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South West Regional
Committee

Impact of the economic downturn on the South 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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The South West Regional Committee

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

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Summary

This report looks at the impact of the economic downturn on the South West, and the measures Government has introduced to try and mitigate the impact. The region is often perceived as having a rural economy dominated by tourism and agriculture. In fact, it is heavily dependent on manufacturing, construction, distribution, retail and financial and business services. It also has a very high proportion of small and medium sized enterprises and many of these are part of supply chains in sectors such as the aerospace industry.

We welcome the measures that the Government has introduced, nationally and through the South West Regional Development Agency to try and support businesses. However, we raise concerns with the implementation of these schemes. The Government needs to consider how initiatives designed in Whitehall are delivered in the region, and take particular account of the needs of small businesses in view of the large number in the region.

Unemployment in the region has risen higher than the national average. Firms have tried to defer making redundancies by adopting temporary closures and reduced hours working. Regional agencies, such as Jobcentre Plus, are working with employers and trades unions and others to try and defer redundancies, and use the opportunity to train staff. More could be done to inform employers of their options before making redundancies. Despite this there have been job losses, notably in some areas where previously the unemployment levels had previously been very low.

A wage subsidy scheme could help keep people in jobs and help retain skills in certain sectors. We recognise that such a scheme would be expensive, and too expensive for the resources of the SWRDA, and ask the Government to review the impact of ProAct in Wales so far.

The region needs to retain skills particularly in specialist sectors. We welcome the flexibilities introduced to make Train to Gain more accessible but it is in danger of being over-subscribed and without adequate funding it may not be available to all those businesses that want to utilise it.

The impact of the recession on personal finance in the region has been marked, and we do not think the region has seen the full impact on housing and family finances yet. Citizens Advice Bureaux in the region are being overwhelmed by clients asking for help around debt, housing, redundancy, benefits and tax credits, and in numbers higher than the national average. Many clients wait until a crisis develops rather than seek early help, and then come with multiple problems. The Government must provide resources to those working on the front line providing advice to the vulnerable, and encourage the public to seek advice in advance of encountering difficulties.

SWRDA has reacted to the downturn quickly and reprioritised its services to provide essential support to businesses in the region. It has done this at the same time as its budget has been severely cut. The Government must recognise that the SWRDA is experiencing

increased demands on its services, it should not reduce the single pot allocation further in the next two years, and it should reconsider how it provides funding to all the regional development agencies.

The Regional Minister must continue to work with partners, and those in central Government, to increase the number of affordable and social homes in the region. The South West Regional Economic Task Group should continue to unblock housing construction schemes.

The Regional Minister can serve a useful role taking the concerns of the region to the heart of Government. However, we remain to be convinced as to how the role adds value and urge the new Regional Minister to work hard to publicise how his work has led to identifiable progress in mitigating the impact of the downturn on the region and helping to prepare it for the future.

1 Background

The South West Regional Select Committee

1. The Government proposed the creation of regional select committees in its Green Paper, *The Governance of Britain*, in July 2007.¹ Following the Green Paper, the House of Commons Modernisation Committee conducted an inquiry into *Regional Accountability*, and in its Report recommended, “that the most effective way to strengthen regional accountability to Parliament is to establish a system of regional grand and select committees. ... There should be one grand and one select committee for each of the administrative regions in England”.²

2. The House of Commons endorsed the Committee’s recommendation on 12 November 2008 agreeing to create eight regional select committees covering the eight administrative regions of England.³ The remit of these committees is to “examine regional strategies and the work of regional bodies” in their region.⁴ Members were appointed to the South West Committee on 3 March 2009.⁵

The South West region

3. The South West region of England is the largest of the English regions, covering the local authorities of Bath & NE Somerset, Bournemouth, Bristol, Cornwall, Devon, Dorset, Gloucestershire, North Somerset, South Gloucestershire, Plymouth, Poole, Somerset, Swindon, Torbay and Wiltshire.⁶

4. The region has a population of about five million, the largest concentrations being in Bristol, Plymouth, Bournemouth and Swindon. Nearly one third of the population live in settlements of less than 10,000 and the region has the highest proportion of people living in very small villages in England.⁷ The region contains the National Parks of Exmoor and Dartmoor, the extensive coast of the Devon/Cornwall peninsula, and the Isles of Scilly. Cornwall and the Isles of Scilly qualify for European Convergence investment, targeted at the less-developed regions of Europe, which are those whose capita Gross Domestic Product (GDP) is less than 75% of the EU average.⁸

5. The South West region contributed nearly 9% towards the National Gross Value Added (GVA) in 2007 and regional GVA growth has been consistently higher than the UK average. However, the region is very diverse and while areas such as Swindon, Avon and Poole may have outperformed the UK average, growth has been slower in Plymouth, Torbay and Wiltshire.⁹ The region has a very high proportion of firms that are small or micro businesses (41% working in

1 Ministry of Justice, *The Governance of Britain*, CM 7170, 3 July 2007

2 Third Report of the Modernisation Committee, Session 2007–08, *Regional Accountability*, HC 282, para 45

3 Votes and Proceedings, 12 November 2008, pp 995-1001

4 Standing Order 152F

5 Votes and Proceedings, 3 March 2009, pp 258-9

6 Further information on the region can be found at the South West Observatory website www.swo.org.uk

7 South West Regional Assembly, *Draft Regional Spatial Strategy*, p.2 (see www.southwest-ra.gov.uk/nqcontent.cfm?a_id=836)

8 www.cornwall.gov.uk

9 www.southwestrda.org.uk/region/economy/regional-information

businesses employing less than 10 compared with 29% working in firms employing 250 or more),¹⁰ and 20% of the people employed in the private sector in the region are self-employed.¹¹

6. The South West economy is heavily dependent on manufacturing, construction, distribution, retail and financial and business services. Gloucestershire, Swindon, Plymouth and Poole have a significant engineering component to their economies.¹²

Inquiry and terms of reference

7. The Committee met first on 11 March 2009 and announced its first inquiry into the impact of the current economic situation on the South West and the Government's response. The Committee wanted to look into how the economic downturn was affecting business, employment and the finances of people in the region, and to see if the response from government, in particular regional government, was adequate.

8. We took oral evidence from the South West Regional Development Agency (SWRDA), South West Councils, the Government Office for the South West (GOSW), and Mr Ben Bradshaw MP, then Regional Minister for the South West, in Westminster; and from business representatives, third sector organisations, trades unions and government agencies in the region. The Committee received written evidence from a variety of sources. We would like to thank all those who took the time to contribute to this inquiry.

9. We deal with each subject in turn based on the evidence we received. Chapter 3 describes the issues for business in the region, Chapter 4 jobs and skills, and Chapter 5 for personal finance.

10 Ev 45, para 33

11 Ev 45, para 11

12 EV 55, para 2.1

2 Impact of the economic downturn on the South West

The economic downturn in the South West

10. The Regional Economic Profile produced by the SWRDA describes the downturn as having started in “financial services, construction and anything to do with property [...] UK activity plummeted after October 2008 for both production (led by manufacturing) and services (led by retailing). At the same time the labour market started to shrink”. GVA by industry in the UK showed mining, manufacturing, construction and distribution, hotels, catering and retail all fell up to the end of 2008.¹³

11. The Government Office for the South West told us of a similar pattern to that occurring nationally: manufacturing, construction, distribution, retail and financial and business services had all been affected.¹⁴ These broad views were reinforced by the witnesses from business that we met in Swindon. Most of our witnesses agreed that construction and retail and manufacturing were the worst hit sectors, the latter particularly in the north of the region.¹⁵ Other sectors that had suffered included the ‘year round’ elements of the leisure industry such as pubs, restaurants, dance schools, gyms etc.¹⁶ and the professional services sector.¹⁷

12. We were told of some examples where the downturn’s effects were less clear. The aerospace sector around Bristol appeared to not be affected yet, but it was suggested this was probably because of the long lead time between a drop in orders and any effect on production, and the CBI felt it was too early to say whether the sector would “escape”.¹⁸ The uncertainty around orders is a cause for concern, particularly for the aerospace supply chain which contains a large number of small businesses.¹⁹ Recent evidence suggests that these problems are starting to mount. The large number of small businesses in the region, including for example some in the aerospace supply chain, meant that some secondary effects of the recession were ‘below the radar’ and difficult to detect.²⁰

13. Tourism was mentioned to us as an industry whose prospects varied across the region. There were signs that summer bookings were up in coastal areas, but less so inland, and the hospitality market was doing quite badly.²¹

14. Agriculture is important in the South West and would appear to have acted in a counter-cyclical manner. Rewards have certainly have been better in the last year than in previous years.

13 South West RDA, *Regional Economic Profile, Recession Special, SW England, Issue 7, April 2009*, p 10

14 Ev 55, para 2.1

15 Q 68 and Q 70

16 Ev 45, para 1

17 Q 68

18 Q 68

19 Qq 70–71

20 Q 1. The FSB said that 41% of private sector firms employed less than 10 staff (Ev 45, para 24).

21 Q 3

However even this sector is not immune from problems as we can see from the fall out in the dairy industry after the collapse of Dairy Farmers of Britain.

3 Impact on Business

15. One way of measuring the impact of these developments on the region is by the number of insolvencies in the South West. These averaged 232 in each quarter in 2007, in the first half of 2008 they averaged 231 per quarter, but in the third quarter of 2008 they increased to 254 and in the fourth quarter they reached 341. These figures should be treated with caution, as the Regional Economic Profile states, “Businesses fold all the time, however, and it’s hard in the current environment to get an objective picture of what is really happening to business numbers.”²²

16. Another way of measuring the impact is to look at the number of redundancies in the region. Jobcentre Plus told us that, in the South West, they had seen a rise of 139% in unemployment over the past 12 months, whereas the national figure has gone up by 86%.²³ The increase had not been uniform across the region.²⁴

17. The major issues that businesses raised with us were access to finance from banks, late payment by customers and the withdrawal of trade credit insurance. Other issues that were raised, and increased in relevance as cash-flow became more restricted, were the lack of automatic small business rate relief and empty property rate relief. We discuss these issues below.

Access to finance

18. We were told that the major issue facing business concerned access to finance. Richard Bayly from the Government Office told us

the thing that feeds back to us—but is only anecdotal—is that the lending patterns have reverted to the traditional model of lending against security, rather than investing in a business track record, a business plan, or a profit and loss accounts performance. That may explain some of the differences of experience between different companies.²⁵

19. One example given to us was the plight of the construction industry, the credit crunch had led to a contraction in mortgage lending and reduction in demand for property. Development schemes had stalled and as a result the construction industry was in difficulty. As a consequence any firm with ‘construction’ in its name was having grave problems securing credit from the banks.²⁶ Mr Rosser from the CBI thought that there was an argument that the change in lending practices was necessary, and overdue, but nevertheless, this situation was hurting business and unlikely to change in the medium term.²⁷

20. The FSB told us that this change in lending by the banks was the single largest problem for their members, citing overdrafts being withdrawn or cut, and contracts being lost because of loans being refused. They told us that “Good businesses with reasonable order books have closed

22 SWRDA, *Regional Economic Profile, Recession Special Issue 7, SW England*, April 2009, p 16

23 Q 114

24 SWRDA, *Regional Economic Profile, Recession Special Issue 7, SW England*, April 2009, p 17

25 Q 62

26 Q 87

27 Ev 48

just through lack of finance.”²⁸ The CBI agreed it was “a problem for smaller companies who might have a weak balance sheet and poor security.”²⁹

21. The SWRDA established a Business Loan Fund early in 2009 of up to £10 million. The Fund is aimed at providing loans up to £250,000 for businesses with viable business plans but unable to secure a loan from conventional banks. This was welcomed by the FSB but they compared the total available in the South West fund—£10 million—to the North East which had a £143 million fund.³⁰

22. The Government also introduced the Enterprise Finance Guarantee Scheme (EFGS) in January 2009. This is a £1.3 billion scheme to support new loans, refinance existing loans or convert an existing overdraft into a loan. Each loan can be between £1,000 and £1 million and are aimed at any firm with a turnover of up to £25 million. It remains available up to 31 March 2010. The Fund is processed through participating banks but 75% of the loan is guaranteed by the Government.³¹

23. We were told that there had been low take up of the EFGS among small businesses. The FSB said 12% of their members, who responded in their latest survey, had applied for the EFGS but only 1.28% had been offered it.³²

24. The CBI agreed that it was, “absolutely paramount are fixing the capital markets, getting liquidity moving and sorting out confidence in the banking system” and they did not see this as an issue that could effectively be solved on a regional level.³³ As such this was an issue that had to be dealt with at a national level, and the difficulties in the region had to be represented to central Government via the Regional Minister. The CBI welcomed the Regional Minister as an additional route whereby the same message could be passed to Government nationally and regionally.

