDF</th>
<th>Project Details</th>
<th>Expected Outputs</th>
</tr>
</thead>
</table>
| NCGE    | H E Business Champions| £700,000 | 10 HE Champions of enterprise to encourage faculties and departments to promote entrepreneurship through their courses and to link this activity to the HEIF initiative. | Results  
220 Jobs created  
3,070 Adults undertaking work based training  
758 Businesses assisted;  
46 new collaborations with the UK knowledge-base;  
682 New Jobs Created |
| **Total** | **£9,211,657** |       |                                                                                  |                                                                                  |

A further 29 HE projects with a combined potential ERDF value of £69,405,315 are under consideration, including:

- Academic support and the placement of a graduate to facilitate knowledge exchange with the aim of increasing competitiveness, innovation and productivity.
- Assisting Small and Medium sized Enterprises (SMEs) to promote and market their products or services on-line through a range of innovative digital technologies delivered over the web.
- Facilitating new collaborative business networks by connecting with Digital Industries businesses, to improve their business performance through bespoke and targeted intensive support, greater collaboration and knowledge exchange.
- The creation of a specialised graduate incubator for companies up to 2 years old, close to university facilities and supported by professional business support team.
- Promoting HEI and rural SME engagement across the region with a key focus on the implementation of improvements based upon productivity, profitability, change management and improved utilisation of existing ICT technologies leading to improved access to supply chains.

Memorandum from Blackburn & Darwen Council (NW 12)

1. The effect of the economic situation on the region; including the effect on different sectors and on different sub-regions

- For the Council’s three enterprise centres (and their 80 tenants) there has as yet been no material direct effect. Tenancies remain intact, no new rental arrears are evident and only two have left the centres of late—both for growth rather than decline reasons.

In statistics for the borough:

- Unemployment—the numbers claiming JSA have been increasing since April 2008 and increased by more than half between October 2008 and April 2009 from 2,745 to 4,260 (+55%). The numbers of short term claimants increased by half between October 2008 and April 2009 from 2,195 to 3,330 (+50%). The impacts have been felt hardest by the core working age group (25–49) where the number of claimants increased from 1,385 to 2,225 (+61%).
- Redundancies—the number of declared redundancies is currently running at 130 per month in 2009 compared with an average of 73 per month in 2008.
- Job Losses—current forecasts indicate more than 1,300 job losses over the next year with Manufacturing being affected most strongly (-860) and the Hotel and Catering, and Financial Intermediation sectors each losing more than 150 jobs.
- Businesses—database analysis indicates that there are 220 fewer businesses in Blackburn with Darwen in April 2009 compared with April 2008, a reduction of 4% in the total number of businesses. The reduction in numbers of businesses has been reflected across all sectors, while Financial Intermediation (-15%), Agriculture Hunting and Forestry (-11%), Real Estate (-8%) and Transport and Communications (-8%) are the four sector with the greatest percentage losses. The sectors losing the greatest number of businesses have been Construction which lost 25 businesses, Manufacturing (25) and Hotels and Restaurants (26). Anecdotal evidence from companies indicate banks tightening lending criteria and unilaterally reducing overdraft limits as they try to reduce their exposure to risk. This is having an adverse effect on businesses ability to grow/fund investment projects.
- Housing Market—average house prices in Blackburn with Darwen reached a peak of around £98,000 between September 2007 and March 2008 and has since dropped back by 13% to £85,290. Sales volumes have fallen from almost 350 in September 2006 to 50 in January 2009. This, in a market where average prices have been consistently 40% lower than North West and Lancashire Averages.
2. The effectiveness of Northwest Regional Development Agency in assisting businesses in the current economic downturn
   — Aware of additional investment being provided to support business in the current climate but still concerns over the work of the Agency and Business Link in terms of coordination and simplification for business as a customer. It still feels complex and is taking a long time to come forward. In addition the current ERDF programme is very slow to come forward with the average application now taking five months to be processed. I am aware that the HE sector in Lancashire in particular has written to NWDA to complain about the delay in processing applications following a graduate retention programme missing an end of term deadline despite the application having been with the Agency for some months.

3. The response of the Joint Economic Commission, established by the Regional Minister in November 2008, to the economic downturn
   — Nothing to add and appears comprehensive but as ever it is the ability of the agencies to move quickly to assist on the ground. Some good practice notably with JC + but not evident across the piece. Business Link in particular still appears to be gearing up and has little profile.

4. The capacity of the Government Office for the North West, Government agencies such as Business Link, Learning and Skills Council, and Jobcentre Plus, and other partnerships between Government agencies, local government and the private sector, to respond effectively to the economic downturn
   — Would anticipate the direct business support mechanism (increasingly sub-contracted via complex procurement routes) was not nimble enough to respond quickly to changing circumstances such as the need for customised recession busting support. However, I have been impressed with the JC + ability to adapt and I feel the partnership working has grown stronger through the need for all hands on deck.

5. The usefulness of Government initiatives such as Real Help Now, in providing support and enabling access to finance, for businesses in the north west
   — Nothing to add.

6. Whether the approach of regional Government and its agencies during the current economic situation strike the right balance between short term need and planning for the future
   — No feel for this yet as initiatives are still feeding through. However on ERDF funding in particular the inability to move quickly is hampering the programme and even resulting in bids being withdrawn because the funding is too complex or processes too lengthy. The current lobby to consider amending the ERDF operational programme to reflect the need for more pump-priming ERDF is supported but we don’t hold out any hope of swift changes.

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Memorandum from the Liverpool City Region (NW 13)

Summary
— This paper provides an overview of the economic impacts that the current recession has had on the Liverpool City Region (LCR) economy. This information is presented at an aggregate level, as well as at a sectoral and geographical level.
— Also provided are a number of key examples of how local authorities have responded to mitigate its impact.
— This paper also offers a short review of how effective local partners believe government and national and regional delivery agencies have responded to the recession.
— Finally, it also gives a number of recommendations for measures that will further reduce the effects of the recession and help improve the speed and robustness of recovery in the local economy.

1. Summary Analysis of Key Indicators

1.1 JSA Claimant Count
   1.1.1 The proportion of people claiming JSA is 30% higher in the LCR (covering the 6 LAs in Merseyside) than the UK overall.
   1.1.2 As of April 2009, the claimant count in the LCR stood at some 55,300. This is around 21,000 above our baseline month of October 2007.
   1.1.3 The rate of increase in the claimant count slowed to 2% from March to February, from 6% per month during the previous six months. By comparison the average growth in the claimant count in the 12 months up to October 2008 was 1.2% following a long period of decline.
1.2 Notified Redundancies

1.2.1 The number of notified redundancies received by JC Plus (HR1 redundancies) since July 2008 within Merseyside (not including Halton) is 8,070.

1.2.2 The average number of redundancies within this period was 807 per month (one of the highest in the region). Fortunately, the number of notified redundancies has decreased in recent months; in April 2009 notified redundancies were 358 and in March, 369.

1.3 Vacancies

1.3.1 Since May 2008, there has been a steady increase in the ratio of claimants to live unfilled vacancies. Although this ratio actually decreased between March and April 2009, it still stands at around 27.2 (compared to 7.2 in October 2007).

1.4 Business Survey

1.4.1 The Merseyside Chamber of Commerce Quarterly Business survey from Q1 2009 suggests that conditions have generally worsened for both service-sector and manufacturing-sector businesses over the previous three quarters in line with deteriorating national conditions, with the manufacturing sector generally fairing the worse of the two. 66% of the manufacturing businesses surveyed felt that UK sales had worsened over the previous three months, compared to 48% of service-sector businesses.

1.4.2 Reflecting the worsening labour market conditions that the economy is experiencing, there has been an increase in the number of firms that have had to reduce staff numbers. In the past quarter, 43% of manufacturing companies surveyed reduced staffing levels; only 7% said they had increased their workforce (this compares to 24% and 14% for the service sector).

1.4.3 Given the figures above, it is not surprising that 84% of manufacturing sector companies and 71% of service sector reported that they were operating below capacity.

2. Sector-Specific Situation

2.1 Automotive

2.1.1 There are a number of concerns related to the automotive sector within the LCR. Given the decline in consumer spending over the past year, and the decline in automotive demand in particular, companies have sought to reduce employee work-time to reduce overheads. So far, no major redundancies have been made. Companies are looking to retain as many staff as possible in order to be able to react quickly to the recovery. This lack of strength within the vehicle market, is however feeding through to the automotive supply chain in the City Region and a number of companies, in particular SMEs located within the supply chain are suffering.

2.1.2 Aside from the difficulties faced by companies as a result of decline in vehicle demand, there are also a number of specific risks faced by companies in LCR:

- Jaguar Land Rover: Tata needs to pay back bridging loan for the company by July 2009. Although there will be little risk that this money cannot be raised by the issuing of corporate bonds, this may limit resources for any future bail-out of operations.

- Vauxhall: Fiat’s buy-up of GM’s European operations (Vauxhall and Opel) may have implications in the medium term for workers in the Ellesmere Port plant.

2.1.3 Given the restrictive eligibility criteria for the governments car scrappage scheme, there is little belief that it would greatly support car manufacturers in the LCR.

2.2 Chemicals

2.2.1 Prior to the Budget 2009, there were calls from this sector (and others) for an improvement in the provision of trade credit insurance and export credit insurance. These calls were heeded. Although a number of companies have found that there is a lack of insurance suppliers to meet demand. In addition, a number of companies are restricting exports in order to avoid re-negotiation of their insurance conditions. That said, due to the low price of sterling, exports from this sector are relatively high.

2.3 Construction

2.3.1 The construction sector within Liverpool had grown considerably on the back of exceptional levels of non-residential development, particularly in the City centre. With an estimated £3 billion of mostly private sector investment in the years leading up to 2008 and Capital of Culture, the construction sector has expanded greatly.

2.3.2 However, with the credit crunch in 2008 and the greatly reduced appetite for undertaking speculative developments—as a result of more costly credit and a decline in end-user demand—a number of developments are at risk from being delayed or postponed indefinitely until the financial markets return to more normal conditions. This has some serious implications for the construction sector.

2.3.3 Surprisingly, the numbers of redundancies made in the North West in the construction sector are not as great as could be so far. The number of notified redundancies attributed to the construction sector over the past seven months is less than 10% of the total. In addition despite the difficulties being faced by developers, a number of important developments remain on course, in particular, inter-related projects at the Pier Head and Mann Island, developments within Baltic Triangle as well as a number of others.22

2.4 Public Sector

2.4.1 In the short-term, the public sector will retain staff (and even increase staff in some areas in response to the demands of the recession), but is likely to come under strong pressure to cut costs in the medium term as public spending is reduced.

2.5 Tourism, Retail and Leisure

2.5.1 Coming out of the Capital of Culture year, tourism businesses have been relatively strong—the success of the events in attracting visitors that year contributed to strong growth in that sector. Although it is difficult to assess the impact that reduced consumer spending has had on businesses within this sector, surveys conducted by TMP suggest that confidence has declined precipitously over the past couple of months. There has been a steady decline in profit forecasts for the coming year for the businesses surveyed. That said, due to the small sample size of these surveys there is considerable uncertainty as to the actual performance of this sector. In addition, seasonal effects are likely to play a considerable role in determining confidence.

2.5.2 Similarly, the retail and leisure sector will likely be adversely affected by a decline in consumer spending and an increase in household saving. One of the main strengths of this sector within the LCR is Liverpool One. This development should help attract shoppers from a wide area, and evidence suggests that footfall remains strong. That said, retail centres outside of the Liverpool city centre have been badly affected and as will be shown below, local authorities have introduced a number of measures to try to help local businesses maintain sales.

2.6 Liverpool SuperPort (Maritime, distribution and associated sectors)

2.6.1 The dramatic fall in global trade volumes over the past year will have affected the profitability of many companies operating within the LCR’s port area. However, there is some suggestion that this impact has been mitigated somewhat by an avoidance of an over-reliance on containerised goods traffic.

2.6.2 Aside from the decline in global trade there are also a number of other issues affecting maritime industries in the LCR.

2.6.3 Although a number of large-scale infrastructure projects—which will significantly enhance Port operations capacity—are still scheduled to go ahead, the current financial conditions may make it more difficult to raise money to fund them. Although the majority of these projects will be undertaken in the medium-long term, the anticipated re-adjustment of commercial balance-sheets over the next couple of years may dampen appetites for expensive infrastructure projects.

2.6.4 One of the most important issues for small businesses operating within the Port hinterland is the change made to port rates at the end of 2008. Already under pressure from reduced revenue streams, businesses (especially SMEs) have found it difficult to bear the cost of these changes and the backdated debt that they are now liable for.

3. Specific Local Authority Responses

3.1 Business Support

3.1.1 Clearly, providing appropriate business support is of utmost importance during periods of economic stress. Micro-businesses and SMEs make up a significant proportion of the business base in Merseyside and performance among them has been mixed.

3.1.2 Evidence from Liverpool Vision URC suggests that many very small firms are still “managing by their bank account”. Liverpool Vision is therefore piloting a programme which provides one on one business health checks using a panel of local business advisers. The service is operating in conjunction with Business Link NW (BLNW) to make sure services are not duplicated and complies with BSPP. A parallel pilot is also in operation for larger firms with more complex problems faced as a result of the recession.

22 Ibid
3.1.3 A number of micro-businesses have reported continued difficulty in speedy access to funds through current and proposed arrangements. In order to address this within Wirral, a programme (BIG Support Grant/Consultancy Support) has been designed to specifically support micro businesses (SMEs with fewer than 250 employees). The fund will be available for a wide range of support, including access to consultancy and grants.

3.1.4 In terms of the business support programmes within Sefton, the main issue is that business support geared up to growth, investment and jobs is not translating too well to the support needed in the current climate, when firms are struggling to survive and to retain employment. As such, Sefton are re-orienting their Step-clever and WNF-funded business growth support towards business survival and job protection.

3.1.5 The start-up market is also becoming tighter, with more relatively inexperienced entrepreneurs entering more competitive markets. Jobcentre Plus has re-introduced the Test Trading programme which is helpful.

3.2 Local and Public Procurement Initiatives

3.2.1 One way in which support is being provided to local businesses is through ensuring that local businesses can take advantage of the business opportunities available from other local businesses and the public sector.

3.2.2 Regeneration initiative Step-clever has launched the Step-clever ALERT Service to help businesses in north Liverpool and south Sefton meet the challenge of the downturn by raising their profile and helping them to find new business opportunities. The free service emails business users details of new tender opportunities, as well as providing companies with a source of market information. Step-clever is also holding workshops to improve the chances of businesses to win contracts in both the public and private sectors.

3.2.3 A number of local authorities have enacted or are exploring a 10 days clearance time for urgent payments to first-tier suppliers.

3.2.4 A free online portal called “The Chest” will be carrying all local authority contracts in the North West (including those below £30,000 not subject to EU rules). Sefton’s procurement team is helping the Merseyside Local Authorities fast-track their access to the portal, and providing training for local contractors.

3.3 Infrastructure

3.3.1 Given the nature of this recession and its origins in credit availability, many key developments across the City region have been affected:

- Project Jennifer—viability gap and developer unable to fund CPO.
- Festival Gardens—residential scheme on hold.
- Stanley Park nearing completion but the football stadium (LFC)—on hold.
- Edge Hill—difficulty in securing an anchor tenant.
- Shore Lines/Oakdale Road (Wirral)—on hold.

3.3.2 To a greater or lesser extent all of the above would have generated receipts and fees for Local Authorities which will now be delayed or might not happen at all.

3.3.3 In response, Liverpool City Council, a number of actions have been taken to try and minimise the effect of the recession on infrastructure development:

- Preparing Planning Briefs/seeking planning permission to market sites when property market improves.
- Demolishing redundant and derelict buildings to reduce costs and create development sites.
- Community Asset Transfer of redundant buildings.
- Lease re-structures and release of covenants to encourage smaller refurbishment/redevelopment schemes.
- Reducing fees to encourage sales and letting.

3.4 Housing

3.4.1 There are a number of impacts identified by our Local Authorities, these include:

- Developers reporting an interest from purchasers in buying homes but lack of available mortgages blocking sales.
- Slowing of new build developments.
- Lack of developer confidence.
- Trying to keep new build going (eg via gap funding/tenure change).
- Possible weakness in CPO cases if we are trying to assemble sites but new build may be years ahead.
— Sub contractors going bust.
— Need for shared equity/rent to buy schemes.
— Environmental maintenance costs will increase if sites are mothballed.
— Collapse in the market for apartments for sale.
— Some sites will not be viable for development without a revision to the business case.
— Decline in employment and training opportunities and an increase in unemployment.

3.4.2 NewHeartlands HMR Pathfinder carried out research in March 2009 into mortgage availability across a number of the most recognised lenders. This showed that on new build apartments, deposits of up to 35% were required with one lender not offering mortgages on apartments less than two years old. As regards new build houses, deposits of up to 25% were required. Across most of the lenders the offer of mortgages was based on affordability checks.

3.4.3 In addition, individual Local Authorities are working with their developer and Registered Social Landlord (RSL) partners to ensure that new build developments continue during this difficult economic period. Actions taken include:
— RSL new build homebuy changed to social rent.
— Flexibility with tenure splits.
— Switch of shared ownership units to rent to homebuy.
— Revised design of proposed new build developments.
— Liverpool City Council home ownership survey (for residents interested in the deposit scheme being considered by LCC to assist people into home ownership).

3.4.4 Liverpool City Council is currently considering a pilot scheme to help first time buyers by offering to assist with a deposit (in the form of an equity loan). If the potential applicant can raise a 70% mortgage and raise a 5% deposit, the City will (for eligible people who meet the criteria) assist with a 25% loan taken as a charge on the property. This initiative is still being considered and if launched would hopefully be available in the summer of 2009.

3.4.5 It is likely that the housing market will continue to be under pressure for the remainder of 2009 and into 2010. Until economic confidence improves, the housing market is likely to struggle. This will place continued pressure on products designed to stave off repossession.

3.5 Employment support

3.5.1 The impact of the recession and the actions needed on employment and skills within the city-region is co-ordinated through our City Employment Strategy team based in Knowsley.

3.5.2 The City Employment Strategy partners are working together on a number of areas to enhance the city region’s recovery from the recession:
— Labour market response to the downturn is a standing agenda item at Lead Officers Group meetings.
— Latest market intelligence shared between partners.
— Regular briefings from Jobcentre Plus (JCP) and Learning and Skills Council (LSC) on the latest available provision.
— All members fully supporting the Regional Skills and Employment Board action plan developed by the Regional Employability Group (REG).
— CES city region specific action plan aligned to REG plan.
— Provision mapping across the CES area has been updated to include identification of support options for those threatened with redundancy and recently unemployed.
— LSC and JCP are leading work to identify potential duplicate provision and areas where gaps remain.
— Consortium strategy adapted to include:
  (a) supporting business (particularly SMEs) considering redundancies; and
  (b) contracted provision broadened to include recently unemployed and those at risk from redundancy.
— Delivery partners looking at the performance and scope of current contracts for flexibilities to meet emerging needs including NWDA and Working Neighbourhoods Fund provision.
3.5.3 A key challenge is how we can support JCP and other Personal Advisors to make sense of all this new provision and ensure an effective referral process for jobseekers. To help address this CES partners are producing a customer journey schematic that combines JCP, LSC and local provision.

3.5.4 Liverpool City Region will make a co-ordinated bid to the Future Jobs Fund to ensure employment support for 18–24s coming out of 12 months unemployment

4. Comments from Local Authorities on Government Responses

4.1 BERR’s financial assistance is seen as very slow in appearing. NWDA has been faster off the block.

4.2 At a local level Sefton are overwhelmed by demands for business finance which can’t be met from the usual jobs-related investment funds (and businesses can’t match fund grant awards). The Council is planning a mail-out to thousands of Sefton businesses with both the Real Help Now literature and our own local points of contact—national campaigns don’t seem to be getting through.

4.3 JCP is overflowing with new claimants, and again we can’t cope with demand (and the client group is more female, middle-class and debt-laden than we’re used to helping).

5. How does the Liverpool City Region want to respond?

5.1 Much work has been done to ensure our Multi Area Agreement is responsive to the impact of the recession as well as pursuing our key transformational actions around SuperPort, Knowledge Economy, Low Carbon Economy and Culture and Tourism. In addition to this Liverpool City Region proposes the following:

5.2 Regional Projects

5.2.1 Within our city-region we need additional support compared to the rest of the region (given our status as a Phasing-In region within the North West Competitiveness Programme). We need extra support built into every regional project to develop the capacity of the city-region to make the most of the opportunities available. NWDA’s response has been that there’s not the market demand for additional resources within Merseyside—the point is we need resources to build this demand. Without recognition and support of the special needs of Merseyside as a Phasing-In region within the North West, Merseyside will continue to lag behind the rest of the North West.