25. We welcome the Government’s Enterprise Finance Guarantee Fund but are concerned that the Fund appears to be not widely known among small businesses. If the Fund is designed to help small businesses then more must be done to inform them of its existence. We are also concerned about the low success rates of those that do apply for it. It is difficult to assess the success of the Fund until more firms apply and we recommend that the Regional Minister works with the SWRDA, Business Link and the banks in the region to increase take up of the scheme and to identify reasons why the success rate is so low.

Late payment

26. Another problem raised with us was the increasing incidence of firms finding their customers were taking longer to pay bills or unilaterally changing the payment terms to give them more time before making a payment. This can be more problematic for smaller business as they have less power to insist upon payment. Businesses that are not paid on time find their ability to operate restricted because it limits their scope to plan ahead, such as buying materials or marketing.

28 Ev 45, para 5

29 Ev 48, para 5

30 Q 83

31 www.berr.gov.uk

32 Ev 45, para 21

33 Q 81

27. In October 2008 the Department for Business, Enterprise and Regulatory Reform announced that central Government was aiming to pay businesses within 10 days, and urging the wider public sector to do the same. In evidence to this Committee in March, the then-Regional Minister said with regard to the Government commitment to pay promptly,

We have made quite clear to public service, certainly as far as the health service is concerned, that that [paying within 10 days] is the expectation, and if you would like to bring, not necessarily in public, but privately, to my attention any primary care trusts or acute trusts that are not stepping up to the mark, then I would be happy to have a look at it; but I think our feedback is that most, if not the overwhelming majority, are.³⁴

28. South West Councils told us that in response to the recession they were undertaking additional measures including paying suppliers ahead of schedule. The FSB told us that there were problems with some public sector organisations not paying according to the Government's 10 day commitment.³⁵

29. We welcome the Regional Minister's and South West Councils' efforts to ensure prompt payment. We note that throughout the public sector there is an intention to pay promptly and in some cases ahead of schedule. However, we are also aware of evidence that it is not necessarily happening throughout the region. We recommend that the new Regional Minister seeks to identify the reasons why payments are not being processed within 10 days; that he repeats the commitment that the public sector in the South West will pay within 10 days; and that he continues to press it to honour this commitment.

Trade Credit Insurance

30. Trade credit insurance is cover against a firm's clients defaulting or becoming insolvent. Confidence in the ability of firms' to pay their bills has been harmed by problems raising finance. As a result the three main providers of trade credit insurance have reduced the level of insurance they have been willing to provide. When a business cannot secure insurance it may have no option but to ask for payment in advance. The Government announced the Trade Credit Insurance top-up scheme in the Budget and initially said it would apply from 1 May 2009. This enables a business to purchase additional insurance from the Government, although the purchase is administered by the private sector. This extra insurance sits on top of the existing credit insurance policy and follows the conditions of that underlying policy. The Government subsequently announced that the scheme would be backdated to 1 October 2008. The top up does not apply in situations where insurance had been completely withdrawn and it expires on 31 December 2009.

31. The CBI said the withdrawal of trade credit insurance was a 'huge concern' in the South West, and it was restricting companies' willingness and ability to trade with each other.³⁶ They felt the Government's response had been slow and the solution offered would not address the full extent

34 Q 51

35 Ev 45, para 13

36 Q 85 and Ev 48, para 6

of the problem.³⁷ The operation of trade credit insurance is not helped by the restrictive structure of the market place—something which is very evident in the South West.

32. We recommend that the Regional Minister and the Task Group to monitor the effectiveness of the Trade Credit Insurance top-up and the number of insolvencies closely and continue to make representations to central Government.

Tax

33. On 24 November 2008 Her Majesty’s Revenue and Customs (HMRC) introduced a dedicated business payment support service, available over the telephone seven days a week, for businesses aimed at assisting firms who might be struggling to pay their tax or National Insurance contributions, and enabling them to agree a payment plan that allows them to defer their payments. The Committee heard positive feedback on this scheme from all the business representatives that we spoke to.³⁸ In particular, the FSB told us their members using this facility have been “100% positive in the way their calls for assistance have been treated”.³⁹ However, there were concerns that staff in the local tax office were not providing the same support nor directing visitors on to the support line, and that the facilities available through the business payment support service were only available once.⁴⁰

34. The Committee notes the positive consensus about the work being done by Her Majesty’s Revenue and Customs to help businesses manage their tax payments through the recession. However, we are concerned at the apparent discrepancy of service to customers who use the business payment support service and those who approach their local tax office. We recommend that the Government investigate as to why there appears to be this inconsistent service, and consider what lessons can be learned from the implementation of the business payment support service that might be usefully applied to other schemes.

35. The FSB have said that business rates are the third largest cost to small firms, after salaries and rent, and have been asking for automatic business rate relief for small businesses and the removal of business rates for empty property.⁴¹ The FSB welcomed the increase in the threshold at which an empty property becomes liable for business rates.⁴² The CBI also said that there was a lot of anger among their members around the decision to put up business rates by 5% at a time of negative inflation (according to the Retail Price Index),⁴³ and that the refusal to reinstate empty property rate relief “will effectively stop speculative property development in parts of the UK that are not in the highest demand.”⁴⁴

36. The Regional Minister set up the South West Regional Economic Task Group in November 2008 to understand the impact of the downturn on the region, and to try to ensure the

37 Ev 48, para 7

38 Q 61

39 Q 85

40 Q 85, Ev 45, para 17

41 FSB press release, *Businesses take action for automatic rate relief*, 6 February 2009

42 Ev 45, para 23

43 Q 85

44 Ev 48, para 15

Government responded appropriately (see para 118, Chapter 7). We asked the Regional Minister for examples of issues that had been raised with the Task Group. He said empty property business rates had been raised by business organisations with him and the Task Group.⁴⁵ He said that some of the measures taken in the pre-Budget report bore a strong resemblance to some of the issues that had been lobbied for by the business organisations on the task groups. He gave the example of delayed payment of bills by HMRC as an issue where representations had been made on behalf of business in the region.⁴⁶

37. We recognise that where there is an issue of pressing concern in the region that relates to national policy, it is important that the Regional Minister can raise matters in Whitehall on behalf of the region. We recommend that the Regional Minister considers how he can more clearly demonstrate that his influence, either alone or in coordination with the Regional Economic Council, has brought about changes for the benefit of the South West.

Public procurement

38. In the evidence session on 30 March the SWRDA was asked about improving public procurement within the region to help local businesses. Mr Studholme of the SWRDA replied

the south-west is trying to lead the way in Europe on public procurement in food and drink. That is a slow and painstaking process [...] We need to understand how to get through state aid regulations and all of that. You are talking about—this is very important—a step change in certain organisations in cutting through some of those regulations. The success is patchy.⁴⁷

They did inform us of their involvement with the South West Public Sector Food Procurement Project and its input into a European programme looking at public procurement best practice.⁴⁸

39. Mr Bayley, of the Government Office said,

[...] successes come not by starting at the procurement end, but at the supply end, and working with partners to build up the supply chain capacity and the ability to use the procurement processes that are available strongly. Business Link is investing in that now [...] there is no reason why people cannot work with the supply side to build up the capacity of businesses, particularly smaller businesses who may be intimidated by the scale of some of the contracts. We could work out how they can be made more accessible for them.⁴⁹

The Regional Minister pointed to a successful project in the Cornish NHS that was being considered for introduction nationally.⁵⁰

45 Q 61

46 Q 61

47 Q 21

48 Ev 66

49 Q 50

50 Q 50

40. South West Councils told us they were putting in place local procurement strategies, that they already procure 60–70% of their goods and services locally and are exploring to see if this could be increased.⁵¹

41. We welcome the work of the regional agencies and South West Councils to encourage and increase local procurement and support the efforts to make sure that best practice is spread throughout the region. We recommend that regional agencies and local authorities make further efforts to explain their contract requirements and examine how to build up the capacity of small business to be able to apply for contracts.

Preparing for the future

42. We did hear views that the impact upon business of the economic downturn had possibly reached the low point. The CBI told us that,

we are now starting to get fairly widespread messages from companies—I need to phrase this very carefully—that we are reaching, have reached or are approaching the bottom. Things are not getting worse anywhere near as rapidly as they were, which is different from saying that things are getting better. One hesitates before offering false optimism, although we are clearly looking for optimistic signs at the moment. Things are not deteriorating to anywhere near the extent that they were.⁵²

We also heard evidence about what the region was doing in anticipation of when the upturn comes.

Innovation and enterprise

43. We received evidence from the University of Plymouth about what they are doing to try and encourage innovative ideas to grow into business. They told us of an event they hosted, with over 140 attendees, to encourage partnerships between local businesses and the University, and to funding they had received from HEFCE and the Economic Challenge Innovation Fund (ECIF) to develop the University’s Enterprise Solutions package for business. The university actively wanted to engage in local social enterprises and businesses to make them more competitive during the recession.⁵³

Green economy

44. The SWRDA Corporate Plan 2008–2011 said that one of the areas their core strategy was focussed on was developing a low carbon economy. When they announced their refreshed Corporate Plan for 2009–10, as a result of the reduced budget and the recession, they said

We aim to be a leading international region in the development of low carbon solutions, particularly in energy, waste, construction and transport. We are increasing our investment

51 Ev 62

52 Q 68

53 Ev 41

in measures that support these aims and are planning to invest around £70 million by 2012 in low carbon activities.⁵⁴

45. We welcome the commissioning of the report on green jobs that the Regional Minister presented to the National Economic Council.⁵⁵

46. The FSB had told us that the lack of capital was the biggest reason why firms were ceasing to trade, and said that when the upturn comes and firms needed to expand they would not be able to exploit the situation. They said that some of the firms that were struggling due to lack of capital included the fitters of green energy equipment, and that these were the same firms having difficulty winning contracts for energy efficiency schemes such as Warm Front.⁵⁶

47. We support the ideal of a sustainable low carbon economy in the South West and we support the work that SWRDA and the Task Group are doing to make this happen. However, we also note the views of the TUC regarding a lack of urgency and leadership in pursuit of the green recovery.⁵⁷

48. We welcome the SWRDA and the Task Group's ambitions to bring about a sustainable low carbon economy in the South West. However, we remain to be convinced of progress in this direction. We expect to return to this subject in the near future.

54 SWRDA budget decisions 2009–10, June 2009

55 Q 55

56 Ev 45, para 8

57 Ev 43, Chapter 5

4 Impact on Jobs and Skills

Unemployment

49. The Jobseekers Allowance claimant count in the region rose by 139% to 97,376 in the last twelve months, whereas the national figure went up by 86% in the same period.⁵⁸ The impact has been felt throughout the region but particularly in areas like Swindon, which had previously had negligible unemployment but recently experienced a 227% increase to just over 7,000 JSA customers.⁵⁹ Other areas of the region may have smaller increases, because they started at a higher base. Unemployment has been highly concentrated, in February 2009, Gloucestershire, Wiltshire and Swindon recorded 45% of all notified redundancies in the region.⁶⁰

50. Many parts of the region were in the same position as Swindon, having seen considerable increases in unemployment from very low bases. We were told this meant that support networks were not always equipped to deal with the numbers now coming in. Helen Scadding from the Citizens Advice Bureau [CAB] told us

We have seen a 130% increase in inquiries around redundancy, and as I said at the beginning, we are not necessarily a service that people would turn to immediately for employment-related issues. I'm not saying there isn't a significant client crisis out there. We have bureaux—Exeter, for example—that can normally manage their client numbers, but they have queues like you might traditionally see in an area such as Hackney.⁶¹

51. CAB said that they had received 9,266 enquiries on Jobseekers Allowance across the region (a rise of 81%) and 8,605 enquiries relating to redundancy (an increase of 118%). Both of these were above the national average increases for Jobseekers Allowance (61%) and redundancy (114%).⁶²

52. Dal Warburton from UK Advice told us their advice centres had received increases between 30% and 300% in the number of people seeking advice on redundancy.⁶³ The problem is commonly exacerbated by people not seeking advice until they reach crisis point.⁶⁴

53. Jobcentre Plus told us they recognised the increase in demand for their services and had been recruiting extra staff. In May 2008 they employed just over 4,000 staff across the south west; by May 2009, the number had reached 4,700; and the expected total by the end of March 2010 was about 5,200.⁶⁵ Rachel Jones, the District Manager for Jobcentre Plus in the West of England said that “it has taken some time to recruit the additional work force [...] but the signs are that we have got staffing levels about right to cope with the increased customer volumes.”⁶⁶

58 Q 114

59 Ev 55

60 South West RDA, *Regional Economic Profile, Recession Special, SW England*, Issue 7, April 2009, p17

61 Q 98

62 Ev 73, Section 3.1

63 Q 93

64 Q 96

65 Q 114

66 Q 119

54. In addition to increasing numbers of staff, Jobcentre Plus were looking into the size and suitability of their premises, whether they could co-ordinate and possibly co-locate better with other organisations, and considering their ways of working in order to cope with the increased demand on services.⁶⁷ There was also a recognition that more help could be provided in relation to the wider benefit system for people coming to Jobcentre Plus, for example steps had been taken to improve the speed at which help could be provided for claimants needing help to pay their mortgage.⁶⁸

55. The South West Regional Economic Task Group has set up an Action Group on People, Employment and Skills whose priorities are to join up the services from the SWRDA, the Learning and Skills Council, the local authorities, HMRC and Jobcentre Plus to provide advice on their services to employers and individuals in a co-ordinated way.⁶⁹

56. Jobcentre Plus provides a Rapid Response Service (RRS) to assist people who are made redundant as a result of large scale redundancies, find work, training or further education. When redundancies are announced the local Jobcentre Plus manager may call on a national pool of additional resources to serve the increased volume of clients. Jobcentre Plus has worked with over 200 employers through its Rapid Response Service.⁷⁰

57. The increase in numbers coming to Jobcentre Plus coincided with a change in the profile of clients. For example, there had been a near 168% increase of people from professional executive occupations contacting Jobcentre Plus.⁷¹

58. Rachel Jones said, “It is acknowledged that it is not just the numbers that are different for Jobcentre Plus; it is the type of customer we are seeing and ensuring that we are on the front foot to respond to that.”⁷² Only about a third of the total vacancies in the labour market at any one time are advertised through Jobcentre Plus. Their representative recognised that some of their clients, such as professional and graduate jobseekers, needed to access information on the wider jobs market. As a result, they had started working with universities, to give their customers the benefits of a network set up to ensure that they can gain access to that information, such as through journals and professional organisations.⁷³ To this end, they were working in partnership with the careers services in universities to try and link their services. In addition, they were piloting, with the four universities across the west of England, a three-day programme run by the university careers service aimed at professional executive customers.⁷⁴

59. We welcome the partnership working between Jobcentre Plus and universities in the region to cater for the wider profile of people seeking employment opportunities during the downturn.

67 Q 114

68 Q 124

69 Q 127

70 EV 55

71 Q 119

72 Q 119

73 Q 120

74 Q 199

Deferring redundancies and retaining skills

60. Many businesses in the region were being forced into trying different ways to defer making redundancies. We were told that it was becoming more common for firms to move to reduced hours, or as in the case of the Honda plant near Swindon, to close for a period.⁷⁵ The CBI said firms are actively endeavouring to retain skilled staff, using range of options including shorter working hours (sometimes with a substantial loss of pay), changing holiday structures, temporary lay-offs, and freezing pay. There have been many examples of management teams and unions working together on innovative ways to safeguard core employment.⁷⁶

61. The SWRDA commissioned Experian, a consultancy firm, to produce a report on recession scenarios and their impact on the South West. The report concluded

Output in the economy recovers far more quickly than does the labour market, which suffers a prolonged period of falling employment and rising unemployment. The lags in employment effects, and the persistence of these effects, suggest that these should be a key focus for policy. [...] Efforts to mitigate the damage caused by falling unemployment and increasing unemployment—through enhanced training provision, etc.—are more likely to be timed to be effective when the need is there.⁷⁷

62. We were told that previous recessions have shown that retaining a skilled workforce is important to ensure the economy can respond to the opportunities of recovery.⁷⁸ There are competitive advantages to retaining skilled staff, rather than making them redundant now only to re-advertise and re-employ the same staff again in the future. The CBI said the preservation of skills was important for companies in areas like aerospace.⁷⁹

63. We were told that employers are committed to training their staff and there is support for using the time available because of reduced hours for training.⁸⁰ We were told that the SWRDA is introducing a talent retention initiative around the aerospace and engineering sector in an effort to keep highly qualified and highly skilled people in the region.⁸¹ We would like to add our support to such initiatives.

64. The Future Jobs Fund was announced in the Budget 2009 to support jobs for long term unemployed. Funds are awarded to projects that can demonstrate that they will create extra jobs, lasting at least 6 months, either for long term unemployed young people or people in unemployment hotspots; benefit local communities; and will be under way quickly.

65. The Government Office told us they were working with Jobcentre Plus and partners in preparing their submissions.⁸² The TUC considered the Future Jobs Fund to be a tremendous opportunity to plug gaps and help supplement skills. They wanted to be part of the process for

75 « Honda's production line restarts,» 1 June 2009, <http://news.bbc.co.uk/1/hi/england/wiltshire/8076430.stm>

76 Ev 48, para 8

77 Experian, *UK Recession Scenarios: Impact on SWE Sectors & Places*, Final Report, January 2009, p 48

78 Q 54

79 Q 71

80 Q 71

81 Q 123

82 Ev 55, para 3.2

preparing bids in the South West “to make sure that the quality of the projects and schemes is right.”⁸³

66. We see the Future Jobs Fund as an opportunity to supplement skills in the region. We welcome the work of the Government Office and Jobcentre Plus in co-ordinating bids for the fund. We would also support the inclusion of those, such as the trades unions, who may be able to help identify skills shortages in the region that could inform stronger bids.

67. We were told of an initiative by a Citizens Advice Bureau in Liskeard that was working with businesses who were considering making people redundant. The CAB provided advice on the options to the employer, such as short-time working, limiting hours, and how the working tax credit system operated. CAB told us that businesses do not always know the options available to them to keep people in work.⁸⁴

68. We note that retaining skilled workers is a high priority for the region and support the measures that many firms are taking to put off making redundancies. We welcome the joint working between management teams and trades unions to try and secure jobs. We recommend that the Task Group consider extending some initiatives across the region, such as the initiative in Liskeard where the Citizens Advice Bureau approach employers to provide advice on the range of options that might be available before making redundancies.

Train to gain

69. The Learning and Skills Council told us that in late 2008 they received an extra £10 million as part of the Train to Gain programme. This was to support those facing redundancy or preparing to re-enter the workplace and included flexibilities in provision and extra help specifically for small firms.⁸⁵

70. Paul Lucken, the Regional Director of Skills for the Learning and Skills Council in the South West, told us that they saw the main impact of the recession as being the need for us to shift the focus of their primary service to employers. Participation in Train to Gain had doubled between 2008 and 2009. Almost counter-intuitively, more people got involved once the recession started to bite. Employers responded by using down time or free time to utilise training funds to support their employees. However, the programme is now under significant pressure because of the growing number of users.⁸⁶

71. Train to Gain has been particularly helpful vehicle for allowing workers on reduced hours to be upskilled in the time they have available. This is demonstrated by the initiative started by Delphi and Renishaws in the Stroud area which is taking up to 450 workers to a higher level of vocational qualification.

72. We welcome the flexibilities introduced to Train to Gain to increase access, but are also aware that Train to Gain is under pressure due to demand. This situation needs to be monitored carefully and more resources made available as necessary.

83 Q 115

84 Q 97

85 Ev 44

86 Q 115

73. The FSB said the South West region has “historically suffered from the highest level of hard to fill vacancies at level 3”⁸⁷ and that small businesses do not access schemes such as Train to Gain very well because of the drain on time. The FSB also observed that Train to Gain provides the financial support only after the training has been completed which is not helpful to small businesses with cash flow problems.⁸⁸

74. We welcome the demand for training from business. We note the value and popularity of Train to Gain, and we welcome the extra funding and flexibilities provided by the Government at the end of 2008 to increase the accessibility of the scheme. However, we note the concern of the Federation of Small Businesses that the financial support is paid to the employer once the training has been completed and that this might discourage the take-up of training by small businesses. We recommend that the Regional Minister and partners investigate this and explore alternative ways of paying, for example by phasing payments.

Apprenticeships

75. Mr Lucken explained that the Learning and Skills Council were trying to develop training associations of employers who would collectively employ a cohort of young people undertaking an apprenticeship with all the member companies. He said there were problems with competitors sharing staff, differential wage rates and the capacity of some smaller firms to allow staff to come and go.⁸⁹

Wage subsidy

76. We were told, in particular by the TUC and the FSB, of support for a wage subsidy scheme if linked to training. The ProAct scheme in Wales, and similar schemes overseas were given as examples of how a public subsidy could be provided to those firms who were operating on reduced hours in return for their staff to take part in training schemes. However, the ProAct initiative is not yet being taken up. There was broad agreement that it might be expensive but that it could provide long-term benefits if a significant number of people were retained in employment as a result.⁹⁰ The SWRDA admitted that they did not have the resources to support such a scheme. They also said that any scheme, “would need to be big enough; it would need to have the right criteria and the right selection process to ensure that it does not create more losers than winners.”⁹¹

77. The CBI admitted their membership had differing views on the matter. Whereas on the one hand other countries did provide such subsidies, and so international firms faced with difficult choices are likely to choose a country where the state will provide additional help. On the other hand, they recognised it would be an expensive way of keeping companies going who may not be viable long term. However, the CBI did say that if the scheme was limited to a particular sector,

87 Equivalent to two A-levels.

88 Q 77

89 Q 121

90 Qq 82-84

91 Q 6

such as automotive manufacturing, it would reduce the cost and make it easier for all interested parties to agree.⁹²

78. A wage subsidy scheme requires resources beyond what the South West Regional Development Agency can provide. However, there was support within the region for such a scheme. We recommend that the Government review the impact and cost of Pro-Act in Wales, make public its views on the costs and benefits of introducing such a scheme, and of not introducing such a scheme.

5 Impact on Personal Finance

Housing

79. Housing costs peaked in the region in the third quarter of 2007.⁹³ Research by Shelter in March 2008 showed that across the South West over 170,000 households were struggling to pay their mortgage or rent, and 15,000 households were falling behind on their rent or mortgage payments.⁹⁴ There is a specific shortage of social housing in the South West. New opportunities to encourage local authority building and more resources to housing associations are to be welcomed. It is vital that local authorities in the region respond to this to provide appropriate units of accommodation.

80. Affordable housing supply has not kept pace with demand. During 2007–08, the region only delivered 5,570 affordable homes. This represents a shortfall of 4,430 on the draft Regional Spatial Strategy target of 10,000 affordable homes a year and is over 600 fewer affordable homes than the Government’s recommended annual average level of supply for the region.⁹⁵

81. The drop in land values and the reduction in private development has meant there are fewer opportunities to leverage affordable housing from such developments. Housing Associations have been selling fewer properties, the sales of which would previously have funded social rented housing.⁹⁶ At the same time, the credit crunch had exacerbated a reluctance to lend to low-income families, meaning fewer families could access the housing market even at the intermediate level and for shared ownership.⁹⁷

82. We were also told that younger people of employment age were leaving the rural areas of the region because of high house prices and the lack of affordable housing, and that long term this would have disastrous consequences for rural communities.⁹⁸

83. In 2008–09, 9,524 possession orders were made in the region, an increase of 12% on 2007–08.⁹⁹ At the beginning of April 2008, there were 161,353 households on council housing waiting lists in the South West.¹⁰⁰

84. The South West Regional Economic Task Group has set up an Action Group on Housing and Infrastructure. The Group is giving priority to several areas including constraints within the region on mortgage lending, particularly with shared ownership, and reducing the effect of the downturn on individuals at risk of losing their home.

93 Q 91

94 Ev 83, para 1.1

95 *Housing Investment in the regions: Regional Housing Pot 2008–11—Proposal for Regional Allocations*, 16 October 2007, CLG. Average annual outputs recommended for the South West: 4,300 social rented homes, 1,900 low cost home ownership homes

96 Ev 83

97 Q 92

98 Q 108

99 Ev 83, para 1.1. Note—repossession orders do not automatically mean the property was repossessed

100 *Housing Strategy Statistical Appendix Data 2007–08*, Communities and Local Government, 2009

85. The Regional Minister pointed out that one of the roles of the Action Group was to identify infrastructure projects at risk of stalling because of the downturn and find out what were the possible reasons for the project not continuing. The relevant agencies involved were then brought together to discuss whether the project could be “unblocked” with the necessary co-operation between the relevant agencies. The Minister identified several housing projects that had been unblocked in this way and said

We are constantly on the lookout for any schemes where there might be a problem or uncertainty because of—invariably—the economic climate, especially when it comes to private sector involvement, to see what we can do, as public agencies, to help to move those forward.¹⁰¹

The Government Office later provided details on further schemes where progress had been made since 30 March.¹⁰²

86. The Regional Minister had also met with the South West Housing Initiative to discuss proposals to tackle barriers to delivery and to take up issues raised with lenders about their attitudes to low cost home ownership.¹⁰³

87. We welcome the efforts that the Action Group on Housing and Infrastructure has made with regard to identifying and unblocking housing schemes that could increase the availability of badly needed homes in the region, and also provide much needed help for the local construction industry.

88. The problem of housing provision in the region necessitates joint working, involving those in both the private and public sector involved in construction and development, local authorities, the third sector and the mortgage lenders. We would urge the new Regional Minister to maintain his predecessor’s attention to this area.