5.3 Infrastructure

5.3.1 The power constraints facing the City Region as a whole will fundamentally restrict the scale of renewal planned for over the next twenty years—most of the Strategic Sites identified for the long term regeneration of the City Region have limited or no power supply. The NWDA undertook a study across the North West identifying the challenges that are faced as a region in respect of power over the next twenty years.

5.3.2 This report, suggests there are no capacity issues in the Merseyside area. This is completely at odds with the views of our Local Authorities. We are clear that the constraints on the effective delivery of utilities in the sub-region have hampered economic growth and inward investment projects have been lost. The constant request for all the risk to be carried by the utility user and all the rewards going to the utility provider needs to be addressed.

5.4 Enterprise

5.4.1 The Liverpool City Region would like to move toward the following:

5.4.2 BSSP products developed by the Agency have intervention rates attached to grants and interest rates attached to repayable loan facilities that were set in a different financial climate. We would like NWDA to work with the City Region to review, where appropriate, these intervention rates on a short term basis using Merseyside ring-fenced ERDF allocations to plug deficits where appropriate. This needs to be overseen by National Government to support changes to the European Programmes currently agreed by DCLG.

Memorandum from the Greater Manchester Chamber of Commerce (NW 14)

Summary

— Greater Manchester Chamber (The Chamber) is the largest Chamber of Commerce in the UK representing 5,300 member businesses who employ over ¼ of the total workforce throughout the Greater Manchester conurbation.

— The Chamber Chief Executive, Angie Robinson, was nominated to represent Chambers of Commerce North West on the Joint Economic Commission.
— The Chamber has supplied several papers and pieces of research relating to issues that are impacting business as a result of the downturn in order to represent the private sector view. This data represents both the regional chambers view in addition to that relating directly to businesses based within Greater Manchester.

— The Chamber has developed its own specific action plan—“Action for Business”—to address the impact of the downturn both from a lobbying and representation aspect as well as identifying and developing specific services and activities for which there are currently provision gaps within the Greater Manchester sub region.

— The Chamber has engaged with the RDA to work on addressing service gaps and taken this a step further to identify possible sources of funding to address this. Funding has been agreed for some provision however several months into the process funding has still yet to be received and the process has been dogged by the inability for prompt response from a government led agencies.

— Other joint work with regional and sub regional partners has taken place but the delivery of services to directly help struggling businesses has been the area of most frustration.

1. The effect of the economic situation on the region; including the effect on different sectors and on different sub-regions.

1.1 The current economic downturn has had varying degrees of impact across various sectors and sub regions.

1.2 In Greater Manchester the pattern of impact followed that experienced at a national level with the construction sector and its support industries first hit, followed by the financial and professional services then retail and manufacturing.

1.3 Feedback from members has been mixed on the direct impact of the downturn with a range of responses reflecting businesses that have really struggled to the point of insolvency to others that are still, at present, looking to recruit.

1.4 For those looking to recruit this has been an opportune time to pick up quality staff at potentially lower cost from an expanded, available labour pool however the complaint that some employees still lack basic skills is still the most common issue raised.

1.5 For those members facing financial difficulty the response has been to employ shortened working hours, scale back on investment plans and drastically cut costs.

1.6 Access to bank finance has been an issue though not always as serious as sections of the media made out. In Chamber surveys approximately 60% of respondees stated that their relationship with their bank had stayed the same with only a small proportion stating that it had worsened. Feedback and evidence indicates that banking problems stem from the lack of knowledge and accurate publicity around the introduction of the EFG scheme. Having said that some individual cases of seemingly excessive fees and rates and strange security/collateral arrangements have been evidenced.

1.7 The current major issue facing business is the increasing difficulty of getting paid on time with increasing evidence of companies taking unilateral action to extend payment terms thus impacting on the whole supply chain.

1.8 There is deep concern regarding taxation issues including the increase in NIC contributions due in 2011; the ongoing impact of the removal of empty property rate relief; the re-introduction of the 17.5% VAT rate in January 2010 and the lack of creative solutions that could use the taxation system to help businesses retain staff rather than force redundancies.

2. The effectiveness of Northwest Regional Development Agency in assisting businesses in the current economic downturn

2.1 As part of its “Action for Business” document, first published in November 2008, the Chamber identified several gaps in current provision for direct support activity to business. One support project has been agreed with others still in the pipeline however the time taken to obtain approval for this including funding has been measured in months. The project mentioned was approved with a view to commencing in April yet as at this week the contract has not been received from NWDA, adding an unnecessary two month delay. Consideration of two other projects appears hardly to have started despite being raised with NWDA in early February. Whilst assistance such as the project that has been approved is more than welcome the timescale needs to be much quicker to reflect the speed of the downturn and ensure that in an environment whereby business survival can be down to a matter of days, necessary survival activity can be put in place in a prompt and effective fashion. The issue seems to be that the NWDA is or should be a strategic body and is not capable of delivering to the front line in times of emergency. At all times it needs to be a springboard not a sponge, ie adding value and impetus rather than retarding it and in a time of crisis it has in the respect mentioned above proved to be the latter.
2.2 On a regional scale Chambers of Commerce North West prompted by a GM Chamber initiative has worked with NWDA to highlight the issues facing business around trade credit insurance. Pressure has been put on government for action on this issue and after initial scepticism within and delay by Whitehall announcements were made in the Budget that steps would be taken to address this issue. The delay in this has been at central government level with shared frustration at a regional level. The NWDA was effective in supporting our campaign in this respect

2.3 Regarding central regional funding sources these are adequate but feedback from business shows that the awareness of and access routes to these funds needs improving. The Chamber has put information regarding these funds and other support mechanisms on its website. One of the difficulties is the extra layer of communication caused by having national, regional and local structures

3. The response of the Joint Economic Commission, established by the Regional Minister in November 2008, to the economic downturn

3.1 The JEC has made some steady progress in co-ordinating several key projects within the North West and also acting as a catalyst in bringing forward some projects that seemed to have stalled. One of the main benefits of attending JEC has been the ability for member organisations and representatives to meet and work under the auspices of the JEC which in some cases has been beneficial in acting as an update mechanism on latest initiatives.

3.2 The Chamber has been involved with JEC in supplying several pieces of research focussed on the relationship of business with their banks as well as supplying regular updates of the Quarterly Economic Survey.

4. The capacity of the Government Office for the North West, Government agencies such as Business Link, Learning and Skills Council, and Jobcentre Plus, and other partnerships between Government agencies, local government and the private sector, to respond effectively to the economic downturn.

4.1 The capacity of the above organisations has been mixed in identifying what some of the issues are formulating adequate and timely responses. What has become evident is the capacity for these organisations to work effectively on a sub-regional basis to deliver an adequate response and service at the real heart of local communities. There are strong linkages between the Chamber and local authorities and we have cooperated on the 10 day payment campaign and continue to work closely on procurement issues. So whilst at a local level the relationship has strengthened in difficult times there is also a feeling that the reverse is true with regionally focused organisations which have had to work hard to catch up.

4.2 The Chamber has played its part in identifying and starting work to address gaps in local service provision. What has been frustrating has been the length of time taken from agreement to action/implementation of a service to receipt of identified and agreed funds. This has had an ultimate knock on effect of delaying vital services.

4.3 As already evidenced the downturn affected different sectors and geographical areas at different times. As most of the action in response to this took place under a regional framework this resulted in, what seemed at times, a lack of coherent action.

5. The usefulness of Government initiatives such as Real Help Now, in providing support and enabling access to finance, for businesses in the north west

5.1 After what seemed a slow start this message has become more coherent however there are still ongoing issues about getting the message across and out to businesses. This issue has been identified and picked up on by the Chamber. HMRC Payment Support Service has been broadly welcomed by the business community and is seen as the best example so far of effective government action.

6. Whether the approach of regional Government and its agencies during the current economic situation strike the right balance between short term need and planning for the future.

6.1 The Agency is good at strategic planning but it is not designed for delivery, nor is it close enough to the businesses in a major conurbation like Greater Manchester. There is a danger that the action at the end of a strategic planning process is to start planning the next one rather than implementation. Implementation is best left to those local delivery agencies that are much closer to businesses.

Memorandum from the North West Regional Development Agency (NW 15)

SUMMARY

— The Northwest economy is approximately £120 billion per annum and the 12th largest in Europe. The growth rate over the past three years has been approximately 2.7% per annum. With a profile following the expected economic cycle in the UK, the region's economy is expected to shrink by 1.4% in 2009 before stabilising on 2010. Growth is expected to remain modest at 1.5% in 2011.
The Global economy is facing significant challenges, driven by the impact of tighter credit conditions and increases in the underlying costs of inputs and commodities, in particular, energy. Clearly this has had a major effect on the Northwest economy:

- NW Unemployment in April 2009 was 271,000 compared to 201,000 in April 2008.
- NW unemployment is now the fifth highest rate in England.
- JSA claimants increased by 81,600 between April 2008 and April 2009.

In the North West, the economic downturn has been felt most in the automotive, engineering, construction, retail and banking and insurance sectors. However some sectors continue to perform well—for example, chemical, biotechnology, defence and creative and digital.

Lending associated with both the housing market and investment in commercial property and business assets has been affected.

As the economy began to change in Summer 2008 NWDA quickly acted to address the challenges that the region faced, to help restore confidence in local economies, undertaking a full review of its priorities and hence focusing in particularly on business support and supporting the labour market.

Through Business Link North West, NWDA has enhanced support for businesses, seeking to ensure that businesses are able to access the finance that they need to continue trading: finance products are accessible; and that banks implement appropriate lending regimes. In September 2008, NWDA announced specific measures to improve access to finance for businesses in the region including:

- £140 million Venture Capital Loan Fund.
- £10 million support for high growth businesses.
- £35 million business support package.

NWDA is also working to ensure that businesses are able to hold on to staff; and to support individuals who need to be re-trained. It is also making available apprenticeships and graduate bursaries for those just entering the labour market.

NWDA has supported a number of PFI schemes to unlock capital and drive forward projects that otherwise may not have moved forward because of the recession; (eg the Carlisle Relief road) and has brought forward £20 million from its 2010–11 budget into 2009–10 to enable delivery of key projects in RES priority locations—eg Liverpool and Manchester commercial districts, and the Energy coast, to help to maintain the momentum of the economy in those areas.

We are also working to support growth areas and opportunities in the Northwest, particularly in respect of energy and the creative and digital sectors. In terms of the creative industries Media City is one of the biggest most ambitious projects that the Agency is supporting, working with Peel Media NWDA is ensuring that the Media City UK development in Salford Quays delivers its objectives to become a high-tech creative hub, capable of attracting and securing a huge range of creative industries on the back of the digital revolution.

The Agency has assessed its priorities around the economy and is developing a strategic mix of interventions in the:

- Short term—to provide assistance to business.
- Medium term—to stimulate recovery and growth.
- Long term—to restructure and develop the region’s strengths, supporting its growth and competitiveness for the future.

THE IMPACT OF THE RECESSION ON THE NORTHWEST ECONOMY

Labour Market

1. Unemployment in the Northwest has risen significantly over the period of the recession to currently stand at 271,000 or 7.9% of the region’s population. The Northwest’s unemployment rate is the fifth highest regional rate and compares to an England average rate of 7.2%. Between March 2008 and March 2009 the number of unemployed individuals in the Northwest increased by 68,000, increasing the unemployment rate by 1.9 percentage points; this represented the 4th highest unemployment rate increase across the regions and was equivalent to the increase for England overall. However the rate of increase in unemployment shows some signs of slowing, with the Northwest rate of increase dropping from the second highest region in the country in October to December 2008 to the second lowest increase in January to March 2009.

2. Job Seekers Allowance claimants in the region increased by 81,600 between April 2008 and April 2009, increasing the claimant rate from 3.1% to 5.4%; in comparison the rate for England increased from 2.5% to 4.6%. The claimant count rate increase in the Northwest was the fifth highest of the English regions.

3. Analysis of redundancy notifications data in the region shows a fall from 5,400 in February 2009 to 3,300 in March; however this moderation was not felt across all sectors, with notified redundancies increasing concentrated in the manufacturing sector (41.4% of all notified redundancies in March).
Housing

4. Latest Land Registry figures indicate that while house prices are still falling at the rate at which they are falling appears to be moderating. The average house price in the Northwest in March 2009 was £115,258, compared to £152,895 for England & Wales. In March the annual house price change in the Northwest was −15.9% compared with an average for England & Wales of −16.2%; this was the fifth highest regional reduction. Over the quarter to March 2009 the Northwest experienced a −0.5% reduction in house prices, marginally above the average for England & Wales (−0.4%).

5. Figures from the Bank of England and Council of Mortgage Lenders show that the number of loans approved for house purchases have increased in recent months, well above those seen during the previous six months. However the consensus view is that sustained improvements in the housing market will take some time.

Business

6. Figures from the Purchasing Managers Index (PMI) show that in both February and March this year the balance of firms in the region reporting increased levels of business activity on the month earlier improved, this following month on month declines since August 2008. Business activity sentiment in the region is in line with national views. PMI figures for the Northwest show that the balance of firms reporting an increase in the level of new orders improved in the three months of quarter one 2009. Evidence from the latest BCC quarterly economic survey indicates that the current business climate in the region is harsh for both manufacturing and service sector firms.

7. Latest data from Business Link shows that the Northwest continues to perform below average in relation to the rest of England in terms of company insolvencies. Limited company insolvency rates remain comparatively low at present however there has been a worsening over the past three months. Latest insolvency figures show that small SME’s with 6–10 and 11–25 employees who to date have weathered the recession are currently being hit hardest. Based on the patterns of previous recessions however insolvencies only tend to increase once recovery in overall demand is underway, so Business Link predicts that business failures will increase in both 2009 and 2010 with all sectors affected, those hardest hit are expected to be construction, manufacturing and business services.

8. The Northwest is still one of the regions worst affected for the impact of the “Days Beyond Term” problem. Figures show that companies in the property, finance, business services and transport sectors appear to be continuing to hang on to cash at the expense of smaller companies. It is companies with between one to five and six to 11 employees who are currently experiencing the worst DBT situation, the firm sizes where the greatest increase in insolventcies has been seen.

Future Growth

9. Significant uncertainty remains around the future path of the economy. Recent months have seen some rebound in activity highlighted to a certain extent in business and housing surveys and small improvements in consumer spending levels. This increase in activity has followed monetary stimulus through interest rate cuts and quantitative easing as well as fiscal stimulus, a substantial depreciation in sterling and a significant cycle of de-stocking. All these things have the potential to further stimulate recovery; however there are also many downside risks. From a regional perspective thoughts of an early recovery at this stage would be premature.

Messages from Businesses

10. Business has told us that finance continues to be the biggest single issue. Overdrafts are being turned into loans; interest rates are in double figures; and arrangement fees are increasing. There is however some anecdotal evidence which suggests that, in recent weeks, the banks have become less stringent although inconsistencies still exist.

11. In the early days businesses complained about the lack of understanding around the financial products available. However the establishment of BLNW roadshows has addressed this significantly.

12. Large firms are continuing to use their market power to extend the time they take to pay suppliers. Firms are taking on average 60 days to pay an invoice. The average for firms with 1000 + employees is 90 days.

13. The lack of Trade Credit Insurance has also been a significant issue for many firms. This has now been addressed in the recent Budget although it is too early to report on the benefits of this scheme.

14. We may be about to see a wave of mergers as healthy businesses take advantage of other companies’ problems.

15. In terms of people, companies are reluctant to release skilled staff as they may never be able to recover to pre recession levels. Some firms are aware of issues in the 1990’s when they were unable to re-recruit staff they had released and as a result couldn’t grow their business. Hence companies are responding in many and various ways—redundancies are the last resort. Some have responded to reduced demand by for example, adopting four day working weeks; time banking systems for full time workers; and reduced hours. For
example the following companies are considering or have agreed to a four day week: Jaguar, KPMG, the law firm Cobbetts. Bentley is offering a time banking system for full time workers; and Vauxhall has cut hours rather than made people redundant.

16. There have been some large job losses within the region including Shop Direct (1,000 across the region, but mainly in Crosby); Manchester Airport (90); Bentley (220 in Crewe); Tulip (300 in Wirral; and Gibsons Foods; (245 in Ellesmere Port). However jobs are being created in some sectors: construction (where there has been some marginal growth at around 2,000 jobs) and in education, health and other public sector areas of around 8,000 jobs.

HOW WE ARE RESPONDING

Joint Economic Commission for the North West

17. The Joint Economic Commission was established in September to co-ordinate the region’s response to the economic downturn. It is jointly chaired by the NW Regional Minister and the NWDA Chairman; and focuses on the following:

— Business Support.
— The Labour Market.
— Public Infrastructure and Investment.
— Impact of the downturn on communities.
— Preparing for the upturn.

ACHIEVEMENTS

18. NWDA is leading on several key strands of work of relevance to the JEC. In essence this centres on continual improvement of our business support products and to boost the role that Business Link plays as the gateway to that support; our investment in key capital projects and lobbying of Government, partners and key organisations to ensure a co-ordinated approach to recovery; and a focus on longer term development and growth opportunities within the economy which will help us out of recession.

Business Support

19. In terms of business support NWDA is ensuring that Business Link NW is the primary access point for businesses seeking advice and support and that the organisation is responding fully to business needs. So far Business Link has:

— Handled 799 enquiries around Access to Finance, providing advice on how to recognise issues, improve their financial management and stabilise their relations with the banks. Around £94 million of funding has been sought of which 58% of applications were for working capital.
— Provided 4,704 companies with free health checks, which offer diagnosis and advice on how to survive and prepare for growth.
— Offered, since January 2009, £2 million of Transitional Loan Funding, to help established and viable SMEs overcome a temporary shortfall in their working capital. The total fund value is £10 million and it is expected that it will be fully utilised.
— Since January 2009, provided over £1 million of Small Loans for Businesses to help individuals, small business owners and social enterprises start up and expand.
— Provided jointly with the NW Chambers of Commerce, the Institute of Manufacturing and UKTI, 11 Survive and Thrive workshops which provide participating businesses with key information on how to develop their business and where to get support.
— Provided advice and guidance on the HMRC Time to Pay Initiative which allows companies to defer payment of VAT and taxes. So far 11,100 business have taken advantage of the scheme, deferring payments worth £188 million.

20. Business Link is also providing access to a range of products that provide advice and mentoring for new and high growth businesses, including Business Start Up, and High Growth coaching (intensive individual coaching to help businesses achieve rapid growth); advice and support in respect of Innovation and Efficiency (this includes Innovation Vouchers, which provides up to £3,000 to help businesses fund research and development from the region’s universities, colleges or private sector research establishments); and advice to reduce costs and manage environmental risks (this includes in some cases provision of grants aimed at encouraging capital investment projects which will reduce CO₂ emissions).

21. In addition, NWDA:

— Has provided funding of a £1.5 million training package, (being delivered through Train to Gain) for the automotive sector to help it through the economic conditions.
— Will ensure delivery of the series of measures, recently announced by Government, to increase financial aid for rural businesses.
— Is currently negotiating with BERR, CLG and HM Treasury the establishment of a Venture Capital Loan Fund to the value of £204 million.

— Awarded £485,000 (NWDA and ERDF funding) to IDEAS (Innovation Design Entrepreneurship and Science) at Daresbury to deliver a programme to drive innovation into 40 regional SMEs over a 16 month period.

— Has invested £4.7 million in the Composites Certification and Evaluation Centre, which will support companies in the aerospace supply chain by conducting research towards the development of lighter and more fuel efficient aircraft. The investment is complemented by £2.5 million from the University of Manchester.

22. NWDA is also being clear about its immediate support for helping business. The Agency is committed to a prompt payment target of 10 days and is encouraging public sector partners to do likewise. Through Business Link, mechanisms have been put in place to gather intelligence via CBI, IoD, FSB and regional sectors, about business performance and difficulties being encountered. At the end of March 2009 NWDA had paid 92% of its suppliers within 10 working days; and 99% within 30 working days. This compares to the CBI standard target of 95% of payments made within 30 working days.

23. We are reporting both to the region and to central Government on what is happening in the market and advising on need. We have pressed hard on issues such as Empty Property Relief and on Credit Insurance.

A small portfolio of case studies is included at Appendix 1, to provide a snapshot of the type of business support that NWDA and Business Link is providing.

Working with the Banks

24. In response to the issues raised NWDA and Business Link have established joint working at senior level within the region with the Royal Bank of Scotland (RBS); HSBC; Lloyds/TSB/HBOS Barclays and Co-op.

25. As a result RBS has been pro-active and has made a £250 million regional fund available to the region’s SMEs. It is also clearly making use of, and promoting Enterprise Finance Guarantee. In addition Business Link staff are now aligned to RBS staff in sub regions and are jointly providing “buddying” support to SMEs.

26. Business Link has also held joint events with the staff and customers of Lloyds/TSB/HBOS.

27. It is becoming clearer now that viable businesses can get help from the banks and the public sector through various products presented under “Real Help Now”. There is generally a positive feel from business that Government has been working hard to keep businesses and individuals informed of available support. The production of “Real Help for the North West” has enabled the region to be more specific on business support, highlighting the key products in the region.