The Mortgage rescue scheme

89. The Mortgage Rescue Scheme is aimed at helping those at risk of losing their homes due to financial difficulty. However, take-up has been low.¹⁰⁴ Shelter told us that figures for the South West showed 348 households have approached local authorities with mortgage difficulties since the Mortgage Rescue Scheme’s launch in January. Of these, 36 households have applied for the scheme and so far no households have accepted an offer through the scheme.¹⁰⁵ The National Housing Federation told us they expected the take-up to increase in time.¹⁰⁶

101 Q 44

102 Ev 50

103 Membership includes Shelter, National Housing Federation, the Home Builders Federation, the Confederation of British Industry, the Chartered Institute of Housing and the Royal Town and Planning Institute

104 As of 2 June, only two households nationally had completed the Government mortgage-to-rent process. HC Deb 2 June 2009, col 153.

105 Ev 83

106 Q 101

90. Citizens Advice also pointed out there would be a delay between businesses struggling, then unemployment rising and a further delay before people see this impacting on their rent, their housing and their mortgage. As such more people may need to use the scheme in the future.¹⁰⁷

91. However, we were told the majority of people who have applied to local authorities in relation to mortgage rescue schemes, and who are told that they are not eligible, are referred on to other sources of advice. In this way, the people who are at risk were accessing help on avoiding repossession that they did not know about before they inquired for the mortgage rescue scheme.¹⁰⁸

92. In reaction to the increase in mortgage arrears and repossessions the Government has tried to strengthen the financial advice available to mortgagors. In May 2008, the Government announced a series of measures to increase support for home owners. This included £9 million additional funding for debt advice by third sector organisations such as the Citizens Advice Bureau. The Government has also said it would allow access to free legal representation at county courts throughout England for households at risk of repossession, strengthen the National Housing Advice Service to provide a new comprehensive debt advice service, and provide more specialist training for Citizen Advice Bureau staff and local authorities on debt advice to help families improve their financial management.¹⁰⁹

93. We note the ambition of the mortgage rescue scheme and the lack of take-up. We also note the publicity relating to the scheme may have increased the number of people approaching local authorities and advice centres for assistance. In this regard it may have inadvertently helped direct those at risk to a useful source of advice. We recommend that the Government further monitor the effectiveness of the scheme. It is too early to say if the scheme might be successful and recognise that demand is likely to increase.

Debt

94. Karen Stalbow from Shelter summarised the effect on individuals, who may become vulnerable to financial problems, because of the downturn

the process of indebtedness began prior to the recession. What is happening within the recession is having further impact on that ... We are now in a position where people have overstretched themselves financially. Their housing costs in relation to their income over quite some period have put people in a precarious position with their levels of debt. That is being exacerbated by the risk of unemployment and the health stress associated with being in debt.¹¹⁰

95. The importance of debt as an issue was reinforced by figures provided by the Citizens Advice Bureau. The CAB received 565,664 client enquiries in the South West in 2008–09, which was an

107 Q 102

108 Q 101

109 HM Treasury, *New scheme to help people at risk of repossession*, 3 December 2008; See also www.nhas.org.uk/

110 Q 99

increase of 10% on the previous year. While many clients presented with more than one issue, the largest number of inquiries was 177,951 on debt.¹¹¹

96. They also received 161,937 inquiries on benefits and tax credits, 58,143 employment and 39,757 on housing. In addition to these core areas, there were many other areas where the number of enquiries rose more sharply in the South West than nationally and many of these related to debt. For example, mortgage and secured loan arrears enquiries up 54% (UK 49%), Payment Protection Insurance enquiries were up 62% (37%), fuel debts/poverty enquiries were up 25% (19%) and crisis loans and social fund enquiries were up 25% (11%).¹¹²

97. CAB told us that they are playing an active role in helping people encountering problems relating to debt. The Government had provided £1 million to CAB in the South West (and £10 million nationally) to increase access to Citizens Advice Bureaux by enabling them to stay open longer hours. The funding covers the period February 2009 to March 2010.¹¹³

98. CAB had also received funding from the Financial Inclusion Fund to recruit apprentices and train them for eight or nine months to become financial inclusion advisers. CAB found the financial inclusion fund was more flexible to demand than LSC-funded work as a way of distributing resources and providing debt advice and financial capability work.¹¹⁴ Helen Scadding from the CAB said there was a tendency to fund the infrastructure rather than front line advice, and finding sources of funding that could be delivered to front line advice was becoming more difficult.¹¹⁵

99. However, we were told that individual Bureaux were still being overwhelmed and clients were still experiencing long waiting times. Advice UK, who run a network of advice centres, also said they were operating at full capacity and receiving clients referred from other overwhelmed advice centres.¹¹⁶

100. The CAB told us that it would be helpful if local authorities undertook activities to increase the take-up of benefits and tax credits in partnership with the voluntary and community sector.¹¹⁷ SW Councils told us that beyond their core council services, they are also offering a range of additional measures to help businesses and people through the recession, such as encouraging the take up of housing benefit, adopting a discretionary policy of no evictions for rent arrears, extending time available to pay council tax and rent, introducing support measures for people facing eviction, providing support for debt counselling through the Citizens Advice Bureaux and others, and support for credit unions.¹¹⁸ GOSW told us that they were using the local area agreement process to encourage joined-up local responses to the downturn, and effective recovery planning.¹¹⁹

111 Ev 73

112 Ev 73

113 Ev 73

114 Q 93

115 Q 98

116 Ev 86

117 Ev 73

118 Ev 62

119 Ev 55

101. We welcome the work that local authorities and the third sector are doing to increase awareness and take up of benefits and tax-credits. We recommend that the Government Office work with local authorities, the third sector and other partners, using local area agreements where possible, to further encourage joint working and spread best practice.

102. We welcome the extra hours funding that the Government has made available to the Citizens Advice Bureau, and note the evidence from Citizens Advice Bureau and AdviceUK relating to the demand on their services, their concern over the difficulty of securing funding for front line services, and that the additional hours funding expires in March 2010. We recommend that the Government continue to provide adequate funding for Citizens Advice Bureau.

103. We note that the repercussions of the downturn on jobs, housing and family finances may not be fully apparent yet. We recognise that it is preferable for those at risk of getting into financial difficulty to gain advice relating to benefits and financial management sooner rather than wait until a crisis develops. We recommend that the Regional Minister works to bring together with the voluntary sector, local authorities and the SWRDA to ensure consistent and joined up sources of advice relating to debt and financial management.

104. We also note that the South West Economic Regional Task Group does not include any representative from the third sector in its core membership. We recommend the Regional Minister consider including such a representative on the Task Group.

6 The role of the RDA

105. The SWRDA is the principle agency for providing Government support for business in the region. They sit on the South West Regional Economic Task Group and work with other organisations in the region such as Jobcentre Plus and the Homes and Communities Agency. They also provide business support through Business Link and the Manufacturing Advisory Service, and help in signposting access to finance (including a business loan fund) and other government initiatives aimed at assisting business.

106. We were told that the downturn had necessitated SWRDA readjusting its provision of support to business. They told us that “Business Link has not received any extra funding from us, but what we have done is to tailor what it does so that it is providing downturn readiness reviews, health checks, etc., using the same money, targeted slightly differently.”¹²⁰ However, this was placing pressure on their staff and they admitted that front-line engagement with businesses is taking up a huge amount of their time.¹²¹ At the same time the SWRDA had reduced its staff in 2008 and said it will reduce staff further over the next year.¹²²

107. The SWRDA told us that “88% of businesses using this service [Business Link] state they are ‘very’ or ‘extremely’ satisfied with the service they receive”.¹²³ We heard positive feedback from business organisations about the reaction of the SWRDA to the recession. The CBI told us that the SWDA had “stepped up its engagement with business representative organisations in the region and this is much to be welcomed”.¹²⁴

108. The Manufacturing Advisory Service (MAS-SW), delivered by a consortium made up of SWRDA, EEF, Business Links and the Association of Higher Education Institutions in the South West, works with manufacturing businesses in the region. MAS-SW have provided advice and information to 2,000 businesses in the region since 2002, and have produced a Downturn Readiness Review to help manufacturers through the recession.¹²⁵ MAS-SW also worked with the West of England Aerospace Forum to provide support for business in the aerospace supply chain.

109. The Federation of Small Businesses said that it welcomed the creation of the £10m loan fund, but was concerned that the SWRDA came off very badly in comparison to RDAs in other parts of the country.¹²⁶ The FSB was also very concerned at the way the SWRDA funds were being “raided”.¹²⁷ The SWRDA allocation from the single pot had been cut further because of pressure on contributing Department budgets, and to fund initiatives such as Homebuy. As a result, all the RDAs were asked to reprioritise their work to deal with the impact of the recession. The FSB was concerned that this would lead to the SWRDA cutting what it was able to cut (i.e. not contractually tied into), rather than what it would like to cut. The CBI told us that

120 Q 10

121 Q 17

122 SWDA budget decision 2009–10 and 2010–11, 8 June 2009

123 Ev 66

124 Ev 48

125 Ev 66

126 Q 83

127 Ev 45

The worst thing in a situation like this would be for the RDA to take an ever-smaller dollop of jam and spread it even more thinly across the whole region. If one looks for a benefit out of a difficult financial situation for the RDA, it should be that it enables it to focus absolutely on what is going to have the biggest economic return, either by place or by project or a combination of both.¹²⁸

and that the focus should be on activities that directly add to the knowledge base and competitiveness of the region.¹²⁹

110. On 8 June, the SWRDA announced the following priorities:

- support efforts towards a low carbon economy;
- retain, develop and promote the high value business base,
- meet the challenges of the downturn with a focus for a life after the recession,
- deliver solutions for business products and services consistent with national and regional priorities, and
- deliver ERDF and RDPE programmes in line with regional priorities.

It also said that it will engage with businesses that have strategic importance for the region and ensure Business Link focussed on the immediate needs of small businesses in the region.

111. In spite of the difficulties in the economy and their resources, we welcome the RDAs commitment to continue its support for business through the recession, and its emphasis on making sure the focus of Business Link is on the needs of business in the region, and in particular that of small and medium enterprises.

112. Concerns raised from witnesses often related to the inability of the SWRDA to take effective action because they did not have the resources.¹³⁰ There have also been question marks over how effective the leadership and management skills of SWRDA have been, and we look for a greater focus of delivery in the future. We were told there was a perception outside the region that the South West did not have a manufacturing base. Other regions had a manufacturing and engineering image, and manufacturing was suffering, so they got Government support and the South West did not.¹³¹ Witnesses told us that the reduction in RDA budgets was “exquisitely bad timing” and that the Government needed to revisit the whole RDA funding issue.¹³²

113. In comparison to the other RDAs, for the financial year 2009–10, the South West receives the second smallest allocation from the single pot (behind the East of England),¹³³ and the third smallest per head of population (behind the South East and the East of England). We recognise

128 Q 84

129 Ev 48

130 Ev 45

131 Q 39

132 Q 115

133 The RDAs are financed through a Single Budget, a fund which pools money from all the contributing Government Departments: Business, Innovation and Skills; Communities and Local Government; Energy and Climate Change; Environment, Food and Rural Affairs; Culture Media and Sport and UK Trade and Investment

that all the RDAs have had to reduce their budgets. SWRDA confirmed their single pot investment programme for 2009–10 was £139 million and 2010–11 is £123 million. Compared to what they thought they were getting at the beginning of 2009–10 this represented a reduction of £56 million over two years. This is a very large proportion of their allocation.

114. The issue of the identity of the South West region was raised several times during our evidence sessions. The perception of the South West outside the region has been categorised as an area dominated by tourism and the environment. However, as the FSB said the region has the aerospace industry and manufacturing and specialised marine sector.¹³⁴ The region also contains Cornwall that qualifies for European Convergence status. Harry Studholme, from the SWRDA admitted

If the question is are there pressures on the regional development agency to deliver what is actually an increasing demand in an economy that is under severe stress, when resources are being allocated to other areas to meet the economy under severe stress, of course it is posing immense challenges to us.¹³⁵

115. We understand that all RDAs have had their budgets cut, and that funds from RDA budgets may go to fund other regeneration schemes. We think that wherever the RDA is in the country, it should be given adequate funding to fulfil the role that Government has given them. We recommend that the SWRDA does not have its budget cut further. It should be able to take short-term and long-term strategic decisions based on an agreed and stable budget. We recommend that the SWRDA single pot budget should not be reduced for the next two years. We recommend that the Government look again at the formula for allocating budgets to the RDAs.

134 Q 72

135 Q 7

7 The role of the Regional Minister

116. The then-Minister for the South West, Ben Bradshaw MP, told us that he had a dual role as a regional minister. He was appointed to act on the one hand “to ensure that the region’s voice was heard at the centre of Government” and on the other as a representative of Government in the region. The two principal benefits of his role were, in his view, being able to ensure government departments and regional NDPBs worked effectively together and raising concerns that were specific to the region with central government. He conceded that his formal role was initially “quite limited”. Since the economic downturn began, however, the role of regional ministers had been “augmented” by the creation of regional economic task groups and the Council of Regional Ministers.¹³⁶

117. We agree with our witnesses in welcoming having a Regional Minister. However, we remain to be convinced as to what the precise role of the Minister is. We note that the Regional Minister’s role has been given certain responsibilities by the creation of the South West Economic Task Group, but we presume that the lifetime of the Task Group is finite. We recommend that the Government give clear guidance as to what the precise role of the Regional Minister will be in the future.

South West Regional Economic Task Group

118. Each Regional Minister was tasked with pulling together the relevant players in the region and creating a Task Group to help government understand and respond to local and regional needs. The task group met for the first time on 7 November 2008.¹³⁷

119. The South West Regional Economic Task Group (SWRETG) met for the first time on 7 November 2008. It is Chaired by the Regional Minister and aims to bring together “key representatives” of the public and private sector. Its work is supported by five action groups, focussing on:

- People, employment and skills,
- Housing and infrastructure,
- Support for business,
- Resilience of public services, and
- Green economic recovery.¹³⁸

120. The establishment of SWRETG was seen as a welcome initiative by our witnesses. The CBI stressed its value in bringing together business organisations and regional government and ensuring that the response by agencies matched regional needs.¹³⁹ SW Councils welcomed the

136 Q 37

137 The membership of the Task Group is: the Regional Minister, GOSW, NHS SW, SWRDA, Learning and Skills Council, South West Chambers of Commerce, South West TUC, Jobcentre Plus, Homes and Communities Agency, Federation of Small Business, Confederation of British Industry and South West Councils

138 Ev 55

139 Ev 48

direct engagement with government it offered.¹⁴⁰ The regional TUC particularly welcomed the task group's work to “unblock” construction projects, discussed earlier.¹⁴¹

121. Whilst the regional response to the Task Group has been generally positive, some concerns were raised in the evidence we received. The CBI said, whilst the Group was useful for communication and coordination, it was difficult to determine how effective the action it had brought about had been.¹⁴² The South West TUC criticised the group for being too business-dominated.¹⁴³ This view was shared by South West Forum, who told us that the Government's response had taken little account of the difficulties facing third-sector organisations or their importance in a time of recession.¹⁴⁴ The CAB agreed, saying that the multi-agency approach pursued by the task group did not extend to personal finance and they saw “little emphasis on the issue of vulnerable clients and financial inclusion for everybody.” They attributed this in part to the influence of the RDA, as a business-led, business-focused organisation, although they said that there had been “slow” change in the RDA's mentality in recent years.¹⁴⁵

122. The establishment of the Regional Economic Task Group is a welcome initiative and early indications are that it has been effective in some key areas—particularly in improving communication between government and the region and in pushing for progress on capital projects. However, there are concerns that it has focussed attention primarily on the concerns of business, to the exclusion of other issues such as the third sector and personal finance. The Regional Minister should work to address these concerns.

Regional Economic Council and Council of Regional Ministers

123. Regional ministers also attend the Council of Regional Ministers, which meets bi-monthly and is chaired by Cabinet Office and Treasury Ministers, and the Regional Economic Council, which meets quarterly and is chaired by the Secretary of State for Business, Innovation and Skills and the Chancellor.¹⁴⁶

124. The former-Minister for the South West told us that these meetings allowed him to raise problems that were specific to South West or where the unique features of the South West altered the way in which it was affected by a national issue. He went on to say that on issues where every regional minister was facing similar problems, for example on small business lending, they could ensure central government was aware that it was a national issue.¹⁴⁷

125. It is difficult to effectively assess the contribution that these meetings, and the representations made by regional ministers more generally, make to government policy. The then-Minister for the South West gave examples of national government policies that “bore very strong resemblance to some of the issues that had been raised and lobbied for by the business

140 Ev 62

141 Ev 43

142 Ev 48

143 Ev 43

144 Ev 36

145 Q 103; Ev 73

146 Q 37

147 Q 38

organisations on the task groups.”¹⁴⁸ However, it is not possible to say, on the evidence that we have, what role these representations had in the policy-making process.

126. Representing the views of the region to central government is a key part of the role of regional ministers. It is important that regional ministers should be seen to be actively lobbying government on their region’s behalf and that their efforts should be open to scrutiny. We further recommend that the Regional Minister explains how he intends to report back to those outside the Task Group as to his representations to Whitehall on behalf of the region, and the outcomes.

Conclusions and recommendations

Enterprise Finance Guarantee Fund

1. We welcome Government's Enterprise Finance Guarantee Fund but are concerned that the Fund appears to be not widely known among small businesses. If the Fund is designed to help small businesses then more must be done to inform them of its existence. We are also concerned about the low success rates of those that do apply for it. It is difficult to assess the success of the Fund until more firms apply and we recommend that the Regional Minister works with the SWRDA, Business Link and the banks in the region to increase take up of the scheme and to identify reasons why the success rate is so low. (Paragraph 25)

Late payment

2. We welcome the Regional Minister's and South West Councils' efforts to ensure prompt payment. We note that throughout the public sector there is an intention to pay promptly and in some cases ahead of schedule. However, we are also aware of evidence that it is not necessarily happening throughout the region. We recommend that the new Regional Minister seeks to identify the reasons why payments are not being processed within 10 days; that he repeats the commitment that the public sector in the South West will pay within 10 days; and that he continues to press it to honour this commitment. (Paragraph 29)

Trade credit insurance

3. We recommend that the Regional Minister and the Task Group to monitor the effectiveness of the Trade Credit Insurance top-up and the number of insolvencies closely and continue to make representations to central Government. (Paragraph 32)

Tax

4. The Committee notes the positive consensus about the work being done by Her Majesty's Revenue and Customs to help businesses manage their tax payments through the recession. However, we are concerned at the apparent discrepancy of service to customers who use the business payment support service and those who approach their local tax office. We recommend that the Government investigate as to why there appears to be this inconsistent service, and consider what lessons can be learned from the implementation of the business payment support service that might be usefully applied to other schemes. (Paragraph 34)
5. We recognise that where there is an issue of pressing concern in the region that relates to national policy, it is important that the Regional Minister can raise matters in Whitehall on behalf of the region. We recommend that the Regional Minister considers how he can more clearly demonstrate that his influence, either alone or in coordination with the Regional Economic Council, has brought about changes for the benefit of the South West. (Paragraph 37)

Public procurement

6. We welcome the work of the regional agencies and South West Councils to encourage and increase local procurement and support the efforts to make sure that best practice is spread throughout the region. We recommend that regional agencies and local authorities make further efforts to explain their contract requirements and examine how to build up the capacity of small business to be able to apply for contracts. (Paragraph 41)

Green economy

7. We welcome the commissioning of the report on green jobs that the Regional Minister presented to the National Economic Council. (Paragraph 45)
8. We welcome SWRDA and the Task Group's ambitions to bring about a sustainable low carbon economy in the South West. However, we remain to be convinced of progress in this direction. We expect to return to this subject in the near future. (Paragraph 48)

Graduate unemployment

9. We welcome the partnership working between Jobcentre Plus and universities in the region to cater for the wider profile of people seeking employment opportunities during the downturn. (Paragraph 59)

Deferring redundancies and retaining skills

10. We see the Future Jobs Fund as an opportunity to supplement skills in the region. We welcome the work of the Government Office and Jobcentre Plus in co-ordinating bids for the fund. We would also support the inclusion of those, such as the trades unions, who may be able to help identify skills shortages in the region that could inform stronger bids. (Paragraph 66)
11. We note that retaining skilled workers is a high priority for the region and support the measures that many firms are taking to put off making redundancies. We welcome the joint working between management teams and trades unions to try and secure jobs. We recommend that the Task Group consider extending some initiatives across the region, such as the initiative in Liskeard where the Citizens Advice Bureau approach employers to provide advice on the range of options that might be available before making redundancies. (Paragraph 68)

Train to gain

12. We welcome the flexibilities introduced to Train to Gain to increase access, but are also aware that Train to Gain is under pressure due to demand. This situation needs to be monitored carefully and more resources made available as necessary. (Paragraph 72)
13. We welcome the demand for training from business. We note the value and popularity of Train to Gain, and we welcome the extra funding and flexibilities provided by the Government at the end of 2008 to increase the accessibility of the scheme. However, we note the concern of the Federation of Small Businesses that the financial support is paid to

the employer once the training has been completed and that this might discourage the take-up of training by small businesses. We recommend that the Regional Minister and partners investigate this and explore alternative ways of paying, for example by phasing payments. (Paragraph 74)

Wage subsidy

14. A wage subsidy scheme requires resources beyond what the South West Regional Development Agency can provide. However, there was support within the region for such a scheme. We recommend that the Government review the impact and cost of Pro-Act in Wales, make public its views on the costs and benefits of introducing such a scheme, and of not introducing such a scheme. (Paragraph 78)

Housing

15. We welcome the efforts that the Action Group on Housing and Infrastructure has made with regard to identifying and unblocking housing schemes that could increase the availability of badly needed homes in the region, and also provide much needed help for the local construction industry. (Paragraph 87)
16. The problem of housing provision in the region necessitates joint working, involving those in both the private and public sector involved in construction and development, local authorities, the third sector and the mortgage lenders. We would urge the new Regional Minister to maintain his predecessor's attention to this area. (Paragraph 88)

Mortgage rescue scheme

17. We note the ambition of the mortgage rescue scheme and the lack of take-up. We also note the publicity relating to the scheme may have increased the number of people approaching local authorities and advice centres for assistance. In this regard it may have inadvertently helped direct those at risk to a useful source of advice. We recommend that the Government further monitor the effectiveness of the scheme. It is too early to say if the scheme might be successful and recognise that demand is likely to increase. (Paragraph 93)

Debt

18. We welcome the work that local authorities and the third sector are doing to increase awareness and take up of benefits and tax-credits. We recommend that the Government Office work with local authorities, the third sector and other partners, using local area agreements where possible, to further encourage joint working and spread best practice. (Paragraph 101)
19. We welcome the extra hours funding that the Government has made available to the Citizens Advice Bureau, and note the evidence from Citizens Advice Bureau and AdviceUK relating to the demand on their services, their concern over the difficulty of securing funding for front line services, and that the additional hours funding expires in March 2010. We recommend that the Government continue to provide adequate funding for Citizens Advice Bureau. (Paragraph 102)

20. We note that the repercussions of the downturn on jobs, housing and family finances may not be fully apparent yet. We recognise that it is preferable for those at risk of getting into financial difficulty to gain advice relating to benefits and financial management sooner rather than wait until a crisis develops. We recommend that the Regional Minister works to bring together with the voluntary sector, local authorities and the SWRDA to ensure consistent and joined up sources of advice relating to debt and financial management. (Paragraph 103)
21. We also note that the South West Economic Regional Task Group does not include any representative from the third sector in its core membership. We recommend the Regional Minister consider including such a representative on the Task Group. (Paragraph 104)

The role of the RDA

22. In spite of the difficulties in the economy and their resources, we welcome the RDAs commitment to continue its support for business through the recession, and its emphasis on making sure the focus of Business Link is on the needs of business in the region, and in particular that of small and medium enterprises. (Paragraph 111)
23. We understand that all RDAs have had their budgets cut, and that funds from RDA budgets may go to fund other regeneration schemes. We think that wherever the RDA is in the country, it should be given adequate funding to fulfil the role that Government has given them. We recommend that the SWRDA does not have its budget cut further. It should be able to take short-term and long-term strategic decisions based on an agreed and stable budget. We recommend that the SWRDA single pot budget should not be reduced for the next two years. We recommend that the Government look again at the formula for allocating budgets to the RDAs. (Paragraph 115)

The role of the Regional Minister

24. We agree with our witnesses in welcoming having a Regional Minister. However, we remain to be convinced as to what the precise role of the Minister is. We note that the Regional Minister's role has been given certain responsibilities by the creation of the South West Economic Task Group, but we presume that the lifetime of the Task Group is finite. We recommend that the Government give clear guidance as to what the precise role of the Regional Minister will be in the future. (Paragraph 117)

South West Regional Economic Task Group

25. The establishment of the Regional Economic Task Group is a welcome initiative and early indications are that it has been effective in some key areas—particularly in improving communication between government and the region and in pushing for progress on capital projects. However, there are concerns that it has focussed attention primarily on the concerns of business, to the exclusion of other issues such as the third sector and personal finance. The Regional Minister should work to address these concerns. (Paragraph 122)

Regional Economic Council and Council of Regional Ministers

26. Representing the views of the region to central government is a key part of the role of regional ministers. It is important that regional ministers should be seen to be actively lobbying government on their region's behalf and that their efforts should be open to scrutiny. We further recommend that the Regional Minister explains how he intends to report back to those outside the Task Group as to his representations to Whitehall on behalf of the region, and the outcomes. (Paragraph 126)

Formal Minutes

Thursday 16th July 2009

Members present:

Alison Seabeck in the Chair

Mr David Drew

Dr Doug Naysmith

Chairman's draft report on the Impact of the Economic Situation on the South West and the Government's Response

Draft report (Impact of the Economic Situation on the South 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 1-126 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 day and time to be fixed by the Chairman.]