The Labour Market

28. NWDA, at the beginning of the recession worked closely with Jobcentreplus to obtain early information around redundancy notification. This enabled a co-ordinated and concerted effort by NWDA, Jobcentreplus, LSC, ACAS and HMRC to ensure appropriate support to those companies facing closure and where there is no alternative to closure to enable the region to be prepared for the impact on the labour market and to support the individuals affected. To date 30 cases of rapid response have been delivered.

29. JEC has agreed accelerated programmes to develop and safeguard apprenticeships and NWDA is working closely with the public sector to ensure that it participates fully to enable the region contribute effectively to the national Modern Apprenticeship targets. NWDA is already piloting the scheme within its own organisation.

30. NWDA recently agreed to provide graduate bursaries for students to study at the region’s universities to ensure greater impact within our growth sectors and to retain talent in the Northwest. Around 150 bursaries will be provided, each between £1,000–£1,500. NWDA is currently working with the NW Universities Association to determine the formula and arrangements for distribution.

Public Infrastructure and Investment

31. In terms of capital investment NWDA has brought forward £20 million from its 2010–11 budget into 2009–10. This resource has been provisionally allocated against projects in RES priority locations ie Liverpool and Manchester commercial districts, the Irwell Corridor and the Energy coast. NWDA has also provided £4 million for the preliminary work on the Carlisle Northern Development Route.

32. The Agency is actively monitoring a number of large regeneration schemes under development across the region, and has stepped in on a number of existing key schemes to ensure that momentum continues and that jobs are retained on site.
33. We have also lobbied to support the £670 million 25-year GM Waste Disposal Authority PFI scheme to provide state of art recycling facilities for the sub region over the next five years; and the £90 million capital development at Bolton and Liverpool FE Colleges.

34. The JEC Housing Sub Group identified 20 primary sites and 25 secondary sites, for housing priorities in the region and the Agency is working with HCA to develop specific proposals to overcome the barriers to enable each site to be developed.

Impact on communities

35. NWDA is working with the Voluntary sector and other partners to ensure that individuals have access to appropriate debt advice in the short term and more strategically that the region utilises its diversity to bring about the longer term economic prosperity of the region.

Preparing for Recovery

36. It is critical that, despite the pressing short term needs of business, the region focuses on the long term strategy for the sustainable growth of the region. JEC identified four long term priorities to lead the region into recovery:

— The Energy Coast—(the brand name developed for the West Cumbria Masterplan)—was established around two years ago by West Cumbria partners, under the auspices of the West Cumbria Strategic Forum, to set out an integrated regeneration strategy to help minimise the impact of the nuclear decommissioning of Sellafield. NWDA has supported the Energy Coast and has helped ensure that Cumbria Vision has recognised the opportunities that the Energy Coast presents to Cumbria and the North West more generally. The Agency has also ensured that West Lakes Renaissance URC has prioritised the key Energy Coast programmes and projects into its Business Plan. Projects include the national nuclear laboratory; nuclear skills academy; University of Cumbria; a new hospital for West Cumbria; and new nuclear build. In addition, NWDA has directly supported key projects such as the University of Cumbria that will have a direct benefit for West Cumbria.

— Atlantic Gateway—this exciting development is looking at how the region capitalises on the potential and assets of Liverpool and Manchester and the areas between to drive long term sustainable development in the region. The area has the potential for

— £50 billion extra GVA growth over the next 10 years.
— 100,000 more jobs by 2015.
— The right sectors in the right place and room to grow.
— Developing the synergies between two city regions.

NWDA, in agreement with all the relevant local authority leaders, is driving forward the production of a masterplan of all the area’s major assets and opportunities.

— Renewables—NWDA is working with partners to enable the region to grasp the opportunities presented by the low carbon economy to build a world leading renewables sector.

— Creative and Digital Industries—building on the continued growth of the sector and capitalising on future opportunities. Working with Peel Holdings NWDA is ensuring the development of Media City UK as a global centre for business and digital and creative industries, complementing that of London, to provide a significant boost to the NW and UK economies.

— NWDA is also looking to provide support for Next Generation Access (NGA)—a telecommunications infrastructure that will provide exceptionally fast connection speeds to the Internet. NGA has a critical role to play to increase productivity and innovation across all sectors; and deployment is underway in a growing number of countries. In the UK private sector interest in NGA is limited; and therefore to enable the Northwest to continue to attract inward investment and remain competitive as a business location NWDA will look to lead public sector support to enable NGA in the Northwest.

37. The current Regional Economic Strategy sets out the region’s economic vision and priorities. However Northwest partners are now working on the development of the new single Regional Strategy, which will bring together spatial, economic, social and environmental strategies and ensure that we can deliver truly sustainable long term growth within the region and that all public agencies’ investment is aligned behind an agreed strategy, to maximise efficient use of public money.

38. The Northwest is ahead of other regions in the development of an integrated Regional Strategy. NWDA, with 4NW (the Regional Leaders Forum) published a Principles and Issues paper for 12 weeks of consultation, to inform the development of the Strategy. This concluded at the end of April and attracted widespread interest from the public, private and voluntary sectors. NWDA is now assimilating the responses which will help to determine the strategy to respond to the long term challenges and opportunities that face the region.
APPENDIX 1

PORTFOLIO OF CASE STUDIES

The following case studies provide examples of how NWDA and Business Link has provided direct financial support or facilitated support to companies to enable them under the current economic climate, to continue to trade or to expand to meet business demand and secure their position.

TRM Packaging Ltd, Burscough

NWDA has provided £1.2 million from the Grants For Business Programme towards this company’s £12 million investment in plant and machinery to increase capacity and capability. The company manufactures corrugated packaging mainly for the food industry and NWDA’s assistance will enable it to increase sales from £30 million to £40 million over the next three years as well as safeguarding 227 jobs.

Indespension Ltd, Bolton

NWDA has provided £163,000 financial assistance via the Grants for Business programme to help this company purchase a Laser Cutting machines and Press Brake to enable the manufacture of in-house components, which in turn will improve competitiveness. The company is a market—leading designer, manufacturer and vendor of a comprehensive range of trailers and associated products.

North West Engineering, Morecambe

NWDA is providing assistance via the Transitional Loan Fund of £200,000 to safeguard 70 jobs and create 15 new ones. Established in 1999, the company has developed into a sophisticated operation with professional business practices and information systems to support its highly skilled workforce. After the acquisition of a competitor company and a number of relocations within the region in recent years, the current economic climate has resulted in a downturn of orders, causing increased cash flow pressure. The loan will enable the company to maintain operations and secure new business.

North West Recycling Ltd, Carlisle

NWDA has provided £230,000 towards this company’s start up costs. The company will develop a recycling facility for processing construction and related waste streams. It will provide 32 new jobs over an 18 month period.

Norlec Engineering, Leyland

This company was one of the first to receive funding from the Transitional Loan Fund. Norlec Engineering supplies sheet metal components to manufacturing companies and suffered a significant decline in sales to key sectors, including transport, automotive and construction due to the difficult global economic conditions. The loan will ensure that up to 94 people remain in their jobs at Norlec, as well as creating opportunities for the company to diversify its customer base and grow the number of sales to potential new customers.

Sulzer Pumps, Bootle

45 jobs were created as a result of £550,000 NWDA funding via the “Grants for Business Investment”. Sulzer Pumps (UK) Ltd. is part of the Swiss company Sulzer AG and specialises in the manufacture of pump packages and associated spare parts and repairs for the oil and gas and power sectors. Due to a rapid growth in business since 2004, Sulzer required additional capacity to increase levels of production. With its Leeds site operating close to maximum capacity, the company began to look for a new site in an alternative area of the UK. The closure of the Rolls Royce site at Atlantic Park in Bootle and the redundancy of more than 200 skilled workers presented Sulzer with a significant opportunity to offer 45 posts to staff with the right set of skills and experience. It also meant the company could lease premises ideally suited to cope with the highly specialised operation.

Lucy’s of Ambleside

NWDA awarded the Lake District based company, £250,000 from the Transitional Loan Fund to provide working capital to enable the company to secure its future growth. The company consists of a combination of a delicatessen, mail order, café and restaurant, outside catering, wine bar and bistro and a cookery school.

Laila’s Fine Foods, Blackpool

NWDA awarded £250,000 from the Transitional Loan Fund to allow this company to expand. The company produces and supplies award winning Indian food to a number of companies, including supermarket groups in the UK and Europe; and currently employs over 100 people. They have developed many new products and have won contracts with Asda, Morrisons and Aldi, which will result in a three fold increase in turnover during 2009 with a further 30% increase in 2010.
Acton Bridge Garden Centre, Northwich

NWDA has provided a £50,000 loan as part of the Small Loans Business programme to this company. Established in 2007, the company supplies horticultural products to the retail sector. Keen to expand and with ambitions for further growth, the venture ran into trouble after they were refused a traditional loan. Despite sound business plans, it was unable to obtain additional finance to supplement the substantial amount of personal capital that had already been put into the business. The company will now be able to expand into the lucrative wholesale market, with products ready for sale in time for the high seasonal demand in summer.

Locksmith/Security, Lancashire

This company, which has been established for 20 years, had a three year loan with Barclays of £22,5,000 at 12% over the base rate; and a loan of £20,000 with Bolton Business Ventures. Barclays declined an increased in facilities to assist with a relatively small expansion of the business. Following intervention by Business Link, The Royal Bank of Scotland agreed a £20,000 loan under the Enterprise Finance Guarantee Scheme plus a £15,000 loan to repay the Barclays loan—both at 5% over the base rate over 10 years and the businesses continues to repay the Bolton Business Ventures loan as agreed. The company’s total borrowings are now £55,000 but the majority at a lower interest rate on a longer term repayment schedule.

Retail/Catering, Cumbria

The company, which has been established for 27 years, was referred to Business Link by its own bank, Natwest. Due to recent business issues, NatWest had reached the limit of its assistance and had been unable to approve an increase in facilities as requested but due to a good relationship and previous trading history, wanted to continue to provide support. A transitional loan of £250,000 was provided as well as the Nat West agreeing to restructure the company’s finances though a Enterprise Finance Guarantee.

Property Developer, Merseyside

The company had a business loan of £195,000 from Yorkshire Bank to finance the purchase of a residential property to be converted to flats. Verbal agreement had been given by the bank to provide a further loan upon receipt of planning permission for the conversion. Planning permission was subsequently obtained but the Bank then refused the additional advance and also requested full repayment of the existing loan despite no default in repayments, leaving the business faced with a forced-sale situation and unlikely to achieve repayment of debt. In addition the bank requested a 1% exit fee and a £500 per month review fee. Through intervention by Business Link the company was able to secure a loan of £195,000 from a business finance company, to repay the Yorkshire Bank loan plus a further advance £200,000 to complete the flats. A further £85,000 was raised by the directors through a private investor. Business Link also encouraged the company to contact Yorkshire Bank regarding the excess fees being charged, which were subsequently removed until the new finance was drawn and the bank repaid.

Key Forensic Services Ltd, Warrington

The company was formed in 2005 to provide forensic services to the UK’s law enforcement agencies, to take advantage of the structural changes taking place in the forensic services market. Originally founded in the Midlands, the company, which also has a number of facilities across the country is set to become a major player in forensic services; and is making a significant investment at its Warrington site, as a result of the NWDA grant to expand the services being offered in England’s Northwest. A £65,000 Grant for Business Investment award has enabled the company to install and equip specialist laboratories to provide a range of services in addition to DNA profiling.

Accrol Papers Ltd, Lancashire

Established in 1993, this company is one of Europe’s largest independent paper converters with manufacturing capacity in excess of 40,000 tonnes per annum. It currently has 35 full time employees and has seen sales increase from £7 million in 2005 to £27 million in the last financial Year. Since 2004, it has been working on a modernisation programme, investing £3 million in 2008 in new plant and machinery; and plans to invest a further £1 million in additional equipment. NWDA has recently provided a £175,000 Grant for Business Investment to allow the company to continue with its investment and create a further 40 jobs by 2012. Turnover is expected to increase to £60 million within five years.
Memorandum from 4NW – the Regional Leaders Board (NW 16)

INTRODUCTION

1. 4NW—the Regional Leaders Board—is pleased to respond to this call for evidence from the North West Regional Committee of the House of Commons on the impact of the current economic situation on the North West and the Government’s response. The recession has presented significant challenges to the region of the North West and its communities.

2. 4NW has worked with its local authority and stakeholder members to:
   — widen understanding in the region of the impact of the credit crunch and recession;
   — discuss and promote best practice—particularly amongst local authorities—by way of responding to these challenges;
   — act as a credible regional forum which can take tough democratic decisions eg when progressing RFA2 and could be further utilised in agreeing regional priorities; and
   — represent its members at the Joint Economic Commission.

3. This response, first, highlights the response of local authorities in the region and, second, details 4NW’s views on the way in which the regional tier of government have responded by way of answers to the six issues identified. Recommendations and key points are italicised.

4. Crucially 4NW believe that, although local authorities have been significantly adversely financially impacted upon by the downturn themselves, they have considerable further potential to assist in preparing the region for the upturn.

A. THE RESPONSE OF LOCAL AUTHORITIES IN THE NORTH WEST

5. To date, local authorities in the North West have played an important and proactive role in responding to the recession across the region. Because they work closely with local communities, businesses and the third sector, local authorities are well placed to respond quickly and effectively, as the impacts of recession have unfolded in their localities.

6. Working through the 4NW Economic Development Group, and working in partnership with North West Improvement and Efficiency Partnership as well as Government Office and North West Development Agency, 4NW have developed an understanding of how local authorities have responded to date. This analysis shows the range of responses that local authorities have undertaken include:
   — Developing an evidence base—Collating and analysing evidence about impacts in their community—focus for quantitative and qualitative data in relation to how the recession is impacting upon local communities.
   — Facilitating networks—Local authorities have also responded quickly to facilitate the development of networks to provide an opportunity to bring different economic players together to discuss severity of impacts on the area and to explore ways of managing the impact for communities and business.
   — Awareness raising and brokerage—Raising awareness of the support available locally to help tackle some of the impacts of recession, directing inquiries to relevant sources of help and linking the needs of local communities and businesses with the system of support available at sub regional and regional level.
   — Procurer and employer within the local economy—some local authorities have recognised the substantial economic role that they play in the local economy through procurement and recruitment and have worked with their procurement and human resources departments to maximise the impact that the local authority spend can have on the economy.
   — Planning for the future—In the longer term, local authorities are refreshing and revising their strategies and plans to reflect the new economic reality and working with partners to develop new ideas for the future.

7. Many local authorities are delivering specific projects which offer real help to businesses and residents. Please see Appendix 1 for further details highlighting the breadth and depth of activity from each of the North West’s five sub regions.

8. Despite the fact that local authorities have risen to the challenge of recession effectively in their own areas, it is worth noting that this has not been without cost. This activity is resource intensive for local authorities—at a time when local authority receipts are down—and this should be acknowledged by both regional and central Government.

23 Local Responses to the Economic Downturn in the North West (2009).
B. The Further Responses of Local Authorities in the Region

9. 4NW believe that although they are now seen as joint, equal partners in the development of the region’s long term Regional Strategy, for the purposes of responding to the short term recession and preparing for the upturn we are one of many perceived players. However local authorities—as well as stakeholders—have a potentially bigger role both in terms of strategic appraisal and delivery of actions.

10. The comments of Cumbria County Council are typical of local authorities across the region: “As always the Council could do more with greater funds and flexibilities. Delegated or devolved funding, in line with the proposals explored in the Sub National Review, would enable the Council to respond more quickly and effectively to local need and circumstances.”

11. The new Local Economic Assessment duty, due to come in to affect from April 2010, demonstrates the critical role that Government believe local authorities should perform in developing evidence which will lead to local authorities to begin to put in place strategy and interventions which will support the development of more resilient economies in the future.

12. 4NW has been working with local authorities in the region to develop a LEA Regional Framework which will consider how the assessment duty is best implemented across the unitary and upper tier authorities in the region. However the potential benefit of this role should be seen now. For example the Manchester Independent Economic Review has provided a strong evidence base for the city region from which to plan for recovery and growth in the future. JEC should draw on the emerging strong sub regional evidence.

13. Meanwhile delivery opportunities presented by local authorities—often working together through MAAs—need to be maximised now. 4NW will work with partners across the region to fully capitalize on the potential benefits for the North West of the Future Jobs Fund. In addition 4NW, working with CLES (Centre for local Economic Strategies), have sought to highlight the important further role that public expenditure procurement could play in supporting local economies at a time of recession. This has included information about good practice from elsewhere along with an analysis of the opportunities for local authorities in the region. Leadership from the Government—nationally and regionally—to make clear that this opportunity should be maximised and best practice spread would be appreciated.

14. In addition to its Multi Area Agreement proposals, the Liverpool City Region has identified three key areas where it could and should do more—but will also require further Government support to do so: delivering the maximum benefits of Merseyside’s status as an ERDF Phasing-In region; removing constraints on the effective delivery of utilities in the sub-region which have hampered economic growth and inward investment projects in the past; and reviewing Business Solutions intervention rates attached to grants and interest rates attached to repayable loan facilities that were set in a different financial climate but where Merseyside ring-fenced ERDF allocations might fund enhancements.

15. In terms of the future, Cheshire West and Chester also believe consideration needs to be given to longer terms initiatives which may support businesses, including rate relief and phased business rate payments, increasing local procurement of goods and services and the use of or ring-fencing of LAGBI or Local Economic Assessment monies for regeneration activities.

16. In conclusion many local authorities—by themselves or, as is the case in many areas of the North West, working together as MAAs—stand ready to take a more enhanced role in response to the recession. The full extent of this potential does not seem to have been grasped by Government nationally or regionally. 4NW could be more fully utilised to co-ordinate and represent local authorities—and wider stakeholders—at the regional level and its expertise in housing, planning, transport, the low carbon economy, sustainability and equality and diversity more widely used.

C. Responses to Specific Questions

The effect of the economic situation on the region; including the effect on different sectors and on different sub-regions

17. It is becoming clear that what was initially perceived to be a white collar, southern phenomena has turned out to be anything but. Manufacturing has once again been hit—as well as financial services and retail—and therefore the North West has been disproportionately affected with unemployment rising by more than 35% in the past twelve months and the North West Chamber of Commerce reporting earlier this year that 47% of companies had (negatively) changed their investment plans.

18. But there are considerable variations within regions both in terms of sectors that are affected and places. According to the LGA up to 230,000—6.7% of the workforce, more than the national average—are vulnerable in the North West alone. But in Pennine Lancashire for example, which has a higher than average manufacturing base, 8% of those in employment are at risk. Such variation in the region has been a longstanding concern of 4NW and was highlighted by the 4NW Review and Scrutiny Group in its inquiry into “Areas remote from Growth” which highlighted spatial disadvantage particularly for parts of Lancashire and Cumbria.

19. Within the Liverpool City Region, the automotive sector is an important element of the remaining industrial base within the North West, and as a result of a reduction in vehicle demand, an increasingly vulnerable one. In addition to the government’s car scrappage scheme, it is recommended that preferential targeted loans through banks to improve demand and additional support for skills retention and development are seriously considered.

20. As Professor Michael Parkinson has said territorial and social inequality will increase due to the recession. This means that there is a strong likelihood that not only inequality within the North West but also inequality between the North West and the South East will increase. Already the UK is the most unequal of all European countries when you compare the least productive and the most productive sub region.25

21. The Select Committee may wish to test whether central Government believe that progress towards the Regional Economic Performance PSA target has been set back by the recession and, if so, what macro economic measures it is taking—or should take—at a national level to remedy this in the long term.

22. Meanwhile 4NW remained concerned at the disproportionate impact of the recession on our communities. We have seen that even over the last fifteen years of economic growth, and despite the fact that much progress has been made, some of our communities still lag behind in terms of opportunity and quality of life.

23. In 2007, the North West still had three of the five most deprived local authority districts in England and ten in the top thirty. Although improvement in the IMD league table between 2004 and 2007 were secured in many local authority areas, nine became relatively more deprived.26 Many of these are now likely to be more affected by the recession.

24. In addition, statistics for worklessness and poor health are already among the most acute in the country, for example, the region has the highest levels of drug misuse and long term mental health problems in England as well as a nine year life expectancy gap between the best and worst local authority areas. More than 400,000 people remain on incapacity benefit in the North West, the highest caseload of any English Region.

25. Recent reports from Voluntary Sector North West (VSNW) to the JEC have echoed this concern about the disproportionate impact on key groups with negative consequences for communities in terms of short term impact and, if not acknowledge, risks to long-term social inclusion.27

26. It was also the subject of a recent report published by the DWP28 which highlighted the impact of recession on disadvantaged groups. The report suggests that many different types of community can fall into the bracket of “disadvantage” including deprived local authority wards, disabled people, ethnic minorities, ex offenders, low skilled workers, lone parents and older workers. The paper outlines the disadvantage these groups experience.

27. Similarly, at a North West scale, recession is likely to be having a greater impact on these groups in the region and therefore, support needs to be tailored to meet these diverse needs. Local authorities are rising to this challenge. They provide intelligence to the Regional Intelligence Unit at the NWDA and 4NW reports to the Regional Economic Forum.

28. Many local authorities—as highlighted in Appendix I below—are putting in place measures to target support to disadvantaged communities, for example, in Rochdale, Bury and Salford, frontline service staff have been trained to advise on broader range of support services as well as signpost elsewhere. Debt advice vehicles are being deployed in Bolton and Rochdale, and Manchester is working with its Civic Justice Centre to provide repossession and mortgage advice support, while bids have been submitted to extend the East Manchester Money Mentor scheme and to develop two regional financial champions jointly with Salford.

29. Meanwhile local Authorities in the Liverpool City Region are working with developers and Registered Social Landlord (RSL) partners to ensure that new build developments continue during this difficult economic period. Actions taken include: RSL new build homebuy changed to social rent, flexibility with tenure splits and a switch of shared ownership units to rent to home-buy, among other things.

30. It is important regional partners address social disadvantage. Left unchecked, high levels of inequality and disadvantage can trigger breakdowns in social cohesion and disengagement from participative and representative democracy.

The effectiveness of Northwest Regional Development Agency in assisting businesses in the current economic downturn

31. 4NW welcomes NWDA’s support for businesses in the current economic downturn. The need to present a coherent approach to businesses requiring support in the region at a time of recession has been highlighted by 4NW in their discussions with local members and NWDA at meetings of the Economic Development Group.

25 Statistics showing the distribution of GDP by sub regions [NUTS 2] are compiled by Eurostat annually.
26 Blackpool, Blackburn w Darwen, Burnley, Hyndburn, Oldham, Pendle, Preston, Copeland, Congleton.
27 Voluntary Sector North West JEC 4.2 Mitigating the impact of the economic downturn on communities.
32. The 4NW Scrutiny Committee commissioned an inquiry to consider the effectiveness of the new Business Link operation in the North West. This inquiry was tasked with considering the effectiveness of Business Links’ relationships with regional, sub-regional and local partners; its performance in ensuring that disadvantaged groups can access their services; and their effectiveness in signposting businesses to specialist services such as ICT.

33. This report found that Business Link in the North West was responding well to changed demands and highlighted that it would therefore need to revisit its strategy and indicators to ensure that it was taking full account of the recession in its current operational model and in its future business plan.

34. Meanwhile recession has been shown in the past to impact differently across sectors of the economy. In the 1980s and 90s, recessions resulted in structural change in our economy away from an industrial manufacturing base towards a post industrial knowledge economy which has continued to develop and grow over the last decade. We know that in the same way, the current recession is impacting differently across the sectors, with some areas, including manufacturing and financial services being severely affected, whilst other sectors have remained relatively buoyant.

35. It is important that given the North West’s strengths in manufacturing, and the long term importance of advanced manufacturing (as recognized by BERR in “New Industry, New Jobs”), that regional partners work with employers, particularly in manufacturing, to enable them to develop and diversify especially to take up opportunities in the low carbon economy and in other growth sectors for the future. 4NW is surprised that advancing manufacturing has not been recognised as a strategic priority by JEC.

36. Local authorities also have an important role to play in understanding the needs of local businesses in their area and working with them to manage the impacts of recession as they unfold. With the announcement about the Future Jobs Fund in May 2009, it is likely that the role of local authorities in supporting local employers can only increase in importance in the future. 4NW welcomes this and looks forward to working with partners to maximise the opportunities this initiative presents this region.

The response of the Joint Economic Commission, established by the Regional Minister in November 2008, to the economic downturn

37. 4NW believe that the Joint Economic Commission (JEC) has played a useful role in the region in providing a focus for discussions between regional players and in establishing a coherent message for the private business and the general public about the impacts upon the region and the response from regional organisations. 4NW have taken their place on the JEC and have produced supporting material to be considered by the JEC membership.

38. However 4NW is not convinced that the JEC has taken back to Westminster and Whitehall key messages regarding the more interventionist role the Government needs to take in order to overcome the recession. For example, government is still relying on self regulation by banks when, for example, the US administration has insisted on conditions with regards ensuring lending and barring bonuses. The availability of credit for businesses from banks remains a crucial issue for the region and the JEC and NWDA should do more to encourage central government to take bolder action on this front on behalf of businesses in the region.

39. Similarly whilst local authorities are making extreme efforts to hit early 10 day payment targets the evidence suggests the private sector remains ‘late’—again regulation and legislation should be considered. Central government support for local authority initiatives such as mortgages and home building should also be more clear.

40. Finally 4NW are keen to strengthen further their role on the JEC as we believe 4NW provides a crucial link between local authorities and the strategic leadership for the region. Enhancing this link between local, sub-regional and regional partners—through for example inclusion of the Chair of Economic Development Group and a representative local authority Chief Executive—could only serve to strengthen governance arrangements for the JEC.

The capacity of GONW, agencies such as Business Link, Learning and Skills Council, and Jobcentre Plus, and other partnerships between Government agencies, local government and the private sector, to respond effectively to the economic downturn

41. There is a great deal of activity being undertaken by regional partners, partnerships and local government to respond effectively to the economic downturn. 4NW endeavours to work closely with other regional partners in the region in order to help co-ordinate responses to the recession. 4NW believe it is important regional partners work together in a complementary way to streamline support to businesses, communities and local authorities as appropriate.

42. The North West Universities Association is working in three main areas at the present time and this work is being co-ordinated with regional partners including NWDA, Job Centre Plus, Business Link North West and the chambers of Commerce in the region appropriately and successfully. For example funding has been put aside to develop a Redundancy Response Fund to support the development of a responsive continuous professional development provision to meet the needs of those at risk of redundancy or those
recently made redundant. Discussions are also ongoing between university careers services and the LSC about co-ordinated action to support graduate employment. Finally, 9 universities have been successful in securing funding from the HEFCE Economic Challenge Investment Fund. This brings around £3 million into the region providing support for professionals and graduates who are faced with redundancy.

43. Meanwhile the Association of Colleges North West welcomes the extra government funding to train those unemployed for 6 months or longer. All 37 general further education colleges, more than in any other English region, will participate in this initiative and share in the £83m made available nationally. It will help thousands of people across the region to get back into work by learning new skills. Courses will be matched to the local labour market and will provide training up to level 3 (A level standard). People accessing the courses will be able to continue training once they get a job, ensuring they get a range of skills which will help them secure sustainable employment.

The usefulness of Government initiatives such as Real Help Now, in providing support and enabling access to finance, for businesses in the NW

44. 4NW have not had specific feedback from local authorities or other partners in the North West as to the effectiveness of the “Real Help Now” initiative. However they would argue that the real usefulness of this initiative will be tested by the degree to which its programmes of support are taken up and used effectively. The comments of Liverpool City Region reflect those of the region in this respect:

“given the proliferation of support and measures proposed by government and delivery agencies, there needs to be a concerted effort in ensuring that groups that are targeted are fully aware of the provision that is available to them. In addition, sufficient resources will need to be dedicated to the delivery of support, including additional and well trained staff.”

45. 4NW would also argue that it is important that this initiative comprehensively signposts local authorities as sources of support and further information for local communities.

Whether the approach of regional Government and its agencies during the current economic situation strike the right balance between short-term need and planning for the future.

46. 4NW believe that the response of regional government and its agencies in the short term has been relatively effective and well co-ordinated. Planning for the upturn is more challenging and still at an early stage. 4NW notes that the JEC’s long term strategic priorities for the future include Atlantic Gateway/ M62 corridor; the North West Energy Coast; the renewables sector; and support for the creative industries, in which the North West has acknowledged strengths including the establishment of Media City.

47. 4NW is not aware that a sustainability appraisal or equality impact assessment process has been undertaken with regard to JEC’s work and priorities. Moreover as noted in section 2.2 above 4NW believe advancing manufacturing, which is so important to specific parts of the North West as well as to the regional economy as a whole, should also be considered a strategic priority. The JEC also needs to acknowledge a wider agenda that will be crucial in addressing the productivity gap between north and south—these including nuclear technology, international connectivity through Manchester airport, core city growth and ‘the Whitehall of the North’.

48. At the same time the region must remain open to economic opportunities as they emerge from the recession and target high levels of unemployment and deprivation in the future as well as support key future regional drivers of growth and channel capital investments appropriately.

49. Furthermore whilst JEC needs to continue to play a leadership role in the region, providing a clear steer as to how the North West can start to move from recession towards recovery, it must recognise the role of regional partners and local authorities in this process and give recognition to the RS2010 work led by 4NW and NWDA with key regional partners as part of the long term strategy development.

50. It is clearly therefore important, that JEC priorities and processes are married up to the Regional Strategy process which is already underway36 The JEC strategic priorities should not by-pass the democratic opportunity for debate and agreement that 4NW can provide nor be the sole focus of future attempts to strengthen and support recovery in the region. In addition it is important that in our discussions about the nature of the final Regional Strategy that we consider the lessons learned from the current recession and how we can build this learning into the Regional Strategy for the future.

APPENDIX 1

LOCAL AUTHORITY/MAA RESPONSES TO RECESSION

A survey of responses by Cumbria County Council and Cumbrian District Councils showed the following:

— Mortgage rescue scheme participation.
— Better housing benefit advice and extra funding for debt advice—including enhanced affordable warmth and benefit take-up drives.

— Better more efficient and sustainable procurement—value for money, early payment and support so local businesses can compete for tenders.
— Local Employment Partnerships—working with JCP and others.
— More sensitive (spread) payment arrangements for business rate payers including rate relief for SMEs.
— Work with local Chambers of Commerce.
— Using Council Websites to disseminates tips to cope with the recession.
— Promotion of, and support for, credit union.
— Low Council Tax rises (despite reduced incomes and increased demand on services).
— Development of an Anti Poverty Strategy to recognise the disparate impact of recession within their sub region and on disadvantaged groups in the County.

Many of these schemes are replicated elsewhere in the region. In Greater Manchester, however, where activity has been co-ordinated by the Commission for the New Economy working on behalf of AGMA, it is worth also pointing out that:

— Wigan and Bolton both identify strengthened employer engagement as a key plank of their response to the downturn and this assists Business Link.
— Bolton has also boosted its strategic investor fund to retain and support large employers and Wigan is developing access to low cost finance for SMEs.
— Stockport and Oldham have both invested in extra debt advice capacity: Stockport have recruited 6 staff, Oldham have funded Citizen’s Advice Bureau for additional service.
— Tameside have ensured free parking in the town centre; plus £10.5 million capital fund set aside to fund small-scale projects under a ‘Tameside works first’ approach to procurement.
— Trafford—series of public sector procurement awareness raising sessions are planned with SMEs.
— In addition a number of authorities are developing redundancy support services which complement—add value to—the Rapid Response Service provided through JCP.
— Many authorities are also boosting apprenticeship numbers and play a critical role “lobbying” for capital investment eg from HCA/LSC.

In Liverpool City region, effort has been concentrated at both a city-region and Local Authority level. At a city-region level, partners have agreed to make a city-region bid to Future Jobs Fund, lobbied for changes to the ERDF Programme to allow support for site remediation in preparation for the upturn, and worked through its Housing Market Renewal Pathfinder programme to ensure our disadvantaged communities are supported through the recession. Importantly, the Liverpool City Region Multi-Area Agreement has ensured it is responsive to the short-term impact of the recession as well as its longer term ambitions.

At a Local Authority level Liverpool City Council is looking to establish a commission to examine ways in which the City Council can use its financial and other muscle to support the establishment or strengthening of credit unions, regionally based mutuals, regional banking and other financial institutions. It is also demolishing redundant and derelict buildings to reduce costs and create development sites. Sefton are re-orientating their Working Neighbourhood Funds towards business survival and job protection and Wirral have designed a programme to support micro businesses. Other examples of initiatives in response to the recession include…

In Cheshire East, Cheshire West and Chester and in Warrington similar initiatives have been taken. Warrington has established a Credit Crunch Task Group chaired by the leader of the Council to promote rent and rate support to local businesses, undertake research with partners into local impacts, enhance support to claimants and disseminate information and advice.

Cheshire West and Chester has taken a proactive approach to tackling the recession working with partners both within the Local Authority area and with neighbours within the immediate economic sub-region for example North East Wales, Wirral, Cheshire East and Warrington. A dedicated Member Panel has been established to co-ordinate action across the local authority. Specific initiatives include:

— Providing advice and guidance to businesses, individuals and families through a dedicated “credit crunch” section of the Cheshire West and Chester website. This includes links to benefits, housing support and Citizens Advice Bureau.
— Delivering business events with partner agencies eg ‘Survive and Thrive’ with Business Link and ‘Managing People in the recession’ with ACAS.
— Rolling out employment and skills programmes to support training for companies expanding diversifying or contracting (eg Workability and ‘People into Jobs’ initiatives).
— Active local promotion of regional programmes under the NWDA ‘Solutions for business’ and Access to Finance guides.
— Promotion of the business rate relief scheme and identification of flexible business rate payments.
— Business to business events—three planned in June 2009.
— Establishing a shared evidence base and health check to assess impact of the recession on the Cheshire West authority area to identify key risks to the local economy in terms of key sectors, unemployment hot spots.
— West Cheshire employability partnership—developing training and development for individuals tapping into LSC funding for credit crunch targeted activity.
— Business grant scheme to support small capital purchases for businesses start up’s and expanding businesses.
— Redundency Action support team now strengthened and working across the area and cross boundary through Mersey Dee Alliance—LA’s, JC, ISC, Connexions, B Link, NWDA, West Cheshire College, Chamber—mapping business events, and direct support into businesses—Sharing staff resource across agencies.
— Strengthening upstream support for businesses, with all above agencies and Chamber, conduit for accessing on financial support.
— Using mobile bus for outreach advice into communities including more isolated rural areas.
— Joint working with housing trusts, credit union and CAB on benefits advice and support
— Launched a local Homebuy scheme—50% loan on properties up to £200k.
— Working with housing trusts on sub market rent initiative.
— Stepping up public sector intervention in regen schemes—Northgate and Northwich Vision including working with RSL’s and HCA to unlock development sites to deliver affordable housing and recycle receipts.

Lancashire is working with the North West Development Agency and Business Link to offer:

— A £10 million High Growth business support programme.
— A new £4 million Innovation Voucher Scheme to help up to 1,000 businesses.
— Dedicated Access to Finance support within Business Link Northwest.
— A £140 million Venture Capital Loan Fund.
— A £40 million package of support to stimulate investment in priority skills development.

Lancashire companies are already benefiting from these offers, notably the Transitional Loan Fund and Business Investment Award, which have supported 4 Lancashire firms to the tune of £885,000—safeguarding more than 300 jobs and creating the opportunities for a further 40 jobs in due course.

A new approach to Business Start Up Advice is about to be launched, although details on the procurement process for providers of the Intensive Start Up Support service have been delayed. The Multi Area Agreement groupings in Pennine Lancashire and Fylde Coast are using the contract as a way to provide a consistent advice service across their area, using the LEGI models as a framework. In addition it is understood that DCLG have agreed that the previous LEGI postcode boundaries should now be relaxed. The County Council is also providing funding on this contract across all 12 districts through the agreed MAA groupings.

APPENDIX 2

SUMMARY OF RECOMMENDATIONS AND KEY POINTS

4NW believe that, although local authorities have been significantly adversely financially impacted upon by the downturn themselves, they have considerable further potential to assist in preparing the region for the upturn.

Many local authorities—by themselves or, as is the case in many areas of the North West, working together as MAAs—stand ready to take a more enhanced role in response to the recession. The full extent of this potential does not seem to have been grasped by Government nationally or regionally. 4NW’s strengths and expertise in housing, planning, transport, the low carbon economy and equality and diversity could also be more fully utilised to co-ordinate and represent local authorities—as well as wider stakeholders—at the regional level.

The Select Committee may wish to test whether Government believe that progress towards the Regional Economic Performance PSA target has been set back by the recession and, if so, what macro economic measures it is taking—or should take—at a national level to remedy this in the long term.

It is important regional partners address social disadvantage. Left unchecked, high levels of inequality and disadvantage can trigger breakdowns in social cohesion and disengagement from participative and representative democracy.
It is important that given the North West’s strengths in manufacturing, and the long term importance of advanced manufacturing (as recognized by BERR in “New Industry, New Jobs”), that regional partners work with employers, particularly in manufacturing, to enable them to develop and diversify especially to take up opportunities in the low carbon economy and in other growth sectors for the future. 4NW is surprised that advancing manufacturing has not been recognised as a strategic priority by JEC.

4NW is not convinced that the JEC has taken back to Westminster and Whitehall key messages regarding the more interventionist role the Government needs to take in order to overcome the recession. For example, government is still relying on self regulation by banks when, for example, the US administration has insisted on conditions with regard to lending and barring bonuses. The availability of credit for businesses from banks remains a crucial issue for the region and the JEC and NWDA should do more to encourage central government to take bold action on this front on behalf of businesses in the region.

4NW are keen to strengthen further their role on the JEC as we believe 4NW provides a crucial link between local authorities and the strategic leadership for the region. Enhancing this link between local, sub-regional and regional partners—through for example inclusion of the Chair of Economic Development Group and a representative local authority Chief Executive—could only serve to strengthen governance arrangements for the JEC.

It is clearly important that JEC priorities and processes are married up to the Regional Strategy process which is already underway. The JEC strategic priorities should not by-pass the democratic opportunity that 4NW can provide nor be the sole focus of future attempts to strengthen and support recovery in the region. In addition it is important that in our discussions about the nature of the final Regional Strategy that we consider the lessons learned from the current recession and how we can build this learning into the regional strategy for the future.

Memorandum from VSNW (Voluntary Sector North West) (NW 17)

This submission focuses on the need for debt advice and on measures to support the voluntary and community sector (VCS).

1. About VSNW

1.1 VSNW (Voluntary Sector North West) is the regional voluntary sector network for the North West. The purpose of VSNW is to ensure that the voluntary and community sector (VCS), in all its diversity, takes its full part in shaping the future of the North West.

1.2 Richard Caulfield, Chief Executive of VSNW, is a member of the Joint Economic Commission for the North West.

1.3 VSNW works with 150 members which
— work across the region directly supporting and delivering services for individuals; or
— are VCS infrastructure organisations (LIOs) that work with local voluntary and community groups.

1.4 VSNW members provide community services, regenerate neighbourhoods, support individuals, promote volunteering and tackle discrimination in the North West. The 40 generalist LIOs in membership of VSNW have a membership of 6,780 VCS groups and are in contact with 19,800 local voluntary and community sector groups in the North West—just under two-thirds (63%) of the region’s VCS groups.

1.5 This submission draws heavily on the support and expertise of
— Advice agencies of the North West and key public sector partners who have supported and made possible VSNW’s Money and Debt Advice Group work. This work, through Richard Caulfield, came out of and fed back into the Joint Economic Commission, beginning in October 2009. The group consists of and has received key contributions from: Jacquie Howell, Advice UK; Vicky Shepherd, Age Concern Blackburn & North West Age Concern Information & Advice Chair and National Link; Cathy Gallagher, Law Centres Federation; Pam Thorley, Legal Services Commission; Sean Finnegan, Manchester Advice; Dave Harrison, NWDA; Malcolm Kennedy, NWDA; Geoff Birch, Viveza Consultancy; Chris Pritchard, Viveza Consultancy; Steve Barwick, 4NW; Allyson Whisker, Citizens Advice; Jacqie Grinham, Macclesfield CAB; Paul Schofield, GONW; Alistair Bishop, GONW; Adrian Firth, FSA; Cath Connaire, Bolton MBC; Carole Jackson, Bolton MBC; Jacqueline Marsh, Jobcentreplus; Sarah Thorpe, Jobcentreplus; Olive Butler, Shelter.
— All the local VCS advice agencies who took valuable and much demanded time to answer our surveys and respond to our ongoing enquiries from September 2008 to May 2009.

31 Three key reports submitted as attachments.
Sub-regional VCS infrastructure agencies of the North West who are members of the 5 Counties Partnership, in particular Greater Manchester CVO, Sefton CVS, and Cheshire Community Action.

2. VCS Involvement in the Joint Economic Commission for the North West (JEC)

2.1 VSNW strongly welcomes the opportunity for the VCS in the North West, through VSNW, to work alongside key public sector partners and directly contribute to tackling the recession. We believe that the JEC’s inclusion of VSNW shows

— a keen and astute willingness to make the best use of all available resources to tackle the impact of the recession; and

— recognises the ability of VCS groups, especially in partnership, to support local communities, shape solutions and provide a valuable perspective.

2.2 We would also like to thank the specific help of JEC partners who have all supported VSNW’s lead on the debt advice work. In particular we would like to thank NWDA for its financial support which has enabled VSNW to engage Viveza consultancy—Viveza has compiled and continues to seek key evidence of the impact of the current economic situation on the advice needs of the North West. The time, support and contribution of GONW, Jobcentreplus, NWDA and 4NW are also very much appreciated.