Witnesses

Monday 30 March 2009

Page

Harry Studholme, Board member, and **Stephen Peacock**, Executive Director, Enterprise and Innovation, South West Regional Development Agency, **Rod Bluh**, Leader of Swindon Borough Council and Leader of the South West Strategic Leaders Board, and **Peter Brown**, Deputy Chief Executive of the South West Regional Assembly and South West Councils. Ev 1

Mr. Ben Bradshaw, MP, Minister for the South West, and **Jon Bright**, Regional Director, **Richard Bayly**, Deputy Regional Director, and **Thoss Shearer**, Deputy Regional Director, Government Office for the South West Ev 8

Monday 8 June 2009

Nick Beaumont-Jones, Swindon Chamber of Commerce, **Viv Rayner**, South West Policy Manager, Federation of Small Businesses, and **David Rosser**, Director, CBI South West Ev 17

Simon Nunn, Head of South Region, National Housing Federation, **Helen Scadding**, Partnership Development Manager, Citizens Advice South, **Karen Stalbow**, Senior Regional Campaign Officer, Shelter, and **Dal Warburton**, Development Consultant, South West and South Central, AdviceUK Ev 22

Ian Ducat, Regional Officer, Unison, **Rachel Jones**, District Manager for the West of England, Jobcentre Plus, **Tim Lezard**, Chair, Regional TUC, and **Paul Lucken**, Regional Director of Skills, Learning and Skills Council Ev 29

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5	Learning and Skills Council	Ev 44
6	Federation of Small Businesses	Ev 45
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9	Government Office South West	Ev 55
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11	South West Regional Development Agency	Ev 66
12	Citizens Advice Bureau	Ev 73
13	Shelter & National Housing Federation	Ev 83
14	Advice UK	Ev 86

Oral evidence

Taken before the South West Regional Committee on Monday 30 March 2009

Members present:

Alison Seabeck (Chairman)

Mr David Drew

Kerry McCarthy

Witnesses: **Harry Studholme**, Board member, and **Stephen Peacock**, Executive Director, Enterprise and Innovation, South West Regional Development Agency, **Rod Bluh**, Leader of Swindon Borough Council and Leader of the South West Strategic Leaders Board and **Peter Brown**, Deputy Chief Executive of the South West Regional Assembly and South West Councils, gave evidence.

Q1 Chairman: Thank you, gentlemen, for coming to this first Select Committee on the south-west region. As you can see, there are just a few of us here today, but I am sure that the questioning will be none the less robust. Can we start with a general question to you all? What do you see as the main economic challenges facing the south-west region, and how do they differ from those of the regions immediately around us? How do you see the variation? Who would like to kick off with that?

Stephen Peacock: Obviously, the south-west is experiencing many of the things that other regions are experiencing: deepening recession and fairly uniformly gloomy survey evidence from the likes of the Engineering Employers Federation and others. The well-documented and high-profile effects of the recession that are being felt perhaps most acutely in the north and east of the region, with the high-end manufacturing sector, have attracted quite a lot of the headlines, but one of the features of the south-west, as you well know, is the large number of very small businesses. I think that what we are beginning to pick up is evidence that the effects of the recession—perhaps some of the secondary effects in the sectors that support or rely on the housing market, such as timber and builders merchants in small to medium-sized towns—are beginning to come through. There are some features related to the very largely small-business nature of the region that are sometimes harder to identify from a policy perspective, because they go on, as it were, below the radar. That is one of the things that we are trying to keep an eye on.

Q2 Chairman: How do we drill down to the smaller businesses? It is difficult to pick up on and understand exactly what is going on: whether they are laying off people, making them part-time, cutting training or whatever. Sorry to follow up so quickly on that.

Harry Studholme: There are several ways that you could do it. None of it is ideal, but we do talk to the Federation of Small Businesses and have a handle on what is going on with them. We have had conversations with the banks, and clearly, they deal with people right across the board, although they have a particular view inside this. We generally keep

one's ears open. We operate Business Links, which, after all, focus very much on the smaller end of the market, although they do cover almost any business.

Rod Bluh: In terms of Swindon, we are doing quite a lot of work through our strategic economic partnership, which is very well linked in from the business community, and really trying to ramp up on advice. We are looking at a whole range of measures, including whether we can move, particularly in council-owned properties, to monthly rent rather than quarterly rent, and things like that. So there is quite a lot of activity taking place. We are looking at local procurement-type issues, and we have just launched a recession website, which is there for the whole community, just to give access to information.

Peter Brown: Can I just add that I think that there is a longer-term effect starting to be noticeable in terms of the property market, which has been mentioned, and the effect that is having on council incomes, for one thing? The other is the effect that it is having on the ability to start bringing big projects forward in the region. That is a particular concern for the local authorities. Obviously, if development is not happening, then section 106 funding is less available, and the reduction in income for authorities is starting to have some effect on their capacity to deal with future planning and project development.

Rod Bluh: Can I emphasise that in Swindon, which has been a growth area, we have seen a disproportionately large drop in our income as a result, and that is giving us distinct problems? Ours was about £2.5 million in the last six months alone, just on income, £1 million of that from planning-type related activities. It is going to restrain us going forward.

Q3 Chairman: Are we seeing variance within the region, just to pick up on the point about Swindon? In a lot of regional documents, Swindon is one of the areas that were really growing and expected to carry on growing. Places such as Torbay, for example, were relatively weak. Are we seeing a similar downturn in the Torbays of the region that we are picking up in Swindon, or are we seeing differences around the region? Some of the documentation suggests that Gloucestershire and Dorset are doing particularly

badly in certain areas. David may want to talk about Gloucestershire a little more. Is there anything you can follow up on?

Stephen Peacock: Certainly. If you look at the higher profile instances of companies in difficulty, they would naturally tend to be more in the north and east of the region because that is where there are more of the larger businesses. There is no doubt a different type of business in other areas such as Torbay where there is a larger number of smaller businesses. The pattern is deceptively simple in the sense that if you try to characterise it as big businesses in the north and small businesses in the south, it misses a lot of information. In fact, a lot of positive stories are not really being picked up either. There is a general sense that a significant proportion of the business base is enjoying reasonably good times. All the survey evidence points to the fact that we must be careful not to portray a universally negative picture. Let us take the tourism industry, for example. It needs a good year. It has had two bad years. Early indications are that bookings are good and while it remains to be seen whether that will translate into full hotels, the indications are quite positive, obviously driven in part by the movements of sterling.

Harry Studholme: Even the tourism industry is quite complicated. Sections of the hospitality industry are doing quite badly, but there are areas where people are looking at taking holidays in the UK.

Q4 Chairman: Which areas are doing badly?

Harry Studholme: The areas that are doing badly are those away from the coast and those that are further east. For instance, some of the campsites and low-budget tourism are doing extremely well. From personal experience, I know that Forest Holidays—a bit of the Forestry Commission—has very good bookings, but at the same time hotels dependent on business people for their use are not doing nearly so well. Again, that is a patchy figure, but in general, the tourism thing is neither particularly good nor particularly bad, but focused in certain areas. That comes back to the comment that you made at the beginning about how things look as you go further south and west. In some ways, although it is not universally brilliant, there are reasons why the farming economy is not so much unaffected but that there are pluses and minuses—the weakness of sterling is pushing up grain prices quite well, at the same time as pushing up input prices. But that industry is used to some rough times, and I do not think that has significantly changed. Again, the tourism industry as we move into Cornwall has had rough times, but actually its bookings, particularly near the coast, are looking good.

Q5 Mr Drew: The south-west has always been caricatured as having a west and an east. The west is the poorer part of the region and the east is the much better-off part. The Chair said that Gloucestershire and Dorset are doing particularly badly at the current time. What measures have you put in place to support some of the core industries that are doing badly in Gloucestershire and Dorset? I'll put a

hypothetical to you, which is less hypothetical now. The automotive industry is under particular strain. We know about Honda in Swindon. My two main companies, Delphi and Renishaw, are about to lay off in large numbers. It is clear that that industry is looking for some formal way to compensation to help training practices be put together, as is happening with ProAct in Wales. On that specific point, where have the discussions gone and how does the matter play out in terms of the maintenance of stability in the eastern part of the region?

Stephen Peacock: One of the helpful roles that the regional economic task group has played is to give a focal point to some issues that we are picking up on through our work with local partners. Of course, you are aware that we are working with partners in Gloucestershire with those companies affected. It is true to say that the wage subsidy training assistance issue has been picked up on several occasions in those bigger businesses as an area where clearly there is a perception of a barrier or a playing field that is not level compared with other markets or bases for their operations. Our role is to help to identify the issue and, as we have done, working through the regional economic task group to make sure that the issue is clearly explained to people outside the south-west as a feature of our region and a risk to the region's economy.

Q6 Mr Drew: Do you have enough resources to do that?

Stephen Peacock: Ultimately, the RDA on its own, even with partners, would struggle to put in place an arrangement that would address the underlying problem, which is a support system that provides help to businesses that are undergoing the sort of issues that we see with the likes of Renishaw. We do not have the resources in our budget to do that. Were the Government to consider such a scheme, it would need to be big enough; it would need to have the right criteria and the right selection process to ensure that it does not create more losers than winners. Clearly there are many businesses going through difficulties. Picking which ones to help would be a very difficult task. It is not something, with our budgets, that we will be able to manage or resource on our own.

Q7 Mr Drew: To be fair, let us look at the other part of the south-west—the west. How much does having an objective 1 area have an impact on your budget and your strategy? That, in a sense, is fair enough where you have good times, because you can find ways of making sure that the money gets to Cornwall. But that must be pretty tough at the moment because there is not the money to put round the wider region, and if Cornwall takes a disproportionate amount, that leaves you with very little.

Harry Studholme: Our job is to try to make the best of the resources that we have allocated to us. If the question is are there pressures on the regional development agency to deliver what is actually an increasing demand in an economy that is under

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severe stress, when resources are being allocated to other areas to meet the economy under severe stress, of course it is posing immense challenges to us.

Q8 Mr Drew: Would the type of measure I talked about earlier—wage compensation—be possible in Cornwall? Does objective 1 status give you particular ways in which you could support directly some work forces and some industries?

Harry Studholme: I am not sufficiently aware of the technical details of the objective—whatever it is called now—convergence.

Stephen Peacock: The convergence programme, as written, would not enable such a scheme to be deployed. I am aware that in other regions the use of European social fund money—ESF—has been part of that solution, but it is not something I believe is being deployed. However, the issue of training is something that is addressed across the region through the Train to Gain programme. A degree of support is provided as part of a package of training support.

Q9 Kerry McCarthy: How do you strike a balance between, if you like, the reactive stuff and the proactive stuff—the assistance for companies or sectors where you can see there are already difficulties emerging, or having the foresight to head things off before they actually happen?

Harry Studholme: A significant part of our prioritisation, because we have very limited resources, is to be aware that what we want is an economy that is robust and reliable coming out of the downturn, so our priorities are generally, where we can, to provide support, and work with other agencies such as Jobcentre Plus or the Learning and Skills Council, etc. We believe that it is very important to maintain a long-term focus, and that everything should be done in the context of trying to build for the future.

Q10 Kerry McCarthy: We often hear talk, particularly in Bristol, as a Bristol MP, that the future is on the high-tech side of things—creative media industries or green technologies. To what extent do you have a role to play in trying to boost those sectors, or maybe help people move from the sectors that are failing and get those new initiatives off the ground—or is it very much fire-fighting?

Stephen Peacock: I would say that the former is fundamental to our mission. Indeed, our corporate plan makes it very clear that the areas of productivity, and low carbon, in particular, are key to making a difference for the long term. What we have to recognise and what we have done in response to the rapidly changing economic climate is to ensure that the practical help that we are able to provide businesses—from Business Link to the Manufacturing Advisory Service to the support we give to exporters—is, wherever possible, refined, redirected and tuned to meet the changing circumstances. For example, Business Link has not received any extra funding from us, but what we have done is to tailor what it does so that it is

providing downturn readiness reviews, health checks, etc., using the same money, targeted slightly differently.

Harry Studholme: To go back to your point about high-tech industries—I think that it comes back to your colleague's earlier questioning—we take the maintenance of these higher-level skills and very high-tech industries very seriously, because they are being challenged just as much by the downturn as everybody else.

Q11 Kerry McCarthy: But what if people were looking to start new ventures? I am starting to see this in Bristol. People may have lost jobs in other sectors, but are thinking that now is the time to become self-employed because there is real scope for that, particularly on the environmental side. Is there now a dearth of help available? Are those people much worse placed in moving into that field now than they would have been a year or two ago, or are there some advantages to be gained from the current economic situation? Are they in some ways better placed because there is a more proactive culture about trying to get new businesses off the ground?