2.3 VSNW is probably not well placed to state this, but the involvement of the VCS on the JEC has helped to develop a stronger sense of partnership between the public and voluntary and community sectors. At the very least, it has sent an extremely positive message of partnership to VCS groups when it most matters.

2.4 Involvement of the sector, through VSNW, has sharpened focus and helped to engage the sector in a more mainstream economic agenda, especially as the current economic impacts on local communities.

Recommendation

That the JEC’s and regional public sector agencies’ recognition of the role of the VCS, and support for VCS engagement, in tackling the impact of the current economic situation, is commended.

Recommendation

That the Local Democracy, Economic Development and Construction Bill strongly encourages similar VCS engagement in local economic assessments.

3. Advice Need of People in the North West

3.1 VSNW strongly welcomes the Government’s work through a number of initiatives to enable people and families to receive advice and support in order to help them through the recession.

3.2 VSNW welcomes the Government’s additional £10 million funding to Citizens’ Advice Bureaux (CABx). We believe that this funding enabled three-quarters of CABx nationally to extend weekly opening hours.

3.3 However, this funding has not been able to support the increased demand for face-to-face advice placed on non-CAB agencies. CABx have also not been able to reduce their waiting lists. Demand for advice (debt, housing, employment and benefit) services still outstrips capacity.

3.4 There remains a significant shortfall in the North West between the need for and the ability of agencies in the North West to provide timely advice. Since last summer advice agencies in the North West have had to start waiting lists. Prior to this waiting lists did not exist. Since then agencies’ waiting lists have become as long as agencies are willing to let them (up to 6 weeks). There is little point in extending waiting lists indefinitely: advice must be timely. We have serious concerns that people are unnecessarily at risk of making decisions that worsen their situation and make them, and their family, less able to recover. One advice agency points out that, on their two week waiting list (December 2008), 24% of appointments fail to attend. We can presume that most people not attending have dealt with their problems in another way—ranging from going to a good alternative advice agency, contacting a fee-charging debt advice company, taking out consolidation loans (possibly storing up a bigger problem), or going to cheque cashers and loan sharks.

3.5 There are different groups of people facing different advice needs in the North West. This recession is affecting what one of our reports, on the challenges and advice needs of the North West, has described as “new entrants” to the advice market. Alongside this group, are people who have been living in debt for a long time and are now finding that they are now less able to access debt advice or rented housing advice support. For instance, we know that in Manchester, the emphasis on housing repossession case-work has meant less time for rented-housing case-work. There is a sharp need to ensure that advice provision is effectively targeted to support specific groups of people in the North West and VSNW, in conjunction with JEC partners and advice agencies in the North West, are currently conducting work to map shortfalls in advice provision.
3.6 One of VSNW’s early aims for this work was to ensure that under-pressure local authorities (often the core funder for advice work) did not cut funding to advice agencies. We are pleased to say that such cuts have been rare and we particularly welcome the interest and support of 4NW in this matter. The majority of local authorities have understood the importance of such advice work this year.

3.7 St Helens MBC should be particularly commended on their actions to tackle the impact of the current economic recession which, in relation to VCS groups, includes:

- increasing funding to debt and mortgage advice services, counselling services, employment advice services, and to volunteering (in order to build skills and help people back into work); and
- maintaining funding and actively supporting homelessness and mental health services, and maintaining funding and support for local credit unions/community development finance initiatives.

We understand that funding for these initiatives may have been partly possible through the recent Local Area Business Grant Initiative reward money. (Prior to this, St Helens received the highest NI 7 [thriving third sector] score in England).

3.8 Very few other local authorities have, however, been able to increase funding provided to local face-to-face advice agencies.

3.9 The Financial Service Authority’s (FSA’s) Moneymadeclear pathfinder has an element of face-to-face financial advice provision. This provision is often quite different from the predominant complex debt, housing repossession, and benefit advice case-work.

3.10 Three concerns for the FSA’s Moneymadeclear pathfinder programme are

- the scale of the targets;

- the lack of flexibility of delivery ie it must be delivered one-to-one, especially when the financial advice work might be more general than the more problem-focused case-work advice); and

- the branding in the North West versus that in the North East which is using locally trusted brands (CABs). This could be a significant challenge.

3.11 We have long hoped that a single national or regional website could be established, using a highly cost-effective regional marketing campaign proposed by GONW, which would provide links to local face-to-face advice services. The proliferation of online, inauthentic advice services is startling. The JEC, with significant support from GONW, has established www.supportnw.co.uk which provides a regional focus (balancing authority with friendliness). However, the site links through to national advice sources (eg DirectGov) without quickly directing people to nearby face-to-face advice.

RECOMMENDATION

Serious consideration is given to providing extra funding to face-to-face advice agencies in the North West in order to limit the harm suffered by individuals, families and communities through the impact of the current economic situation.

RECOMMENDATION

Serious consideration is given to increasing the number of quality, trained advice workers, working in the region.

RECOMMENDATION

Explore the potential for better using the face-to-face financial advice provision and resources of the FSA’s Moneymadeclear pathfinder programme. This could include developing an understanding of how this work can better dove-tailed and complement local advice work.

RECOMMENDATION

That the effectiveness of the current means of delivering appropriate types of advice to specific target groups are reviewed.

RECOMMENDATION

That untouchable future assets (eg pension) do not disqualify potential Debt Relief Order applicants. The upfront payment is also a barrier to helping people.

RECOMMENDATION

Given the almost non-existent take-up, review the Mortgage Rescue scheme (without losing ability to encourage people to get debt advice).

RECOMMENDATION

Explore possibility of the back-dated use of the Mortgage Rescue Scheme to support applicants to the Homeowners Mortgage Support Scheme qualify against the “previous five payments must be made” criteria.
4. **TARGETED SUPPORT FUND**

4.1 The Targeted Support Fund is an extremely welcome contribution to support VCS groups deal with the economic situation. The aim is that £3.3m of this £15m fund will help VCS groups to deliver recession-focused services under one of the following themes:

- Information, advice and guidance (housing, financial, debt and legal advice and support).
- Employment and employability (training and support related to finding employment).
- Health and wellbeing (mental health, relationship breakdown, counselling, domestic violence & substance abuse).

4.2 The fund’s ambition to access the ability of VCS groups to reach people who are not receiving or seeking advice is highly commendable. The restrictions on income are key to quickly, and in a general way, identify the potential of groups to support advice delivery to local communities. However, the determination of which areas are targeted (14 of 23 of the top tier local authorities in the North West) has lead to the anomaly of “communities in need within local authority areas (relatively) not in need” not being eligible while “communities (relatively) not in need within local authority areas in need” are eligible. The Chief Executive of Greater Manchester CVO points out that there are significant communities in three unitary authorities of Greater Manchester which are not eligible. Also not eligible are communities in Cheshire, Lancashire (excluding the unitary authorities of Blackburn and Blackpool) and Cumbria.

4.3 However, the restrictions on applicants’ income are also a concern. While these agencies are likely to have significant levels of local trust, knowledge, understanding and reach, it is also less likely that these organisations will be able to provide the quality of information, advice and guidance (housing, financial, debt and legal advice and support) which other local organisations, delivering on a daily basis, but with an annual income over £250,000 (and therefore barred from applying) will be able to provide.

4.4 The amount of funding available to bidders (between £10,000 and £40,000) and the short-term nature of the funding from September to April is problematic. There are limited numbers of advice case-workers and funding could be better used to build capacity to deal with advice enquiries.

4.5 The speed at which this fund has been rolled out whilst commendable has meant that there is little time, or encouragement, for groups to form partnerships or for areas to identify key gaps in delivery.

**RECOMMENDATION**

That to better support the advice needs of hard to reach people, a future fund encourage a partnership approach between larger advice service agencies and smaller, local community organisations. Both agencies would need to have the trust of local communities.

5. **OTHER VCS GRANT SCHEMES**

**Resilience Support Grants**

5.1 CapacityBuilders responded quickly with their Resilience Support Grants and though the timing was challenging, valuable work has been undertaken and good support provided. Grants specifically to write local recession plans will result in a local plan for each authority area in Greater Manchester which will provide significant information to inform the strategies of local infrastructure organisations (LIOs) and the Greater Manchester Voluntary Sector Support consortium.

5.2 But the timescale over which this was done (which was due to the rigid deadline for spending ChangeUp funding rather than a timescale for doing the work) was just too tight.

**Modernisation Fund**

5.3 The OTS Modernization Fund for partnership development, delivered through CapacityBuilders, will provide specific help for groups to explore partnership working and potential mergers. The level of interest already expressed in the fund by frontline groups demonstrates its’ potential.

5.4 We have concerns about how this fund will work in practice: a strange choice of delivery partners in the North West; little consideration that a lead body might be best placed to provide the consultancy services; advertising of national and local events is not joined up; information for delivery agents about fees and obligations is not available until well after they had to sign up in principle, and the timescale has caused stress to delivery partners which will probably rule out many potential frontline applicants. This will undermine the initiative’s potential to tackle the impact of the current economic situation on VCS groups.
Grassroots grants

5.5 The flexibility of the size of organizations eligible to receive grassroots grants has been helpful and appreciated.

Volunteer brokerage scheme

5.6 Government recognition of the increase in people wishing to volunteer and investment in brokerage of placements is extremely welcome.

5.7 GMCV have expressed disappointment that the national body BTCV (the local delivery agent in Greater Manchester) has apparently no interest in working with local volunteering service providers, which have the local knowledge and experience of the local sector to be able to place people with proper support.

5.8 The local VCS will not be able, overnight, to absorb large numbers of additional volunteers, who will need training and supporting.

RECOMMENDATION

Contingency plan for underspend (eg ChangeUp) so that delivery of such funding doesn’t have to take place in a few weeks.

RECOMMENDATION

Recommend early review of the delivery of the modernisation fund eg in 6 months.

RECOMMENDATION

Encourage partnership and closer supported work with local volunteer support agencies in delivering volunteer brokerage.

6. National decision-making

6.1 On a number of occasions, key decisions about funding and initiatives to support the local voluntary and community sector have been made at a national level with little or no reference to regional, sub-regional or local activities. Key instances include:

— Key VCS event to draft a programme of support for the sector included national organisations only. We understand there will be regional representation at similar key events in future.

— Due to speed of delivery, the Targeted Support Fund, as outlined earlier, has local implementation challenges which do not tie into current local activities.

— The roll-out of the Resilience Support Grant was to a national timetable that required funding spent, very quickly, by the end of the financial year. This was often a matter of weeks.

— Delivery of volunteer brokerage (see paragraph 5.7)

7. Business support measures

7.1 There have been a significant number of schemes and measures to support businesses and VSNW and other VCS support agencies, such as Merseyside Network for Europe, have been able to provide some activity to support VCS access to these measures. This includes Train to Gain, apprenticeships and the Future Jobs Fund.


8.1 The current economic situation has obviously significantly impacted on Government policy. A key regional policy knock-on has been the emphasis placed on Regional Development Agencies to focus solely on economic growth. VSNW maintains that economic growth without firm foundations in local communities is not sustainable. Government’s future regeneration framework, “Transforming Places, Changing Lives”, is not without flaw (we would challenge the narrow focus on social enterprise) but its focus on communities and a revisioning of the strategic delivery of sustainable economic growth is extremely welcome.

8.2 We believe that such a community-focused approach to sustainable economic growth would lessen the impact of the current economic situation and make communities more resilient to future economic shocks.
RECOMMENDATION

That Government promotes the principles outlined in this publication as the key model for regional and sub-regional strategic delivery.

REFERENCES

i Transforming Places, Changing Lives (DCLG: May 2009)

ii At the very least we would look to include *community enterprise* (eg community hubs like schools and faith buildings, food co-ops, credit unions/micro financing, job clubs, car/cycle pools etc) and *social businesses* (eg co-ops, community transport operators, recycling services, “freebay” services, community farms/gardens, etc).

Memorandum from Lancashire County Council (NW 18)

INTRODUCTION: LANCASHIRE’S RESPONSE TO THE CURRENT SITUATION

Lancashire has responded promptly to the challenges of the current economic situation.

At the end of 2008, we set up a Business Assist team to co-operate with our partners in the private, public and third sectors to build a county-wide team that gives real advice and support on a host of issues to both businesses and individuals. We trained contact centre employees to direct callers to people who could help with debt relief, welfare rights, trading standards, business credit and more. Our credibility with organisations like JobCentre Plus and the Learning and Skills Council and our commitment to serving the customer means we can act as a vital information service for all of Lancashire.

We have held two town centre drop-in events for small businesses, entrepreneurs, and the public to receive information on public sector services, grants, loans, training schemes and so on. We’re planning on event in each Lancashire city and borough and we’re making use of existing community assets like libraries and children’s centres to get the right information to the right people in the right way.

Specifically, our practical business support measures now include:

— Our selection by the Department of Communities and Local Government to be a national pilot authority on “providing timely information”. Lancashire is the only local authority to design its proposal specifically to get information to the public on how to cope with the downturn.

— A range of business support services, most notably through Trading Standards, Lancashire Adult Learning and Lancashire County Developments, Ltd, our economic development department.

— Free membership of a Chamber of Commerce to all firms with an investment from Lancashire County Developments, Ltd.

— The County Council’s own business loan product, Rosebud has also responded to the recession by approving £874,000 to 6 separate companies just in February 2009 safeguarding a further 90 jobs and creating a further 10.

— A new 10-day payment rule so that businesses receive payment for their services as soon as possible.

— A new campaign from our Trading Standards department to stop loan sharks from targeting vulnerable families and cold callers, and to combat internet fraud.

— A new approach to Business Start Up Advice is about to be launched although details on the procurement process for providers of the Intensive Start Up Support service have been delayed. The Multi Area Agreement groupings in Pennine Lancashire and Fylde Coast are using this Start Up contract as a way to provide a consistent advice service across their area, using the LEGI models as a framework. In addition it is understood that DCLG have agreed that the previous LEGI postcode boundaries should now be relaxed. The County Council is also providing funding on this contract across all 12 districts through the agreed MAA groupings.

INQUIRY TERMS OF REFERENCE

The effect of the economic situation on the region; including the effect on different sectors and on different sub-regions

The Lancashire claimant count has almost doubled over the last year. The April monthly claimant count in the Lancashire County Council area increased by 96.3 percent on the same month in 2008. This figure is greater than the increase in the wider Lancashire sub-region, and greater than both the regional and national percentage increases. The month-on-month percentage increase in Lancashire’s claimant count (3.7%) is also higher than the sub-regional, regional and national increases.
The effectiveness of the Northwest Regional Development Agency in assisting businesses in the current economic downturn

In addition to Lancashire’s sub-regional response, we are working with the North West Development Agency and Business Link to offer:

- A £10 million High Growth business support programme.
- A new £4 million Innovation Voucher Scheme to help up to 1,000 businesses.
- Dedicated Access to Finance support within Business Link Northwest.
- A £140 million Venture Capital Loan Fund.
- A £40 million package of support to stimulate investment in priority skills development.

Lancashire companies are already benefiting from these offers, notably the Transitional Loan Fund and Business Investment Award, which have supported four Lancashire firms to the tune of £885,000—safeguarding more than 300 jobs and creating the opportunities for a further 40 jobs in due course.

A new approach to Business Start Up Advice is about to be launched, although details on the procurement process for providers of the Intensive Start Up Support service have been delayed. The Multi Area Agreement groupings in Pennine Lancashire and Fylde Coast are using the contract as a way to provide a consistent advice service across their area, using the LEGI models as a framework. In addition it is understood that DCLG have agreed that the previous LEGI postcode boundaries should now be relaxed. The County Council is also providing funding on this contract across all 12 districts through the agreed MAA groupings.

The response of the Joint Economic Commission, established by the Regional Minister in November 2008, to the economic downturn

Lancashire County Council welcomed the formation of the North West Joint Economic Commission and we look forward to hosting their future visits to Lancashire.

We share the JEC’s emphasis on employment. Lancashire County Council has introduced several nationally-recognised job creation and development schemes that are addressing the county’s skills shortage at this critical time.

WorkStart is a 30-day public sector work trial in partnership with Jobcentre Plus and Lancashire Adult Learning that helps lone parent and incapacity benefit recipients into the workplace. Since April 2008, 59 people have taken part in a WorkStart placement. Thirty-eight of these have secured long-term employment at the county council, with other public sector partners or in the private sector.

Recruitment of apprenticeships has increased from 16 in 2006 to 270 today. We now expect apprentices to complete NVQ level 3 rather than level 2 and are working with student services to help apprentice’s access level 4, which exceeds our skills pledge requirements.

For young people not in education, employment or training, we created Future Horizons to equip people aged 16 to 18 with the skills and knowledge they need to apply for our apprenticeship scheme. Future Horizons provides employability qualifications, basic and life skills, career information and advice, and a structured work placement at the county council (or a partner organisation)—an essential stepping stone in securing an apprenticeship.

The Regional Minister met with several participants in these programmes during a visit to Lancashire County Hall this month.

However, we were disappointed that Lancashire was not specifically included in the list of newly prioritised capital projects announced by the JEC last December, nor in the list of long-term strategic projects announced at the JEC’s first meeting. But we remain keen to assist if capital projects can be adapted further to help stimulate the economy and the level of investment in Lancashire.

The capacity of the Government Office for the North West, government agencies such as Business Link, Learning and Skills Council, and Jobcentre Plus, and other partnerships between Government agencies, local government and the private sector, to respond effectively to the economic downturn

Overall, we have been able to work effectively with central government agencies. For example, our workforce development programmes have been delivered in partnership with other public sector organisations and we are proud of our track record in working together.

As all partners have been affected themselves by the recession there are limited resources available and it is therefore imperative that we work together to make more effective use of the resources we each have to hand. There is still more that we can do however, to make sure we are working together and sharing information to ensure that our collective actions are delivering the best outcome for Lancashire citizens.
The usefulness of Government initiatives such as Real Help Now, in providing support and enabling access to finance, for businesses in the north west

We share central government’s view of communications as a key element in the public sector response to businesses and the public.

— Our award-winning Trading Standards service has launched a new web site Money Matters to give the public and business advice on dealing with debt, maximising revenue streams and getting the best deals across a range of good and services.

— We are also creating an online portal for the public and business to access information on a wide range of issues to support them through the recession. It will include useful links and telephone numbers and other contact details, including information from district councils, PCTs other partners as well as a whole host of financial management information.

— Our Welfare Rights Service is targeting the recently-unemployed to assess their benefits entitlements, especially for older people.

— We are developing an online portal for members of the public and business to access information on a wide range of issues to support them through the recession. It will include useful links and telephone numbers and other contact details, including information from district councils, PCTs other partners. as well as a whole host of financial management information. The site will be launched in the next few weeks and will also link into regional websites developed for the same purpose.

Whether the approach of regional Government and its agencies during the current economic situation strike the right balance between short term need and planning for the future.

Lancashire County Council has been impressed by the speed with which the government set up the regional Joint Economic Commission and the wider national response to the economic downturn. We take our community leadership role extremely seriously and are spearheading the public sector’s response to the recession here in Lancashire, just as the national government has sought to unite public and private elements to tackle the economic situation.

This short-term response goes hand-in-hand with a wider effort by central government to streamline long-term regional and local policy following the Sub National Review and its attendant guidelines and legislation. Lancashire County Council is fully involved in these processes. We remain fully committed to working with our central and local partners, and the private sector, to support Lancashire’s economy.

Most importantly, any discussion of distinctions between short-term action and long-term planning is overshadowed by the need to examine the central-local government relationship itself. Greater freedoms and flexibilities for local authorities would give local actors the tools they need to tackle issues as they arise in their own particular local form. As the Communities and Local Government Select Community stated this week in their report “The Balance of Power: Central and Local Government” radical reform of central government is needed if Britain is to truly reach its full potential. The Chair of the committee, Dr Phyllis Starkey stated that “local authorities clearly know their communities better than Whitehall does, particularly for instance when it comes to local health inequalities, policing needs or tackling the local impact of the economic recession. Given the extent to which communities differ, local authorities should have the flexibility—whilst respecting reasonable national minimum standards—to vary their priorities to better reflect local aspirations”.

Memorandum from Keep Our Future Afloat Campaign (KOFAC) (NW 19)

1. INTRODUCTION TO KOFAC—THE KEEP OUR FUTURE AFLOAT CAMPAIGN

1.1 The Keep Our Future Afloat Campaign (KOFAC), led by UNITE (Amicus), GMB, CSEU with support from Furness Enterprise and NWDA welcomes the Committee’s inquiry.

1.2 KOFAC has three aims, to:

— Sustain and grow jobs in naval shipbuilding in NW England.

— Secure full use of the naval shipbuilding industrial base assets and supply chain in the region.

— Sustain the large naval ship and submarine design capability located within NW England and at Barrow in particular, which has around 60% of UK naval design capability.

KOFAC has pursued these aims since March 2004 through its dialogue seeking to include leaders in Government, industry, the civil service and across all political persuasions.
2. **Summary**

2.1 We deal first with the need in this economic downturn to ensure that areas like Furness and West Cumbria which are remote from engines of growth in NW England remain as a key focus for public and private sector investment. A shift solely to investing in city regions would be harmful. We highlight the impact of the recession on Furness and South Cumbria and the important role NWDA and other bodies are playing in helping to address it. We draw attention to the need to help all types of businesses highlighting the importance of the Working Neighbourhoods Fund, manufacturing, innovation, energy and the defence industries as means of offsetting recessionary effects, and paving the way for stimulating economic recovery.

3. **A Need to Focus on Towns as well as Cities**

3.1 We welcome the Regional Minister’s initiative in establishing the Joint Economic Commission (JEC) to “stave off the worst effects of the economic downturn.” NWDA’s NW Regional Economic Strategy describes Barrow as the “the one district with high concentrations of worklessness remote from areas of major growth”. Professor Michael Parkinson in “The Credit Crunch and Regeneration: Impact and Implications”, clearly states “Small and medium towns which are dependent on single economic sectors will be badly hit.” It is important that JEC’s decisions on resource allocations continue to ensure resources are funneled into towns like Ulverston and Barrow in the UK Assisted Areas as well as city regions—to address the concern identified by Professor Parkinson.

3.2 JEC’s focus on the energy west coast in Cumbria and the renewable sector as key projects “to expedite to benefit people, businesses and the economy of the region” is welcomed.

4. **Job Creation in 2008–09**

4.1 Defence systems integration is helping offset the effects of the recession in Barrow Travel to Work Area. In 2008 BAE SYSTEMS Submarine Solutions created 1,000 jobs taking their employment to 5,078. The Company anticipates needing to fill 300–400 more, mainly design, test and commissioning engineers vacancies in 2009–10.

4.2 Furness Enterprise Partnership helped companies create and safeguard 597 jobs in 2008. There was 32% growth in jobs arising in new start businesses over 2007, 150 jobs being created. The 209.5 jobs created through organic growth represented a 59% increase on 2007.

5. **Scale of Redundancies in 2008 and 2009**

5.1 Job losses in Furness are occurring in increasing numbers during the recession. In the last seventeen months 816 jobs have gone.

5.2 In 2008, companies shed 368 jobs, 58% being in manufacturing with the remainder in retail and construction.

5.3 So far 2009 has seen announcements that 448 jobs are going (70% were in manufacturing).

5.4 In Ulverston GlaxoSmithKline are progressing a three year 60% (330) reduction in its 2008 workforce of 550 (100 of these ended in 2008 and 100 more will occur in 2009).

6. **Worklessness is a Huge Challenge**

6.1 In Barrow Travel to Work Area on the one hand there is very strong demand by certain employers for managerial, professional, technical skills while on the other there continues to be a high level of worklessness.

6.2 Barrow has the third highest percentage of working age population claiming IB benefits in England (13.4%, 5,650 people—almost half have been out of work for more than 10 years). It is also ranked the 29th most deprived district in England and has one of the highest levels of worklessness in England.

6.3 5,650 Incapacity Benefit and 1,696 Job Seekers Allowance claimants meant that Barrow Travel to Work Area in April 2009 has 7,346 workless people. Job Seekers Allowance claimants increased by 531 (45%) over the past year and the number now seeking Job Seekers Allowance totals 1,696. Of these, 625 (36.9%) are aged under 24, an increase of 165 in a year. There are only 463 vacancies (not including BAE SYSTEMS) an increase of 278 on 12 months ago.

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33 NWDA Regional Economic Strategy, April 2006—page 33.
6.4 Working Neighbourhoods Funding (WNF) is being used in a holistic way to address worklessness but it currently only has a 3 year budget. Currently the focus is on offering job access in inner Barrow wards where unemployment is highest,\(^{38}\) on effective engagement with employers, building the capacity of workless people to get them back into work using a suite of, measures that include:

- attracting companies to the area;
- helping existing firms to grow;
- support for start up businesses;
- job access to help workless people back into work;
- ILM schemes; and
- sustained action to help firms access money and markets.

We emphasise the importance of extending WNF to a five year programme as recommended by Stephen Houghton in his report on worklessness to DCLG\(^ {39}\) and of ensuring that those who have been out of work some time are not being overlooked as emphasis switches to helping individuals recently made unemployed back into work.

7. THE NEXT 12 MONTHS

7.1 Recent (survey) evidence\(^ {40}\) from main companies suggests that the Furness economy is performing better than the UK national economy. Many of the leading firms suggest that business and order books are holding up well.

7.2 64% of firms considered the UK economy to be in gradual decline, 28% said it was depressed. In contrast 30% claimed the Furness economy was doing quite well or better, 38% stated it is stable and only 26% described it as in gradual decline with 1% saying it was depressed.

7.3 Over the year ahead 54% of Furness firms believe the UK economy will stay the same or worsen a little, a further 28% say it will worsen a lot. By contrast 64% say the Furness economy will improve or stay the same, only 26% say it will worsen a little and 2% say it will worsen a lot.

7.4 28% of businesses see their sector as growing with 40% describing sectors as stable and 14% as falling. 42% suggest their current level of business is good or very good, 32% say it is stable and only 24% report a decline. The overall picture remains one of cautious optimism with more firms exploring or expecting positive outcomes than negative outcomes.

7.5 Manufacturing currently providing some 22% of Barrow’s employment. It offers an opportunity to “make” a route out of recession in Furness. Manufacturing currently offers an opportunity for new high value job creation within south west Cumbria.

8. The response of the Joint Economic Commission to the economic downturn

8.1 The Joint Economic Commission’s (JEC) decision to identify “a number of major projects in the region that it wants to see go ahead to help it stave off the worst effects of the economic downturn”,\(^ {41}\) and “to identify other projects which may be stuck to move forward”\(^ {42}\) includes a focus on the energy west coast and renewable energy key projects that should benefit the whole of Furness and W Cumbria UK Assisted Area\(^ {43}\)

8.2 This approach supports NESTA’s view that “drawing on local expertise, rooting innovation in a locality to nurture growth” offers a basis for addressing the recession\(^ {44}\) and realising opportunities in civil and defence nuclear, oil/gas and renewables can be fully exploited. Barrow is being promoted as a gateway to the energy coast.

9. The effectiveness of NWDA in assisting businesses in the current economic downturn

9.1 NWDA is using a wide range of resources to improve assistance for businesses in the current economic downturn, including flexible use of Assisted Area grants and the interactive website www.nwdabusinessforfinance.co.uk to publicise funding schemes, and facilitate online submission of applications for discretionary grants, loans and equity finance. Other good examples are the new Visitor Attraction Fund to support tourism and the enhanced range of activity delivered by Business Link NW and the Manufacturing Advisory Service offering health checks and access to lean manufacturing.

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38 Barrow Island Male Unemployment 9.9%; Central 11.1%; Hindpool 9.1%; Ormsgill 7.4% (April 2009).
43 Britain’s Energy Coast—A Masterplan for West Cumbria: Page 12. West Cumbria extends from Barrow in Furness in the south towards Carlisle in the north.
9.2 KOFAC supports the recent NWDA initiative to set up a Barrow Vision Board using the resources of West Lakes Renaissance Urban Regeneration Company to deliver "place based regeneration" of Barrow’s town centre and disused docklands to create new retail opportunities, housing areas, a business park, marina and marina village which will assist in retaining and attracting key skills required by industry. These actions complement the "people and business based regeneration" delivered by Furness Enterprise and Barrow Borough Council using resources such as Working Neighbourhoods Fund to address worklessness in a clearly targeted way.

9.3 NWDA should support direct development of new business park offices, workshops and factories at The Waterfront Barrow in Furness Business Park as an essential part of stimulating potential for construction employment and permanent employment.

10. The usefulness of Government Initiatives such as Real Help Now, in providing support and enabling access to finance for businesses in the North West

10.1 “Real Help Now” is a welcome focus for highlighting the range of support available and enabling information on how to access finance to be made easier. We note that Furness Enterprise have adopted the “Real Help Now” theme to highlight what financial support is available locally producing a "Looking for Finance Guide" listing all the main sources of UK regional and local discretionary grant and loan schemes.

10.2 The Working Neighbourhoods Fund’s (WNF) flexibility enables it to be used in Barrow in an holistic, coordinated way specifically to tackle worklessness across a broad front by:

— Overcoming individuals’ obstacles in moving towards employment by offering intensive job access support.
— Attracting employers to the area and matching their vacancies with workless people’s skills.
— Encouraging enterprise and retention of young people.
— Helping workless people set up new businesses.
— Skills enhancement.
— Investment in new work spaces.

10.3 The planned introduction of the Future Jobs Fund (FFJ) offers potential to assist individuals aged under 24 and older people who have been out of work for some time. As conceived, the scheme may exclude people who do not claim Job Seekers Allowance. FFJ would offer greater flexibility if it supports deliver of Intermediate Labour Market schemes with the private sector acting as employer. Present DCLG/DWP guidance seems to restrict this scheme to the public sector acting as the employer. This will restrict the type of work experience and training that workless participants may receive.

11. The approach of Regional Government and its agencies during the current economic situation should strike the right balance between short term need and planning for the future

11.1 From its outset the Joint Economic Commission for the NW (JEC) has sought to focus on short term, practical measures deliverable through bodies and on significant longer term delivery of strategic projects such as “Energy West Coast”.

11.2 The Energy West Coast Project could ultimately result in thousands of construction and operational jobs in civil nuclear power generation. Barrow shipyard could design, manufacture, test and assemble civil nuclear power plant modules—a source of diversification for the shipyard and its supply chain.

11.3 We are less convinced about the employment potential of renewable energy in the short/medium term because it is likely that much of the activity could be sourced overseas or outwith NW England. In the future, tidal energy schemes may offer more potential to sue skills in Furness.

12. Defence Spending

12.1 Defence spending and defence employment growth is providing the potential for the Furness economy to be more resilient in the recession enabling the area to largely rely on indigenous strengths. Government should where practicable use defence spending to provide an economic stimulus.

12.2 We are disappointed that defence spending has not so far been identified as a priority measure in the short term for addressing the UK downturn. It is important that existing commitments to investment in naval shipbuilding (see Table 1) are not weakened, otherwise areas like Furness could experience adverse effects which compound the effects of the recession. The view that, “there are no diversification options available to the Barrow shipyard that will realistically have anywhere near the positive impact on employment that an Astute class submarine has. It requires 2–3,000 jobs and is therefore critical to Barrow that further Astutes are ordered”, remains as valid as ever. KOFAC maintains there is a need for long term investment in up to eight Astutes.

45 Britain’s Energy Coast—A Masterplan for West Cumbria: Page 12, “West Cumbria extends from Barrow in Furness in the south towards Carlisle in the north.”

46 PA Consulting Group, Barrow Shipyard Study on behalf of the Barrow Task Force managed by NWDA, September 2003.
12.3 It is important that Government, continues to fund implementation of the *Defence Industrial Strategy 2005* shipbuilding programme (see Table 1 below)

**Table 1**

<table>
<thead>
<tr>
<th>Platform</th>
<th>Vessels Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Astute Submarines</td>
<td>8, subject to affordability</td>
</tr>
<tr>
<td>Type 45 Destroyers</td>
<td>6–8</td>
</tr>
<tr>
<td>Future Surface Combatant</td>
<td>20</td>
</tr>
<tr>
<td>MARS Replenishment Ships</td>
<td>Three classes Logistics ships</td>
</tr>
<tr>
<td>Type 23 Frigate upgrades</td>
<td>Life extension programme</td>
</tr>
<tr>
<td>Vanguard Successor</td>
<td>3–4</td>
</tr>
</tbody>
</table>

12.4 Maintaining defence spending has a regional and nationwide effect on the industrial base supply chain. In the region RAF Typhoon aircraft production, submarine and other production are important roles in alleviating recessionary effects.

12.5 BERR’s September 2008 “*Manufacturing New Challenges, New Opportunities*” stated that manufacturing is “critical to the success of the UK economy”. Whilst several manufacturing companies in Furness are reviewing their recruitment plans, naval shipbuilding is undergoing a resurgence, making a large contribution to improving the region’s GVA and creating demand for highly skilled people offering average salaries of £27,600. Skills gaps currently experienced at BAESYSTEMS who need the following skills:

- Mechanical/Electrical Engineers;
- Naval Architect;
- Welding Engineers;
- Metallurgy/Materials Scientist;
- Nuclear Safety/Product Safety Engineers;
- Components Engineers;
- Acoustics/Noise and Vibration Engineers;
- Shock and Signature Engineers;
- Structural Engineers;
- Operability/Systems Engineers; and
- Electrical/Mechanical/Hull/Hull Components/Production Engineering designers.

We note that in the NW’s adjoining region, Scottish Enterprise have funded “*The Future is Shipshape: Engineering Skills for Life*” (www.futureshipshape.com) as a major initiative to attract people into the shipbuilding industry. We would like to see the north west emulate their action.

12.6 We endorse NESTA’s view of the need to “unlock the potential of regions by looking at real local strengths”, using “shipbuilding” as a “*phoenix industry*” with skills, expertise forming a basis for “building blocks” to open up new activity in offshore engineering, civil nuclear module integration and in development of 21st century naval vessels.

13. **Conclusions**

13.1 To assist areas like Furness and West Cumbria, it is important that the Government continues to fully resource and support:

- Regeneration in small and medium sized towns in UK Assisted Areas and Britain’s Energy Coast (Section 3).
- Investment in capital equipment, processes, skills, research and development and new start up companies (Section 9).
- Use of the Special Investment Fund to help manufacturers exploit technology to create innovative high value products.
- WNF expansion into a five year programme (Section 6).
- Adoption of best practice lean manufacturing (Section 9).

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48 BAE SYSTEMS communication 2009.
— Development of oil, gas and low carbon industries as a potential source of jobs by fostering establishment and growth of indigenous supply chains for civil nuclear, offshore tidal and wind energy (Section 11).

— Implementation and updating of the 2005 Defence Industrial Strategy reaffirming the importance of funding and sustaining sovereign capability in key technologies such as nuclear submarine development (Section 12).

— Attraction and retention of talented minds, especially young graduates and apprentices into industries such as naval shipbuilding, electronics, systems integration, aerospace and the energy industries (Section 12).

— Direct development of business premises in areas where the private sector are reluctant to invest (Section 9).

Memorandum from the private Sector Partners NW Limited (NW 20)

1. INTRODUCTION

1.1 The Private Sector Partners (PSP) is not replicated anywhere else in the UK. It is unique to the North West. The primary purpose is to pursue the common interests of members and distribute information that is important for effective decisions and guidance. There is no attempt whatsoever to interfere with independence.

PSP was formed in 2002. “represents” in excess of 110,000 businesses that employ 1.2 million people in the Region. Len Collinson was the founder and first chairman. It is a company limited by guarantee. The current members and numbers in the North West are:

<table>
<thead>
<tr>
<th>Association</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Association of the British Pharmaceutical Industry</td>
<td>60*</td>
</tr>
<tr>
<td>Association of Chartered Certified Accountants</td>
<td>5,000</td>
</tr>
<tr>
<td>British Office Supplies and Services Federation</td>
<td>80*</td>
</tr>
<tr>
<td>British Printing Industries’ Federation</td>
<td>4,500</td>
</tr>
<tr>
<td>Chartered Institute of Management Accountants</td>
<td>6,608</td>
</tr>
<tr>
<td>Chartered Institute of Marketing</td>
<td>3,100</td>
</tr>
<tr>
<td>Chartered Management Institute</td>
<td>7,500</td>
</tr>
<tr>
<td>Confederation of British Industry</td>
<td>2,000*</td>
</tr>
<tr>
<td>Downtown Liverpool and Preston in Business</td>
<td>300*</td>
</tr>
<tr>
<td>Electrical Contractors’ Association</td>
<td>950*</td>
</tr>
<tr>
<td>EEF North West</td>
<td>2,000*</td>
</tr>
<tr>
<td>Federation of Small Businesses</td>
<td>18,000*</td>
</tr>
<tr>
<td>Forum of Private Business</td>
<td>2,600*</td>
</tr>
<tr>
<td>Home Builders’ Federation</td>
<td>90*</td>
</tr>
<tr>
<td>Institute of Business Consulting</td>
<td>568</td>
</tr>
<tr>
<td>Institute of Chartered Accountants in England and Wales</td>
<td>10,500</td>
</tr>
<tr>
<td>Institute of Directors</td>
<td>2,700</td>
</tr>
<tr>
<td>Institute of Environmental Management and Assessment</td>
<td>800</td>
</tr>
<tr>
<td>Institute of Financial Accountants</td>
<td>460</td>
</tr>
<tr>
<td>Institute of Materials, Minerals and Mining</td>
<td>600</td>
</tr>
<tr>
<td>Law Society</td>
<td>10,743</td>
</tr>
<tr>
<td>National Farmers’ Union</td>
<td>4,000*</td>
</tr>
<tr>
<td>Road Haulage Association</td>
<td>1,400*</td>
</tr>
<tr>
<td>Royal Institute of British Architects</td>
<td>1,800</td>
</tr>
<tr>
<td>Royal Institution of Chartered Surveyors</td>
<td>9,000</td>
</tr>
</tbody>
</table>

Note: *alongside a number means they are all businesses. Members of professional bodies are qualified individuals—many are principals and/or directors of firms.

2. SUMMARY

2.1 The Region’s economy weakened sharply through 2008. Growth was around 0.5% last year and the signs suggest a reduction at 4.5% in 2009.

2.2 The Northwest Development Agency (NWDA) and its subsidiary, Business Link North West, have responded quickly and effectively to the recession. PSP does not know the trends in total costs and expenditure per unit of output.

2.3 The Joint Economic Commission has not had a noticeable impact in the private sector on the understanding of inevitable changes and assuring speedy attention to specified issues.
2.4 It is a constant part of conversations between, and about, businesses that the last twelve months have seen additional, and often unnecessary, announcements of policies and schemes.

2.5 Some of the initiatives and schemes devised by Government have had the characteristics of an instruction for rapid-fire with a scattergun. Until recently, the targets were unclear and delivery variable. Often, communications have been poor.

2.6 Emphasis on the short-term was a wise decision. Stimulating confidence and demand for services/products is now essential. A move towards a tentative mapping the future warrants careful attention.

3. The effect of the economic situation on the region; including the consequences for different sectors and sub-regions

3.1 There have been sharp declines in manufacturing (−13%) and construction (−10%). It is reasonable to predict that the downturn will be deeper in the North West than in the UK as a whole. The recession has spread well beyond the financial sector. For structural reasons, financial and business services (−2.5%) are doing better than those in London and the South East. Distribution, hotels and catering (−5.5%) are likely to perform worse than the sector nationally—possibly into 2012. Transport and communications was expected to fall by 2.5%.

3.2 A majority of firms in most sectors report lower domestic and export orders. Confidence in manufacturing for this year is lowest since serious records began.

3.3 Destocking has been a new way of life. There are some signs of slow and limited corrective action. The cancellation, postponement and reduction of investment will reduce, but continue into 2011. Unemployment will not reach a plateau until mid-2010.

3.4 The impact varies across the sub-regions. Ironically, the smallest statistical reduction is in deprived areas. Reliance on particular activities is a factor also. For example, the serious decline of sales/prices in commercial and residential property has not hit Cumbria as seriously as parts of Greater Manchester. It goes without saying that towns with plants producing motor vehicles, and their suppliers, have encountered major economic problems.

4. The effectiveness of the Northwest Development Agency in assisting business in the present economic downturn

4.1 We have been impressed by the NWDA’s fast realignment of its people and other resources in offering support to private businesses. It has not been helped by the confusion and inertia of central departments of Government when translating statements into action.

4.2 The Agency acted swiftly in the delivery of the Venture Capital Loan Fund. There was a promise of the project’s start in April 2009. We understand that delays by HM Treasury mean June 2009 is the earliest possible commencement of this programme. We are sure that valuable companies have ceased to trade because of this slowness.

4.3 The NWDA has gone out of its way to consult the private sector and seek advice in recent months. It is important that bodies such as the NWDA are seen to be giving practical leadership to the Region. The Agency has recognised problems and proposed interventions. There has been optimism for the future, too.

4.4 Business Link North West has been quick, decisive and cheerful when wishing to offer solutions to firms’ genuine anxieties. This has been especially appreciated in finding liquidity/cashflow.

4.5 The work and success of BLNW have highlighted the need to be regional and strategic. This allows greater benefit for businesses across the North West.

5. The response of the Joint Economic Commission, established by the Regional Minister in November 2008, to economic downturn

5.1 The formation of the JEC in 2008 was a generally applauded move during worsening economic conditions. The private sector welcomed its arrival and objectives. These are:

— review information and intelligence on the economic and social impacts of changing circumstances;
— agree a regional response to them; and
— look at opportunities to push forward both existing and planned infrastructure projects that would benefit the North West Economy.