Harry Studholme: My feeling is that this has not seriously changed. We are keen and I think any agency that is involved in economic development is as enthusiastic or more enthusiastic about the creation of new business. It is, of course, challenging in difficult times for people to set up those businesses, but the basic support remains there.

Q12 Chairman: Do you have organisations in place or do you work with organisations that specifically look at encouraging innovation and ideas? I ask that because a lot of people, including, I am sure, in Swindon, are being made redundant and may well, as Kerry McCarthy says, want to set up a new business. They have an idea, but are not quite sure how to run with it. I know there are people looking at establishing organisations which enable that to happen. Within the south-west, who are you working with? I am talking about at the very bottom end—somebody turning up with an idea and saying, "I would like to set up a business and this is my idea."

Stephen Peacock: One of the problems is that, at any one time, millions of people are thinking about starting a business. The Government moved quite some time ago towards trying to put in place a way of capturing and coping with the sheer volume of activity, so I can give you the simple answer, which is there is the Business Link service, which provides support for start-ups, but beyond that—

Chairman: I am talking about before that; I am talking about people with ideas.

Stephen Peacock: Where we would see that activity really taking root now is in and around the centres of innovation and science and technology that we are putting money into. Often the best place for that free flow of information and supportive environment is on a small science park or an incubator facility, so when you look around the region at investments that we and others have made, in Bristol, Plymouth and elsewhere, those are the places where we are looking

to build on real knowledge to spread new business ideas. In Plymouth, we have Tamar science park as one example.

Q13 Mr Drew: Clearly, you own a number of sites around the region. To be honest, there has been a mixed picture in terms of your ability to develop those sites. How do you think you will be able to do the type of development that some of us are looking forward to from the RDA in a much more difficult economic climate? The call will be for you, as this is public sector-driven development, to lead the charge, yet you have fewer resources and you have sites that you could not move during the good times, so what is the strategy for now moving those sites during the less good times?

Harry Studholme: That is something we are working very hard on. Every sector has been hit very rapidly. We have moved from a position where, as a developer of sites, we had sites that we would develop and we would put a conservative value on what we would move them on for. That was how we funded a large element of our work. We, like any organisation involved in the development of property, are faced with a very severe budgetary challenge. I think that is the point that you are alluding to.

Q14 Mr Drew: I am told the figure is about £30 million. Is that a figure you recognise in terms of lost income from site non-development?

Harry Studholme: I do recognise that figure, yes.

Q15 Mr Drew: That is a fair picture?

Harry Studholme: Yes.

Mr Drew: It is a big part of your budget.

Harry Studholme: It is an enormous figure. The analysis that we will have to go through, and we are in the process of going through, involves prioritising the most valuable and most effective sites and opportunities we have that deliver the most public benefit for the long term. We will have to take some very difficult choices.

Q16 Chairman: Can I come back to policy interventions? In its summary, the Experian report, which was produced for the RDA, says, "Interventions aimed at defending output are unlikely to succeed and may be perverse, impacting when the worst is already over. Growth recessions tend to be brief and long-term structural change should remain the region's strategic focus. Therefore, the proactive response to recession should be aimed at preserving 'good' businesses". How do you go about identifying good businesses? What are the criteria for a good business? Following on from that, how do you ensure that money—the business loan fund or whatever—is properly directed at those businesses? Can you talk us through the process?

Stephen Peacock: Any process that tries to categorise the 400,000 businesses in the south-west is going to have its strengths and its weaknesses. Broadly speaking, we try to intervene in precisely the areas you cite—in things that are forward looking

and create the conditions that allow businesses to prosper, be that physical infrastructure investments in sites and premises or the business support that businesses which are looking to expand and grow may wish to take advantage of. For example, in the new portfolio of business support products, there is a range of things available for businesses looking to expand, as well as for businesses that are perhaps facing difficulties. So it is about ensuring that you create a coherent set of interventions that delivers to the best possible range of businesses, while recognising that you cannot help all of them and that once a business has hit difficulties, any public body has very limited scope to turn the situation around. However, we do of course work with businesses that are going through difficulties, and we have an area action force methodology that we deploy with every local authority partner in every place to ensure that as soon as we hear of businesses in difficulty, we pick up the information and convene a common response to it.

Q17 Chairman: Clearly, at the moment, you are probably receiving huge numbers of contacts on a daily basis. Do you have the capacity to cope with this? You have had restructuring at the RDA and staff have gone. How are you managing that? Are you working 24 hours a day?

Stephen Peacock: It is a very significant challenge. All too often, the focus can be on the money we spend, rather than our activity outside our big capital programmes. For many of our staff, the reality is that front-line engagement with businesses takes a huge amount of their time, and it has become increasingly difficult. We have, as I mentioned, engagement with area action force activity in every part of the region, and well over 150 companies are directly contacted by a combination of RDA staff and local authority and other partners. Of course, the quantum of that activity has ramped up considerably over the last 12 months, just as we have been going through a restructuring, so it is a challenge.

Q18 Chairman: Can I ask the local authority representatives whether the connection with the RDA for people who are coming to you with concerns, or where you have specific concerns, is being managed as efficiently as you would like, understanding, of course, the pressures that the RDA is under?

Rod Bluh: I have nothing to suggest otherwise. We are dealing with situations as they arise. We, too, have capital programme problems, which we believe we could move forward with Government assistance. For example, Swindon has a £250 million capital programme, and it is really dead in the water at the moment because of a £120 million gap for capital receipts, which we cannot raise. That is about real jobs now and real jobs that could be created. So we are very focused on those types of issues and basically keeping the momentum going. We are lobbying for that through the South West Regional

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Economic Task Group. If it is that size of figure for Swindon alone, I do not know what the figure for the region might be—significant money.

Peter Brown: I do not have anything specific to say on the issue of contact with the RDA by businesses. However, one important thing that is taking shape is the requirement for local authorities now to carry out work looking at how their local economies work. I think that that is an important factor for the short and medium-term future, and we are working on it with them through the regional improvement and efficiency partnership to try to bolster local authorities' capacity to do the economic assessments. In working with the RDA, there will be a much better common understanding of how local economies tick. Hopefully, that will make us much better prepared for the future.

Q19 Chairman: How is that working during the transition from the old South West regional assembly to the new body? There is a bit of a vacuum there at the moment.

Peter Brown: The regional improvement and efficiency partnership is rooted in South West Councils, which is the organisation drawing the region's local authorities together.

Q20 Mr Drew: At a meeting that I had with business people on Friday evening, I heard the plea, "Can we look at public procurement to ensure that business in the region"—in my case, the locality—"can be given not necessarily priority, but some help in the way that contracts are being made available?" What traction have you got in that process, particularly the NHS, which of course remains a major stimulator in the regional economy, because it has money, unlike other parts of even the public sector?

Peter Brown: As one of the final regional scrutiny activities being carried out by the assembly, with the RDA, we are just starting to look at sustainable procurement as a topic. We are hoping to draw in the health service and other large organisations in the region to assess whether there are ways of moving the agenda forward.

Stephen Peacock: It is also worth noting that Sir Ian Carruthers is actually on the regional economic task group, so we have NHS representation there. The Glover review recently made clear recommendations on helping to open up public procurement for small businesses in particular, and we are certainly encouraged by what that report has to say. A number of things are in motion, but this is a here-and-now issue. Finally, of course, the capacity of the public sector to drive innovation through public procurement, at roughly £150 billion a year, is a lot of money to stimulate new innovations. The technology strategy board is keen for that to happen.

Q21 Mr Drew: I know that we have to ask Ministers this, but how do the particular Government Ministries with no direct involvement with the RDA respond to your plaintive pleas? At the moment, they must consider very carefully who they contract with. Are there ways in which we can keep some of our companies going? That is what my businesses

are saying. Those not linked directly to health, are trying to do so, because they still see it as an area that can provide some ballast in these difficult times.

Harry Studholme: That is a very interesting challenge. That area has been brought into sharp focus at the moment, and I have been working on it, in the food and drink area, for some time. There are very good exemplars among businesses in Cornwall, where they have worked on getting vegetables that would not normally have been sold through the Sainsbury's market, such as misshapen carrots, into public health. That has actually worked incredibly well in Cornwall. An Interreg project is under development. The south-west is trying to lead the way in Europe on public procurement in food and drink. That is a slow and painstaking process—I have chaired various conferences on the subject—because you are dealing with individuals in charge of procurement. We need to understand how to get through state aid regulations and all of that. You are talking about—this is very important—a step change in certain organisations in cutting through some of those regulations. The success is patchy for the very reasons that I have explained. We have been trying to get through that drag for many years.

Q22 Mr Drew: Let us look at an industry that is counter-cyclical at the moment—agriculture. Clearly, agriculture probably has a much higher role to play in the south-west than in any other region outside of Wales. How is agriculture being targeted to make sure that the better—I will not say good—times that it is enjoying at the moment are able to stimulate some of the changes that we might want to see: for example, local food chains that are working with the public agencies in terms of public procurement of food on a local basis? Is that something that you are actively engaged with?

Harry Studholme: Yes, we remain engaged with that. I know that there are some very good examples in Gloucestershire of where that is happening. The challenge is that, all the way down the chain, it is as much in the developing of farmer attitudes—there is a good example of a farmer co-operative around Bristol that is doing that. Having talked to them, their experience is that it is a real challenge developing the processes to get this right. But I agree that it has to be dealt with for the long term and has to be got right in the long term.

Stephen Peacock: We have the rural development programme for England, as well, which is obviously a significant amount of money—

Q23 Mr Drew: Has that got as much money as it did have, or has that been cut as well?

Stephen Peacock: The programme was fixed and effectively is now there to be spent.

Harry Studholme: That is a very interesting point. The RDA administers the project on behalf of the European programmes, and the effect of Government budget cuts and things is not the same in those European programmes, which were originally designed as seven-year programmes. So as

a percentage of the RDA's activities across the south-west, the European activities are increasing, because they are fixed programmes.

Q24 Kerry McCarthy: Obviously we have the Budget coming up on 22 April. Based on your experience of trying to help businesses through the economic downturn, are there any particular measures that you think that the Chancellor should be looking at, which would be quick wins in terms of saving companies from going under, or giving them a bit of—*[Interruption.]* I can see that you perked up at that. What should Alistair be doing?

Rod Bluh: Property would be a key one at the moment. It is causing real problems. There are many businesses struggling and they will have real issues if that is not resolved in the Budget.

Peter Brown: One of the issues that has come through very strongly in the work that we have done on climate change is the thermal efficiency of the existing housing stock. Any support for that which might involve quick installation of insulation in the current housing stock could actually help business.

Q25 Kerry McCarthy: That is happening to an extent, but a real acceleration of that programme?

Peter Brown: Yes, this would be a good time to accelerate installations.

Harry Studholme: Similarly, business resource efficiency through funding—all businesses to improve their efficient use of resources—is also something that has been cut recently. But that actually has a double effect of making us more effective in the long term—climate change, carbon dioxide reduction—while at the same time increasing business efficiency.

Chairman: Can we move on a little bit to the structural issues and the changes that are going on and how that might impact on what is happening in the region?

Q26 Mr Drew: I wonder what your take is on the regional spatial strategy at the moment. Currently, there has been a degree of controversy, and areas have come back with their opposition qualifications. It has all been a bit lost in the wider economic problems because, to put it mildly, the RSS is predicated upon growth, which is not happening. It is predicated, in a sense, on the east leading that growth and we see the problems around Swindon and Gloucestershire, which changes the balance between the east and the west. It is also predicated upon fairly clear pictures with regard to housing development, which would be growth engines and they are highly unlikely to be deliverable now. In a nutshell, is the RSS in a bit of a mess? Can you go back and redo it, looking at it with a slightly jaundiced view, in terms of what development is possible? Or do you just carry on, hopefully driving the wagon in the right direction?

Peter Brown: I should probably answer this, as one of the people responsible for putting the draft RSS together a couple of years ago. There are a couple of points worth making in terms of context. First, this is a plan for the longer term, so we are talking about

20, possibly 25 or 30 years hence. Some of the factors that feed into it are pretty well established—household formation rates, for example, which indicate that there will be a continuing growth in households. Having said that, I think that the recession is obviously colouring attitudes to growth and to the realism of what is being suggested in the RSS. The assembly took a view in October that the key issue for the short to medium term was about delivery and trying to move forward the developments that are identified through the RSS as best as possible. The assembly was very clear that one of the key factors in terms of that, almost regardless of the level of growth, was ensuring that sufficient funding was available for the infrastructure required to deliver the growth.

Q27 Mr Drew: So, where are we on the infrastructure? I shall mention my pet topic of Swindon-Kemble at least once—Swindon will be very keen to see that happen. We are trying to find clever ways of doing some of the things that we were going to do anyway, but is there a real worry that the clever ways are getting increasingly reduced in opportunity? Are we now at the stage where, rather than looking at what we want to do, we are trying to fight back to keep what we should be doing anyway?