5.2 The JEC has performed the job of reviewing information and intelligence. It is a useful forum for agencies and departments from the public sector to meet and talk with each other.

5.3 The JEC has been functional in translating announcements of national government into an outline for actions by the public sector within the Region. The completion of these obligations is not apparent to many observers.
5.4 The third objective does not appear to have yielded desirable outputs. The JEC’s meeting in November agreed that the “Minister for the North West to write to all public sector organisations in the Region to encourage prompt payments”. A recent survey revealed that 80% of Councils were not hitting the 10-day target set by the Prime Minister.

5.5 The JEC started with a pivotal part in focussing attention on the worsening recession and to be a central point for the development of action. The JEC has fulfilled the first item and has been supported by the private sector’s representatives.

5.6 However, senior directors and managers in the private sector have begun to question the purpose of JEC. A paper submitted to the meeting of the JEC in May entitled “JEC achievements” contained topics largely of interest to the public sector. For example, “All Government Departments, local authorities and other public sector agencies in the Region have been asked to honour the prompt payment commitment to settle invoices within ten days and many are so doing.” Two of PSP’s large members have surveys showing that 80% of Local Authorities are failing to meet this target.

5.7 The JEC is a “cheerleader” for the Government’s behaviour and policies and a messenger to other groups/committees. This is an important, but limited, task.

6. The capacity of Government Office for the North West, Government’s agencies such as Business Link, Learning and Skills Council, and Jobcentre Plus, and other partnerships between the Government’s agencies, local government and the private sector, to respond effectively to the economic downturn

6.1 We have commented at section 4 on the Northwest Development Agency and Business Link Northwest. We have been impressed by both organisations.

6.2 The apparent lack of co-ordination by departments of central Government has been a burden for the additional agencies mentioned in the briefing. Also, the almost daily announcements of policies and initiatives by separate departments almost certainly led to local confusion and dismay.

6.3 The structures and processes of these agencies demand reactions in implementing decisions made elsewhere. There seems to have been more concern with tomorrow’s headlines, rather than tackling agreed problems. These approaches have been unhelpful to regionally-based agencies of Government. They have been busy, but not always either efficient or consistent.

6.4 We are unaware of partnerships in this context. There are consultations. The gap between these two structures is a defect.

7.0 The usefulness of Government initiatives such as Real Help Now, in providing support and enabling access to finance, for businesses in the North West

7.1 Urgency on solving the crisis in provision of commercial credit by the UK’s recapitalised banks has been a crucial priority. We have the impression that managers of banks in the Region have been slow to install the understandings made in London.

7.2 Lack of liquidity will remain a constraint for some time. The value of assets/collateral has fallen. The offerings under Real Help Now are largely a re-marketing of existing products. This is well known to business advisers. The booklet relating to Real Help Now points to funding through the Venture Capital Loan Fund. This facility is not in place. A significant proportion of employers in the private sector have concluded that Train to Gain has had positive results for their businesses. 74% have described the brokerage service as “mixed” or “poor”. However, it is good that the presentation of Real Help Now has brought information about assistance into one place. The scheme does not permit extra “solutions”.

8. Whether the approach of regional Government and its agencies during the current economic situation strike the right balance between the short term need and planning for the future

8.1 There is now a need to consider ways of encouraging an upturn and making the extant support work properly. Some changes will be permanent. The cost of Government must come down and be seen to concentrate on “new” and productive priorities.

8.2 The truth is the basic conditions are still not in place for a recovery. Huge imbalances of debt have yet to be unwound. The financial sector is still fragile and banks are showing little enthusiasm for resuming lending. The rebuilding of personal savings, especially if the prices of housing and other assets fall further (Capital Economics). And if the price of oil escalates, the pressure on household budgets will mount. This “mix” will take a long time to play out.

8.3 Figures for the first month of the 2009–10 financial year suggest that cash tax receipts have fallen compared to the same month last year. Spending, particularly on social benefits, has grown strongly. These are bad signals. The costs of rescuing Lloyds Banking Group and the Royal Bank of Scotland have not yet been fully incorporated into the public finances.
The inevitable cuts in public expenditure will affect the North West. We hope the Chancellor will bear in mind the importance of minimising costs and regulation on the private sector, especially SME’s. They employ 50% of all people in the sector. 98% of registered businesses in this country employ fewer than twenty people.

Memorandum from Manchester’s Commission for the New Economy (NW 21)

1. Summary
   — Context
     — Statutory City Region and The Greater Manchester Strategy
     — Impact of the Recession on Greater Manchester
     — Unemployment
     — Sectors
     — Occupations
     — Spatial Impact
     — Recession responses
     — Capital investment and job creation
     — Strengthening the local supply chain
     — Access to finance
     — Business accommodation and engagement
     — Debt advice and guidance
     — Redundancy support
     — Skills and employment
     — Housing
   — Other issues relevant to the Committee’s Inquiry
   — Manchester’s Commission for the New Economy

1.1 Statutory City Region and The Greater Manchester Strategy (GMS)

1.1.1 Successful city regions are essential to the economic prosperity of the country and crucial to the drive to take the UK out of recession. Strong city regions such as Manchester appear to have been better placed to weather the current recession, which has experienced a pace of increase in unemployment below the national average. This emphasises the robustness of the economy and the importance of cities and city-regions as engines of their regional economies and of the national economy.

1.1.2 Manchester has been identified as a city region pilot building on the progress that Manchester has made with its Multi-Area Agreement (MAA) signed with Government in June 2008. The Greater Manchester Strategy (GMS) is being developed founded on a robust of evidence base, drawing on the findings and recommendations of the Manchester Independent Economic Review (MIER).  

1.1.3 The GMS will set out the key priorities to ensure the long term sustainable economic growth of Greater Manchester and enable the region and the country to be best placed to emerge from the recession. It will contain a long-term Vision of Greater Manchester in 2020, an agreed set of Principles and a limited number of high level Strategic Priorities. The ambition of GMS is to provide an umbrella under which firm delivery plans of all of those who have a stake in the Greater Manchester economy can work to deliver focused outcomes. It will provide a clear policy framework to determine the work programmes and delivery plans of the Association of Greater Manchester Authorities (AGMA) and its Commissions and will be integrated with the emerging Regional Strategy.

2. Impact of the Recession on Greater Manchester

2.1 Partners from across the Greater Manchester sub-region have responded positively to the challenges created by the current economic climate. It is clear that the rises in unemployment, business failure and individuals in severe debt have stretched the capacity of existing provision but all local authorities have made provisions—often seven-figure sums—within their budgets to support additional interventions to tackle the impact of the downturn. This is despite an increasingly difficult financial climate for local government. Interventions at the macro-economic level, supported by various interventions at the sub-national level, have helped mitigate the effects of the recession’s impact upon vulnerable local communities.

50 The Manchester Independent Economic Review (MIER) is an independent review of the economy of the Manchester city region by leading academics and practitioners. It was published in seven volumes in April 2009. www.manchester-review.org.uk/
2.2 Individual local authorities and economic development agencies have been quick to respond to the needs of local people and local enterprise and there are various collective fora in which this occurs. Each Local Authority has put initiatives and mechanisms in place to coordinate its own responses. Across the city-region AGMA and the Commission for the New Economy (see appendix 1) have a series of fora to coordinate strategically activity across the full spectrum of economic development activity. This includes various thematic groups and a “Downturn Task and Finish Group”, which meets regularly to implement a shared sub-regional response to the challenges of the economic downturn wherever mutual benefit is clear.

2.3 The group is focused on enhancing the communication and support available to businesses and individuals within Greater Manchester—all underpinned by improved sub-regional information and intelligence on the downturn. Several local authorities have developed websites and publications with advice and information for local residents and businesses on debt, housing repossessions, what to do in the event of redundancy and so on.

2.4 Unemployment

2.5 With the UK economy shrinking by 1.9% in the first quarter of 2009 alone, the sub-region is now also in the midst of a sharp economic downturn. The number of jobseeker’s allowance (JSA) claimants continued to increase between March and April, growing by 2.4% across the sub-region to 77,908 (4.8% of the working age population). This is the highest claimant level since February 1997, and the highest claimant rate since April 1997. The rate of unemployment across the city region varies considerably, however, by up to 2%. The unemployment rate is set against 12,103 notified vacancies in Greater Manchester. On-flows of JSA claimants have exceeded off-flows for the past 12 months, though there have been signs in the most recent counts that the gap is narrowing.

2.6 Sectors

2.6.1 There are certain sectors where the impact of the recession has been disproportionately worse—financial services and manufacturing for instance but other areas have been holding up well, for instance food retailing. The majority of recent jobseekers have come from low skilled trades or elementary administrative roles. Forecast data from the Greater Manchester Forecasting Model (GMFM) has provided estimates of GVA and employment (by sector) across Greater Manchester, which has supplemented actual unemployment count data being collected and reported by each local authority.

2.6.2 The sectors that the data suggests have been hit hardest (in terms of job losses) and will continue to fare worst in the near future are:

2.6.3 Manufacturing

GMFM jobs losses forecast 2008 to 2010—9,400.

Continuing downward trend in employment (long-term restructuring), recession exacerbating competitive pressures. In the Northwest, 53% of an estimated 18,200 manufacturing businesses plan to cut staff in 2009, according to a recent survey by the Manufacturing Institute. However, the weak pound, a rebalancing of economy (towards more manufacturing and exports of tangible goods) and new growth opportunities may help in recovery phase.

2.6.4 Financial and business services

GMFM jobs losses forecast 2008 to 2010—7,800

Severely affected by the near collapse of the global financial system and the sharp decline in demand for corporate services. Likely to continue, at least in the short-term, although forecast to be a key sector in driving the recovery in the medium to long-term in GM, and there is a relatively small exposure to global finance in the sub-region. Also, signs that Manchester has fared slightly better than other centres perhaps with, for example, the creation of more than 3,100 financial and business services jobs across Greater Manchester during 2008–09, despite the deepening global recession (source: MIDAS). This has been supported by proactive Inward Investment attraction activity by MIDAS and also Marketing Manchester’s activity to help sustain the economy.

2.6.5 Construction

GMFM jobs losses forecast 2008 to 2010—7,500

Hit very hard by the recession, with the collapse of the housing market and many large scale infrastructure investments either put on hold/falling through. Nationally the Royal Institute of Chartered Surveyors recently predicted employment could fall by up to 14%/300,000 over the course of this downturn. However, the recent Manchester Crane Survey anticipated that the city’s diversified economy, falling prices and an anticipated re-balance in supply could spur a recovery for this sector in Manchester by 2011, with various large-scale developments such as The Corridor, Manchester and further development of local transport infrastructure.
2.6.6 Retail
GMFM jobs losses forecast 2008 to 2010—4,700.
One of the hardest hit sectors nationally at the onset of recession with consumer spending and borrowing having fallen very fast from previously sustained high levels. However, recent national retail sales figures have been more positive (many results above forecasts) and Manchester City Centre and the Trafford Centre for instance seem to have weathered the recession in general very well, and many local retailers are also doing better than anticipated.

2.6.7 Hospitality and Tourism
GMFM jobs losses forecast 2008 to 2010—2,000
Sharp decline in demand for international tourism and corporate hospitality through downturn. Although this sector may not have done as badly as others in GM, it is expected to experience further pressures both locally and nationally due with demand increasingly constrained. However, increased demand for local/domestic tourism and the recent awarding of additional funding to Marketing Manchester from NWDA (along with other NW tourist boards) may help to ensure that the sub-regional is well positioned to support businesses in this sector through the recession and in to the recovery.

2.6.8 The GMFM also highlights a number of other sectors experiencing particular difficulties both nationally and in Greater Manchester: Creative Digital (GMFM −2,100—08–10), ICT Digital (GMFM −1,200—08–10), Logistics (GMFM −800 jobs—08–10) and Automotive (GMFM −800 jobs—08–10).

2.7 Occupations
2.7.1 The impact on the sectors is mirrored by much of the data on the occupations most affected by the recession. Occupations that have been hit hardest by the downturn in GM have been the Administrative Occupations (an additional 2,950 JSA claimants between April 2008 and April 2009), Skilled Construction and Building Trades (+3,450 claimants), Sales Occupations (+3,400 claimants), Transport and Mobile Machine Drivers and Operatives (+3,030 claimants) and Elementary Trades (+6,580 claimants). This also serves to highlight how the public sector has experienced less of a downturn so far, as the occupations experiencing relatively limited impact have been Teaching and Research Professionals (+175 claimants), Business and Public Service Professionals (+410 claimants), Health and Social Welfare Associate Professionals (+145 claimants) and Health Professionals (0 claimants).

2.8 Repossessions
2.8.1 There has been a rising number of repossession orders made by County Courts across Greater Manchester over the 2007 and 2008 period. Similarly there has been a rising number of eviction warrants issued over the same period. This has had implications for debt advice services—where early intervention to prevent repossession has been sought—and also on statutory homelessness.

2.9 Benefits claims
2.9.1 All GM local authorities have seen an increase in council tax and housing benefit claims over the past 12 months or more but have recently begun to fall slightly. Free school meals claims have also risen over the same period.

2.10 Spatial Impact
2.10.1 Again using data from GMFM, the major employment centres in the centre of GM were forecast to be worst hit by the downturn in absolute terms (Manchester −6,000 jobs 2008–10, Stockport −4,100, Trafford −3,900). However, as mentioned previously, the city region has weathered the recession relatively well overall though there have been spatial variations.

2.10.2 Data on where these “at risk” sectors are concentrated across GM shows how those districts with traditionally high concentrations of heavy industry eg construction and manufacturing, may also be significantly affected. Many of those districts with above average concentrations of employment in construction and manufacturing are located in the north of the conurbation. Indeed all of the “northern districts” in GM have above average (GB average = 1.00) concentrations of employment in manufacturing (Bolton 1.67, Bury 1.35, Oldham 1.64, Rochdale 1.60, Wigan 1.75), whilst all except Bury have higher than average concentrations of employment in construction as well (Bolton 1.22, Oldham 1.35, Rochdale 1.25, Wigan 1.50).

2.10.3 None of the GM districts are immune from these problems as each district has a presence of “at risk” sectors. It is the case that most businesses in most sectors will be affected in some way as the recession continues. In addition there are very local impacts on local communities as the MIER report on “Sustainable Communities” has pointed out. In many cases the unevenness of the benefits of economic growth of the boom years has been exacerbated in the recession. Certain deprived communities in Manchester, Salford, Wigan, Bolton and Rochdale have remained disadvantaged and may also have worsened during the recession. Closing this gap as we emerge out of recession is now a key task.
3. **Recession Responses**

3.1 Detailed below is a selection of the short-term actions agreed and implemented by the Downturn Task and Finish Group.

3.2 **Capital Investment and Job Creation**

3.2.1 The recent announcement for transport investment of £1.5 billion across Greater Manchester will provide 20,000 jobs and help provide the foundations for future economic growth in the city region over the next 10 years.

3.2.2 Notwithstanding this, several local partnerships have been lobbying government to confirm major investment plans—typically around further and higher education developments, housing and transport. With the construction sector particularly badly affected, the potential benefit from these investments is clear.

3.2.3 Public sector capital projects are a key source of investment in Greater Manchester and will play a critical role in enabling the sub-region to continue its role as an engine of economic growth. Each local authority is developing a list of up to five key capital projects where government intervention would help to accelerate development. The Future Jobs Funds will also play a role in supporting this going forward.

3.3 **Strengthening the Local Supply Chain**

3.3.1 Extensive work is underway in all boroughs to improve the way councils utilise local suppliers. This includes work to speed up invoice payment (usually from 30 to 10 days or less), simplify procurement processes and improve the publicising of contract opportunities to local business.

3.3.2 Boroughs including Salford, Tameside, Wigan, Manchester, Stockport and Rochdale are taking steps to build the capacity of local SMEs (Small and Medium Sized Enterprises) to bid for contracts. Tameside have set aside £10.5 million of capital funding, targeting the use of local companies in small-scale projects through its “Tameside Works First” programme. Salford are considering a “Salford First” procurement policy. Other actions now being taken include:

- All GM local authorities will soon be utilising www.supply2gov.co.uk as a portal through which public sector tendering and contract opportunities are consistently publicised to local business.
- There is a range of activity already underway to develop the capacity of local small and medium enterprises (SMEs) to successfully bid for council contracts. A shared sub-regional approach to building the capacity of SMEs to access council procurement opportunities is being developed.
- Work, led by Salford City Council, is underway to understand local authority SME procurement policies in Greater Manchester. Options are being examined to develop a “Greater Manchester first” approach.

3.4 **Access to Finance for Business**

3.4.1 Local economic partnerships are improving access to finance. Bolton has boosted its strategic investor fund to retain and support large employers. Wigan is developing access to low cost finance for SMEs. And GM has discussed the idea of a “banking ombudsman” to ensure that sources of finance are freed up for local businesses.

3.4.2 A series of local economic summits and working groups have engaged with banking leaders, giving business a better understanding of lending policies. In addition a comprehensive Access to Finance summary is being prepared by the Commission for the New Economy, Business Link North West and GM Chamber. This will clarify the sources of credit that are available, as business tells us that the current picture of support is confusing.

3.5 **Business Accommodation and Engagement**

3.5.1 Bolton is among the partnerships examining options for rent relief to local businesses using council-owned premises. Rochdale and Tameside are introducing free parking in town centres, to support local retailers. The majority of partnerships are already working to increase take-up of business rate relief amongst local SMEs.

3.5.2 Wigan and Bolton both identify strengthened employer engagement as a key plank of their response to the downturn, and this assists Business Link, while in other boroughs existing partnership and regular advisory groups are acting as steering groups managing local downturn responses.

3.5.3 Stockport is enhancing its support for business start-up support for over 50’s (“silver entrepreneurs”), and is using its market operation to develop new start-up retail businesses (“market entrepreneurs”).
3.6 Debt Advice and Guidance

3.6.1 Local partners have significantly developed provision of local debt advice, as debt management is not routinely built into DWP interventions. A number of boroughs have added resources into advice and information services—such as “Helping Hands” in Manchester. A website has been developed which focuses on jobs, money and debt, homes, and business.

3.6.2 All AGMA authorities are making service improvements, such as through training frontline council service staff to advise on broader range of support services (eg Bury, Rochdale, Stockport, Salford). Direct additional financial support is being provided to Citizen’s Advice Bureau in Oldham and Rochdale; mobile work and debt advice vehicles are deployed in Bolton and Rochdale. Stockport have recruited two new debt advice officers to complement the existing service, while Oldham have provided additional financial support to their local Citizens’ Advice Bureau to free up qualified advisers from administrative tasks. Amongst other initiatives, Manchester is working with its Civic Justice Centre to provide repossession and mortgage advice support to those attending court. Manchester have submitted a bid to extend the East Manchester Money Mentor scheme. Manchester and Salford are also hosting a Financial Inclusion Champions Team for Greater Manchester and East Lancashire as part of a DWP initiative to co-ordinate local, regional and sector-wide partnerships for services such as banking, money advice, insurance and so on.

3.6.3 Councils will be using feedback on these initiatives to develop a stronger sub-regional response to this challenge. For example, work has been completed to identify the financial organisations that most often pursue early court action against those with mortgage arrears. Now, on behalf of the sub-region, Manchester City Council is mapping the repossession order process, with a view to enabling debt advice services to intervene earlier, preventing problems.

3.7 Redundancy Support

3.7.1 In addition to Jobcentre Plus’s targeted rapid response service, partnerships including Wigan, Bolton and Rochdale have developed enhanced redundancy support services.

3.7.2 Further discussions between the GM Jobcentre Plus central boroughs (Manchester, Salford and Trafford) have identified a number of opportunities now under development:

- Clarifying the offer available to those being made redundant available through the Jobcentre Plus, LSC and Local Authority partnership.
- Developing better business intelligence to understand the companies and geographical areas most affected by the downturn in order to better prepare for likely redundancies, as well as understanding where there are still jobs available that newly redundant individuals can be supported into.
- Improved publicity to local residents (through local press) to ensure that anyone being made redundant and who has not already had access to the Jobcentre Plus support and wider partnership offer can receive that support once they have been made redundant.

3.7.3 Jobcentre Plus GM Central already share monthly redundancy data with Manchester, Trafford, Stockport and Salford. The Commission for the New Economy are now in contact with Jobcentre Plus GM East and West to access similar data to share with the six other GM boroughs. This data will be included in the monthly worklessness reports from by the Commission for the New Economy, which are shared widely across the sub-region, recognising the vital importance of key data being available to inform decision making.

3.8 Skills and Employment

The recent Manchester Independent Economic Review report highlights that if Manchester is to achieve maximum economic growth there needs to be a significant improvement in level of skills within the sub-region. However the recession has brought additional demands as sectoral employment shifts are accelerated and demand for retraining rises.

3.8.1 In addition to the Train to Gain flexibilities and LSC redundancy support, boroughs such as Wigan are enhancing skills provision (for example, by opening a second skills shop).

3.8.2 While mainstream services such as Jobcentre Plus are expanding capacity to respond to increased demand, local partnerships are also re-shaping existing complementary provision—for example, Bolton has opened a second “Work Shop” in one of its most deprived areas, and Stockport has allocated further resources to develop apprenticeships and new posts within the authority, specifically targeted to priority groups and complementing mainstream provision. Actions agreed sub-regionally include:

- The enhancement of a forthcoming DWP contract for JSA customers using £1m of local funds. This enhancement will allow both more unemployed residents in total to access a range of jobsearch support, and to allow more disadvantaged residents to access jobsearch support earlier.
- Each local authority is identifying opportunities for the new Future Jobs Fund as part of an overall sub-regional approach to developing ambitious job creation proposals in key sectors to support both long-term unemployed residents into work and to deliver on key sub-regional priorities, such as moving to a low carbon economy.
— Plans will also be developed to further “flex” existing complementary employment and skills provision—with particular focus on the long-term Jobseekers’ Allowance claimants (set to reach over 50,000 in Greater Manchester by early 2010).

— Many GM authorities have made the “Skills Pledge” to invest in training and developing employees to enable all staff to develop their potential. Many are prioritising those without qualifications to help them progress.

— Many GM authorities are also pursuing Apprenticeships as part of the response to the downturn and many have set targets to rapidly increase the number of Apprenticeships available within their organisations.

— The Learning Skills Council together with JobCentre Plus are running a pilot project integrating employment and skills provision. This project aims to engage people in the development of their skills to improve their career prospects and help them enter sustainable employment.

3.9 Housing

3.9.1 Creative responses to housing challenges are being introduced. Most boroughs are either confirmed or are seeking a role in the government’s pilot mortgage rescue scheme. However with this initiative helping only 6000 households nationally, impact in GM will be limited.

3.9.2 There is close working with the Homes and Communities Agency to support regeneration and the housing market and ensure the most effective use of the Government’s housing market package; making use of existing equity schemes for both mortgage rescue and to support first time buyers. Work with the community and voluntary sectors is particularly important in supporting those most at risk of losing their homes and those vulnerable to loan sharks.

3.9.3 Salford and Manchester have examined ways to develop flexible new mortgage products, while Rochdale is looking at ways of enhancing the national mortgage rescue scheme. Enhanced affordable warmth and benefit take-up drives are underway in Manchester, Salford, Tameside and Rochdale. Direct additional financial support is being provided to Citizen’s Advice Bureau in Wigan to deliver fast-track advice around housing issues.

3.9.4 Bolton and Manchester are working with developers to accelerate affordable housing projects where construction has slowed, as well as utilise vacant new build homes. Salford is looking at opportunities to influence utility companies to reduce bills for vulnerable residents, as well as working with buy-to-let landlords who are in difficulty—including options to sell properties to social housing agencies.

4. Other Issues Relevant to the Committee’s Inquiry

4.1 “Real Help Now”

While understanding the need to respond to the demands for information on government initiatives to assist in the downturn, there was no real attempt made to integrate this with local initiatives such as those mentioned here. An opportunity was lost to co-ordinate national and local efforts so that they became mutually reinforcing. In particular with respect to the needs of the business community in the current economic downturn, we feel it was not helpful to introduce the “Real Help for Business” brand while at the same time working with public bodies and other partners to promote the “Solutions for Business” brand relating to the national portfolio of business support products. One undermines the other and can lead to some confusion about the nature of help or support available to business and how this is accessed.

4.2 Government Announcements Regarding Support for Businesses

It would have been helpful for banks and other bodies responsible for business support to have been better prepared to respond to customer enquiries following Government announcements about initiatives to support businesses during the economic downturn. While appreciating the tension between preventing leaks and pre-briefing the main providers or brokers of business support, the time lag between announcements such as, for example, the Enterprise Finance Guarantee Scheme in January, and the implementation of the practical detail behind their delivery, has not been helpful in restoring confidence among businesses about the ability of the (private and public) business support system to respond to their needs.

Annex 1

MANCHESTER’S COMMISSION FOR THE NEW ECONOMY

Manchester’s Commission for the New Economy has been established to co-ordinate strategically work in the field of economic development, employment and skills across the ten local authority areas that make up the Association for Greater Manchester Authorities (AGMA—Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan).

The Commission for the New Economy is one of seven commissions recently created as part of the new governance arrangements for Greater Manchester. It is wholly owned by AGMA. These seven strategic commissions provide leadership on cross-Manchester issues and report to the AGMA Executive Board. A Business Leadership Council provides independent private sector input into the Board. The Commissions
work closely with the Local Authority and other key public sector partners including the NWDA, Business Link NW, Job Centre Plus and the LSC, as well as the private and voluntary sectors, to deliver on its objectives of securing the long-term sustainable economic growth of Greater Manchester.

Memorandum from Fire and Rescue in the North West (NW 22)

1. SUMMARY

— Fire, despite its positive and continuous reducing trend, remains one of the major threats to communities in the UK today.\(^{51}\)

— Nationally the total number of fire incidents per year continues to fall\(^{52}\) and this is reflected regionally across the North West.

— Previous experience has shown us that fire and its effects are potentially an increased risk during periods of sustained and prolonged economic recession. The risks include; the potential for an increase in arson and deliberate fires with its links to crime, anti social behaviour and health (alcohol and mental health). Together with a real potential for the increase in accidental fires in the home, including fire deaths and injuries and their direct link to deprivation, poverty, worklessness, lack of opportunity and health.

— Across the North West, Fire and Rescue is working pro-actively together and with key partners and stakeholders to anticipate, identify and mitigate any potential risk for our communities falling out of the current recession. This is especially relevant in relation to our work with young people and those communities identified as at risk and vulnerable, such as the elderly. Our Home Safety programme is especially significant, where in the last twelve months we have visited more than 299,000 homes across the North West.

— The potential risk and its challenges can not be ignored and any risk arising from the current economic climate should also be considered against the likelihood of other converging risks, such as the current flu outbreak and the forecasted climatic changes for a hot summer period, with the possibility of severe heat waves.

2. INTRODUCTION

2.1 The effects of any economic recession are wide spread and complex. They do not discriminate between People or Place, Service or Agency. The challenge is for all Services and agencies to both recognise and understand their contribution to reducing the risk and consequences for our communities. This report and evidence is intended to highlight how Fire and Rescue in the North West understands its shared responsibility and more importantly how collectively it sees its self as part of the wider partnership solution to the ongoing and increasing effects of the current economic downturn.

2.2 Collaboratively, Fire and Rescue through the auspices of the North West Fire and Rescue Management Board (NWFRMB) is committed to working with and supporting other regional organisations and in particular Government Office for the North West (GONW), North West Regional Development Agency (NWRDA) and the North West Improvement & Efficiency Partnership (NWIEP).

2.3 Our work in tackling the wider social and economic causes/impacts of fire in the community is recognised as having a growing significance against the delivery of local, sub-regional and regional priorities. This is especially reflected in our contribution within Local Area Agreements, where partners and local areas (12 out of 23) have agreed fire reduction as a priority target, in recognition of its connectivity with other leading priorities such as crime, anti social behaviour, health (alcohol and smoking) and social inclusion.

2.4 Fire and Rescue is also an integral delivery partner within the North West Improvement and Efficiency Partnership. As well as being actively involved within sub-regional programmes, Fire and Rescue in the North West has its own sub-regional delivery programme. The programme aims to deliver improvement and efficiency across four key delivery areas of: Innovation, Sustainability, Value for Money and Community Leadership.

2.5 Nationally, Fire and Rescue within the North West is recognised by its peers, the Department for Communities and Local Government (DCLG) and more importantly, our inspectorate the Audit Commission (and our collective Comprehensive Performance Assessment results) as being a leader in delivering improved, meaningful and sustainable community safety across the region and its local communities. Our success is as much about how we work together and with our partners than our individual performance. Notably, Fire and Rescue in the North West has also received Beacon Status within five individual delivery areas namely: Community Cohesion, Older People, Young People at Risk, and more recently Health and Inequalities.

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\(^{51}\) Sadiq Khan MP Arson Control Forum speech 29 April 2009.

\(^{52}\) DCLG Fire Statistics Monitor Quarter 2: 1 July 2007 to 30 June 2008.
3. **Fire and the Impacts of Recession**

3.1 The economic cost of fire for the UK (measured by cost against the number of fire incidents)\(^{53}\) can directly contribute towards and sustain the impacts of an economic recession. The figures for 2004 showed the total cost of fire for England and Wales to be estimated at £6.6 billion, £2.2 billion of which was attributable to arson and deliberate fires. The latest findings are due for publication and are expected to show a rise in absolute terms, even though actual fire statistics show an overall reducing trend across the UK.

3.2 The numbers of fires and fire related deaths (accidental and deliberate causes) across the North West, show a continued downward trend in excess of the UK and English averages.\(^{54}\) For the period up to and including June 2008, all fires across the North West compared to the corresponding and previous 12 month period were reduced by an average of 19%, compared to the English average of 16%. For the same period fire related deaths in the North West were reduced by an average of 28%, compared to a 1% increase across England (5% increase across the UK).

3.3 Notwithstanding the above performance, Fire and Rescue in the North West recognises we are all facing a period of unprecedented economic uncertainty and instability. We will therefore, not be complacent in determining the risk and its challenges, as we remain fully aware of the experience from previous economic recessions, which for the same periods showed a marked increase in the number of fires and related deaths and injuries.

3.4 Fire and Rescue is embedded throughout the diverse and changing communities of the North West. It has become an integral player within both the local and strategic partnership network, working and delivering innovative partnerships within the Public, Private and Voluntary sectors. Fire and Rescue is able to offer detailed and focussed risk information and evidence, together with valuable resources aimed at working pro-actively to identify, tackle and reduce both risk and vulnerability within our communities.

3.5 Fire and its wider effects in the community are reflective of social and economic trends, presenting increased risk when linked to any period of prolonged economic recession. At the same time fire can also directly compound local economics and recession, suppressing and even restricting recovery, especially within areas more directly affected by economic consequences, such as areas with underlying unemployment, deprivation, lack of opportunity and poor health.

3.6 The prevention, protection and response to fire and its consequences is therefore directly aligned to tackling the broader issues linked to a local community and its underlying social and economic factors. These fire risk interdependencies can be identified as:

3.7 **Increased risk of arson and deliberate (anti social behaviour) fires.** These types of incidents and their location are a direct reflection of the wider issues of increased crime that could be associated with the possible impacts of an economic recession—for example:

- Arson affecting increased void and vacant housing.
- Arson affecting empty and unused business premises.
- Failing business prompting fraud through arson.
- Increased arson threat to public buildings such as schools.
- Stolen and abandoned vehicles involved in arson.
- Anti-social behaviour and criminal damage—deliberate anti social behaviour fires.
- Domestic abuse and violent behaviour/crime linked to arson and murder.

3.8 **Increased risk of accidental fires, fire deaths and injuries.** These types of incidents are a direct reflection of the wider social and health issues associated with the possible impacts of an economic recession—for example:

- Increased fuel poverty—affecting heating, lighting and cooking, leading to the increased risk of fires in the home.
- Poor health—Increased smoking, alcohol and drug use, mental illness/depression.

These factors are an especially high risk for the already vulnerable groups within our communities, such as older people, people with severe health, mental and physical disabilities, BME, migrant and emerging new communities.

4. **Fire and Rescue Response**

4.1 **Home Safety Assessments**—As part of an extensive programme of home safety assessment, Fire and Rescue across the North West accesses and undertakes more than 299,000 individual home safety visits. No other Service or agency offer this capability or capacity to directly access and engage with individuals and

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\(^{53}\) DCLG Fire—The economic cost of fire report 2004.

\(^{54}\) DCLG Fire Statistics Monitor Quarter 2: 1 July 2007 to 30 June 2008.
families in their homes. Because of this, our work in this area has now developed into a wider partnership approach, using specialist fire advocates and working with key agencies and services to deliver a broader community safety service. Examples include:

- Working with Primary Care Trusts and Health to deliver flu inoculations to the elderly, together with education and advice on protection against slips, trips and falls in the home.
- Crime reduction by working to help advise and signpost crime prevention in the home.
- Environmental and sustainability through energy saving and waste/recycling advice.
- Working with Social Services, Health and agencies like Age Concern to carry out and share information on Single point assessments for older and vulnerable members of the community.
- Addressing the issues of fuel poverty to help vulnerable groups stay warm (safely) in their homes.
- Specialist referrals for BME and migrant community risks.
- Specialist programmes for vulnerable groups like the blind and mentally/physically disabled groups.

4.2 Young People—Fire and Rescue in the North West has long recognised the benefits of working with young people in our communities to reduce fires, anti social behaviour and malicious calls. Primarily, the branding and image of the Service is one that’s seen by young people as being non-confrontational, impartial and neutral to authority, unlike perceptions some times identified with the police and other criminal justice, social and educational departments.

4.3 This unique attribute also provides an atmosphere of respect and trust, which allows us to engage with young people normally seen as difficult to reach. Our programmes are built around developing and changing attitudes and behaviour, helping young people to both develop and realise their potential within a disciplined, team based and role model framework. Our work is closely aligned to and reflective of the national curriculum and “Every Child Matters” delivery framework.

4.4 The Fire and Rescue Service in the North West undertakes an extensive programme of youth engagement projects, some main examples of which include:

- Princes Trust Team—This programme for 16 to 25 year olds is run across the North West, where Fire and Rescue is recognised as a key delivery provider and partner. The North West Fire and Rescue programme currently delivers 74 courses (which equates to more than 800 young people) per year and is recognised for having an 80% success rate in helping young people return to either full time education or employment.
- Fire cadet/young firefighter Schemes. This programme is again run at a local level across the North West providing regionally more than 45 local projects for 700 young people aged 11 to 17 years of age.
- A combination of the above schemes have been successfully adapted to be run in partnership with local North West youth justice establishments such as Lancaster Farms and the Thorn Cross Young Offenders Institute. Fire and Rescue is working with the Youth Justice Board (YJB), Government Office North West (Children and Learners) and Hindley (YOI) to further establish this work, recognising the opportunities for improved partnership working in the re-settlement of young offenders.
- A wide range of bespoke schemes are also run to work directly with Services such as local Youth Offending Teams (YOT), Local Education and Health departments. These programmes work to tackle priorities involving, Anti-Social Behaviour, Crime (Offending and Re-Offending), Respect and Health—including issues around drugs, alcohol and obesity. These schemes are typically used to target areas of developing social tension, especially where the Service encounters attacks on fire appliances and firefighters.

4.5 Older people and vulnerable groups—Recognising the diversity of our communities and the complexity of both engaging and working with vulnerable groups. Fire and Rescue has established a full and innovative programme of advocacy and volunteer services.

4.6 Across the North West, Fire and Rescue provides more than 250 Professional Advocates, Community Safety Practitioners and volunteers. These posts work with front line firefighters ensuring Fire and Rescue is able to adequately deliver its obligation in meeting the needs of our most vulnerable communities. Specialising within a dedicated area of engagement and delivery also ensures that Fire and Rescue can best utilise its networking capacity to share vital information and signpost risk between all key Local Authority Service Providers, together with Private and Voluntary delivery agencies. The following are just an example of the extensive range of advocacy provided in the North West.

- Older people advocates.
- Young People advocates.
- Rural advocates.
- Migrant and Bi-lingual advocates, including Polish, Somali, Chinese, Bangladeshi and Arabic speaking.
4.7 Many of the North West Fire and Rescue Services now have an extensive volunteer programme offering a range of roles in areas such as:

- Youth engagement and fire cadet leader/instructor positions.
- Safety team activities—assisting with the delivery of Home Safety Programmes.
- Road Safety activities—assisting with delivery of road safety programmes and campaigns.
- Support Services—volunteer programmes designed to assist the wide range of support services that drive, support and maintain our front line activities.

4.8 The programmes offer an opportunity and challenge for volunteers to use their existing skills and experiences as well as gain new ones, working and integrating with a professional service engaged in the delivery of meaningful services to local people and their communities.

4.9 Fire protection—Recent legislation came into force in 2005 and is designed to facilitate better fire safety management in commercial premises. Across the North West, Fire and Rescue is pro-actively working with commercial premises to facilitate the effective management of risk as identified through fire risk assessments. Employers, owners and occupiers may face an increased risk of arson when assessed against the factors associated with an economic recession. Fire and Rescue is working to ensure this risk is factored into the business decision making process. Helping to reduce the risk of arson with local businesses is a priority for Fire protection delivery across the North West. Our specialist fire protection teams work to support local business in making appropriate decisions, designed to protect their premises, livelihoods as well as life from any increased risk from arson.

4.10 Fire and Rescue in the North West actively supports and contributes towards the national and regional Arson prevention/control forum framework. Nationally the forum was introduced in 2001 aimed at encouraging a partnership response to arson reduction through the framework provided by the Crime and Disorder Act. The forum provides a network for Fire and Rescue to work closely with Local Authorities, Police and the private Business and Insurance sectors to reduce the incidents of arson and their consequences.

4.11 Government Office Liaison—The North West Fire and Rescue Management Board in collaboration with each of the North West Fire and Rescue Authorities, sponsor a secondment to the Regional North West Government Office.

4.12 Primarily the role works to engage and liaise with Regional, Sub-Regional, Local and Central Government bodies, across all areas of Policy, Delivery and Performance. Representing the Five Fire Authorities, a key feature of the work is to raise the Fire and Rescue profile at a strategic level, whilst ensuring Fire and Rescue planning and delivery is aligned to, and cohesive with the wider regional delivery network. The post also works closely with the North West Fire and Rescue Project Office and team and its role in building and delivering all North West collaborative work streams.

4.13 NWIEP (North West Improvement and Efficiency Partnership)—NWIEP works with local authorities to deliver the three-year strategy that has been developed in consultation with all councils from the region and their improvement and efficiency partners.

4.14 The strategy focuses on the priority outcomes from the North West’s Local Area Agreements, on the transformation agenda and on providing support for the enablers of improvement. It will mainly be delivered through the five sub-regional partnerships in the region.

4.15 Fire and Rescue in the North West successfully bid for and secured £450k (£150k per annum) funding from the partnership to deliver the following programmes over the next three years:

4.16 Community Leadership: This programme will enhance community leadership capability to meet the challenges set by the National Framework 2008–11. The move to a transformational leadership agenda underpins the programme, and this links with the new leadership model and framework for the Fire and Rescue Service, the Aspire model. The course will focus on developing the appropriate range of skills and competencies for leaders in community and partnership settings.

4.17 Value for Money: This programme aims to deliver increased efficiencies through developing innovative solutions and cooperation in sharing best working practices.

4.18 Environmental Sustainability: This programme will facilitate the sharing of knowledge and experience in relation to environmental management and sustainability issues and working together to reduce the impact that the North West Fire and Rescue activities have on the environment.

4.19 Innovation: This programme will develop key networking processes and support innovation through all other regional networks (eg Fire Safety and Organisational Development). The programme will also support improvement and efficiency through all five fire authorities.

55 The Regulatory Reform (Fire safety) Order 2005.
56 North West Improvement and Efficiency Partnership strategy and business plan 2008–11.
5. **Recommendations for Action**

5.1 That the Regional Select Committee notes the possible impacts of fire and its relationship to the wider social and economic trends associated with the current financial recession and downturn and;

5.2 The contribution Fire and Rescue can give in supporting the broader regional network in its work to mitigate and safely reduce the impacts faced by our region and its communities.

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**Supplementary memorandum from Jobcentre Plus (NW 23)**

*Morecambe Woolworth Store (Question 65)*

Full details of the redundancies at Woolworth stores were confirmed on 19 December 2008 and all North West stores were contacted by Jobcentre Plus staff between 22–23 December. The redundancy announcement affected 68 retail outlets employing 2330 staff and a distribution centre employing 420 staff.

Jobcentre Plus identified a single point of contact for all Woolworth stores across the North West, including the Morecambe outlet which employed 21 staff. The Jobcentre Plus Redundancy Co-ordinator contacted the Morecambe store on 23 December and obtained confirmation that the store would close on 27 December.

The support Jobcentre Plus was able to offer to employees was limited prior to closure as the store’s priority was to maximise sales. However, the Redundancy Co-ordinator delivered copies of the Jobcentre Plus Job Kit which contained extensive information on financial support and job seeking techniques. In addition, full details on claiming welfare benefits were issued to all employees.

The support that Jobcentre Plus was able to deliver to Woolworths’ employees varied across the North West as it depended on the plans and priorities of individual store managers and proposed closure dates. The available support that we were able to deliver included, extending opening hours to deliver benefit presentations, off-site support in partner premises, self-employment advice, skills transfer analysis and access to skills training support through the Rapid Response Fund.

Following the closure of the Morecambe Woolworths store a job-matching caseload exercise was undertaken at the local Jobcentre to refer employees to other suitable vacancies. A number of employees subsequently obtained employment with Asda or Morrisons. Only two employees remain unemployed at present.