Peter Brown: We have just submitted the regional funding advice to Government across economic development, housing and transport. That has a fairly ambitious programme in it for transport investment, a lot of which is tied to delivering growth.

Mr Drew: Right. So, that is a bit of a problem at the moment.

Q28 Chairman: The statements in the RFA are generally a lot more positive in terms of the economic situation than we would expect were it being written now. Are there any particular areas where you think—hand on heart—that perhaps we should not be doing this, or this is now not going to work because of what is happening in the wider economy, and we ought genuinely to be reconsidering? Are there any project proposals in there that you genuinely feel that now is not the right time to proceed with?

Peter Brown: Certainly in terms of the RFA, that is pretty live and current. It went through a fairly robust technical process and political sign-off, so it is a reasonably robust statement of what the region thinks is needed.

Q29 Chairman: And the balance within it, given what is happening across the region as a result of the recession? Are you still happy with the way it plays out across the wider region, and that the emphasis is going into the right places, in terms of the RSS and the funding?

Harry Studholme: I think that it is worth going back to the RSS, which is where this started. The RSS is not, as I understand it, a delivery plan. It is an analysis of what the spatial issues are.

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Q30 Chairman: But is the analysis correct now? When the process started, things were quite different. When you started looking at the overall process, you would not, for example, have Swindon in the place it is currently in.

Harry Studholme: It is a question of how you deal with the delivery of the planned item. Hard work was put into the spatial strategy, to try to understand the interrelationships between settlements—there was a great deal of data to try to make sense of the region and the interrelationships, bearing in mind that the history of regional planning is to try and understand the spatial make-up of the region. That is going to hold true. With the pace and direction of development, there is a question of how the planning system works to make sure that we are doing things at the right rate and in the right place. I do not think that the spatial strategy has been designed to answer that question.

Rod Bluh: As far as the strategy is concerned, we can all have an argument about how many houses are required, but how many can be delivered is really the question. I have never been convinced that allocating numbers of houses to certain places, where it is not based on economic-led growth is deliverable. The issue of infrastructure was an issue before this recession, and it can only be a lot worse after the recession. So I question whether the whole RSS strategy, in the way that it is put together, is relevant any longer.

Q31 Chairman: So how do you deliver on the strategy and the draft strategy that has not been agreed yet? How do you take that forward?

Rod Bluh: Taking it forward is a key issue. In Swindon, our attitude to growth has always been that we are supportive of it, but it has always been tempered by the necessary infrastructure being available. We have some very good examples of how to get it wrong, and we want to ensure that in the future, we deliver the right type of communities—sustainable ones—to go forward. The economy and the conditions have to be right: we have to create 32,000 new jobs to support the housing; to my mind, the housing supports the jobs. There is a big question mark about how we move forward on this, given that we do not quite know how things will look in years to come. We have done a lot of work on sustainable development, wanting to push that forward, but it is about getting development going, and moving forward without trying to be too rigid about what you are trying to plan—it is about delivering.

Q32 Chairman: Can I come back to a much more general question about unemployment? What strategies are being adopted to deal specifically with unemployment through your relationships with business and others? How do you assess their effectiveness thus far? I know that it is relatively early days, and a number of the programmes have only just started. Can you comment on the specific issue of unemployment and those who are unemployed?

Harry Studholme: I go back to the earlier discussion. We have area action forces in every part of the region to try to deal with firms that we find out are in trouble and are seeking help, to co-ordinate Government responses and to do what we can. Similarly, we are ensuring that Business Link, as far as we can, is providing the most appropriate advice, talking to the banks and encouraging support for business. At that stage, one is trying to avoid unemployment.

Q33 Chairman: Where are the trade unions in all this?

Harry Studholme: They are part of that area action force process. Continuing on from that, the support for people who are unemployed is highly important—trying to provide skills and working with the learning and skills councils and Jobcentre Plus to ensure that they are getting the right advice. Similarly, all the work that we have historically done—trying to incubate and encourage new business to get things out the other end—is a difficult job, and the resources are designed for a steady-state situation, rather than the one that we are currently in.

Q34 Chairman: Rod, is there any experience from Swindon?

Rod Bluh: Obviously, we are a hot spot for unemployment at the moment, and the figures do not include a lot of the Honda workers as yet because of the way that they are being laid off, so it is a serious situation. A lot of our problems at the moment have come from the retail sector and the supply industries, rather than the car sector. We had the Woolworths depot in Swindon, and that was a major contribution. We have a whole raft of measures, as I said, going forward, but I would be lying if I thought that they were going to make a huge difference to the situation. We have about 15 people going after every vacancy in Swindon at the moment. So it is about help and support for those who are currently unemployed, but my focus is on trying to prevent more people from becoming unemployed. Although, in percentage terms, we are quite high, we started from quite a low base. There is still a lot of strength in the Swindon economy, despite what some national papers would like to print. Through things such as the capital programme and projects, we think that there is a lot of scope to protect jobs and, perhaps, to take off some of the strain, because construction jobs in our area are particularly hard to come by. There is scope to do something, but most of the activities that we have at the moment are fairly low level in terms of being able to provide jobs.

Stephen Peacock: On top of the work that agencies such as the Jobcentre Plus network are doing, it is a role of organisations such as ours to try to keep our focus on the longer term issues. The underlying issue is that we still have a deficit of high-level skills in the region, in common with other regions. That, coupled with the age profile in some of those sectors means that we have a real job to do to continue to ensure that those skills are not lost to industries for the

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generations to come. The example of Rover is a good one, in that all the evidence says that most of those people, while they found employment, left the industry. That situation would not make it easy when the recovery comes to regain or hold our position in the advanced engineering and manufacturing sector. We are addressing underlying issues through work with the likes of higher education institutions.

Q35 Chairman: You raised some interesting points about the level of skills and the problems that that could present at any time, never mind during a recession. How does that impact on your efforts to encourage inward investment into the UK? In fact, what are you doing with the RDA in the south-west to encourage that investment? In Plymouth, we have a city development company, which is operating to try to bring in inward investment. It would be interesting to know what you are doing across the wider region and whether there have been any successes recently.

Stephen Peacock: Obviously, in any successful economy, you have a balance between home-grown and inward investors. The inward investors in the south-west are an incredibly important part of the economy. They may make up only 1% or 2% of the business stock, but they account for a significant proportion of R and D and pay higher wages. They are also more likely to export—that feature is often missed. The south-west as a region has a reasonably poor record in terms of attracting inward investment and exporting. Through our own networks with UK Trade & Investment overseas and people who work for the south-west to supplement that resource to selectively target a couple of markets, we push very hard to ensure that the network of UKTI staff are able to articulate the south-west offer so that it is not lost. Clearly, with thousands of inward investment agencies, you have to be very selective in targeting what you are looking for. A good example of that is the work that we would do to engage with aerospace companies. We have 27% of the UK's aerospace industry in the south-west and nine of the world's top 11 aerospace companies have major facilities here, but that is not as well understood as you might expect. Certainly, compared with the reputation of Seattle and Toulouse, south-west England is relatively little known. There is a job to be done to fill information gaps. That is the type of work we do. Looking forward, a good example is marine renewable energy. The south-west has a very strong proposition. It is embryonic, delicate and fragile, but we want to ensure that we build on those strengths.

We are talking to potential investors in a targeted way, and we are making use of the very limited resource we put into that activity.

Q36 Mr Drew: Can I look lastly at what I call the dysfunctionality of the region? For those outside, it is a strange region. It is a very big region geographically. We can look at the dysfunctionality of the local government. We have got a high percentage of unitary authorities and yet some remain two or three-tier in my county. That must make your dealings with those areas quite difficult because you cannot get representation from all the authorities, because that creates the problem of disproportionately helping smaller authorities. At the same time, the reality is that the counties do not speak for the districts and the districts certainly do not speak for the county. How are you moving this along to get some functionality into the region?

Chairman: Do you want to start, Peter, or will you leave it to Harry?

Harry Studholme: I think you are raising a challenge. It is a reality. What we have to do is operate within a reality to create the relationships that we can create. Sometimes we do it better, and it is easier, than at other times, but we have to deal with the political reality with which we are faced. It is very important that RDAs do their best to work with local government.

Peter Brown: I am very optimistic about the potential that South West Councils has to draw the family together within the region—the family of local government—to work very constructively with the RDA; to work very constructively through its executive arm, the strategic leaders board, which has got off to a start. I think there is great potential to build on that.

Stephen Peacock: I would perhaps be even more slightly cautiously optimistic and reflect on the fact that after nine or 10 years of the RDAs being here we have a very good track record of working in partnership and a good evidence base, which will, I think, stand us in good stead. The fact that we are a region of great disparities, and the economic geography is complicated, is something we all understood very early on. We decided not to let that get in the way of really good partnership working, and I think the evidence does bear that out.

Rod Bluh: From everything that I have seen in the south-west and on the leaders board and through South West Councils I think the principle of partnership working is alive and well and working very well, and if we carry on doing that we will overcome most of the problems that face us.

Chairman: Thank you gentlemen. On that positive note I thank you for coming to the Committee. We appreciate your time. You are free to go.

Witnesses: **Mr Ben Bradshaw MP**, Minister for the South West, and **Jon Bright**, Regional Director, **Richard Bayly**, Deputy Regional Director and **Thoss Shearer**, Deputy Regional Director, Government Office for the South West, gave evidence.

Q37 Chairman: Thank you all for coming. Welcome to the first south-west regional Select Committee. Can you briefly set out for us your role and how it relates to other Government Departments, and talk

to us about budgetary issues and what control you have over any money spent in the region? Or do you have no control over money spent in the region?

Mr Bradshaw: Would it be helpful if I began by

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introducing those who are with me, or do you already know who they are?

Chairman: Well, I think we probably do, the three of us, but it might be helpful for the record.

Mr Bradshaw: For the record, on my left I have Jon Bright, who is the regional director, on my far right, Thoss Shearer, who is the head of regional strategies for housing and planning, and on my immediate right, Richard Bayly, who is the head of economy, growth and regeneration. In terms of answering your initial question, let me say first of all that I welcome very much the establishment of this new Committee. It stems from a concern—I think shared by many parliamentary colleagues—that following the fall of the referendum in the north-east for regional government there was a regional democratic deficit in England. A long-standing complaint of Members of the House of Commons was that they did not have adequate opportunity to scrutinise regional bodies such as the RDA, the strategic health authority, the learning and skills council and many quangos that have a regional character. I regret that so far this is not an all-party Committee. I hope that our colleagues will think again about that. These are the very same people who for many years have been complaining that they have not got the opportunity to scrutinise people, then when they are given it do not bother to take part. I hope they will rethink that, but that will be very much in your hands, as to whether you do a good job, and are seen to be doing a good job at doing the work that the House has asked you to do on their behalf. In terms of my role, the regional Ministers were announced at the same time, very soon after Gordon Brown took over, along with the intention to set up the regional Select Committees, for the reasons that I have set out. Our formal role, at that stage, was relatively limited. We had a certain responsibility for scrutinising the work of the RDA, working with the Government office to ensure that the Government were joined up and that Departments were working together in the region, to ensure that the region's voice was heard at the centre of Government, and to be a representative of the Government in the region. I do not have a say in the overall level of funding of individual Departments through the RDA, whose lead department is the Department for Business, Enterprise and Regulatory Reform, or how the RDA itself spends that money. I am not going to micro-manage the RDA's spending policies. But where the role does add value is where there may be concerns that one or more of the public agencies are not working in a joined-up way on a particular policy area in the region, or where our region has particular problems that are unique to it and therefore not on the radar of Government nationally, where having a regional spokesman can make a difference. Of course, since the economic financial crisis kicked in last year, the role of regional Ministers and the demands made on them has been significantly augmented, in that each of us in our regions now chairs something called the regional economic task group; some of them call it a taskforce, but we call it a task group, although in common parlance is becoming known as the

taskforce in the south-west too. It meets monthly, which brings together all the stakeholders in the region. We also attend, on a monthly basis, the Council of Regional Ministers, which brings together all the regional Ministers under the chair of Liam Byrne in the Cabinet Office and the Chief Secretary to the Treasury Yvette Cooper. We also attend, on behalf of our regions, along with the RDA and local government representatives, the Regional Economic Council, which is chaired by the Chancellor and Peter Mandelson, which sits below the National Economic Council, the national body that used to meet once or twice a week. I am not sure whether it still meets with that level of regularity, but it is managing the economic downturn at national level. That is a brief summary of the structures and the role.

Q38 Chairman: Fine. You have just talked about ensuring that when the region has unique issues you are in a position to raise them. However, I can visualise a meeting chaired by Liam Byrne at which every regional Minister wishes to raise unique issues, some of which may not be so unique. How confident are you that adjudication in these matters—and therefore the decision-making processes of most Departments, which will be the ultimate funders—will be dealt with in a way that you would feel comfortable with, and that ensures that people really understand what the demands of the south-west are?

Mr Bradshaw: There are two issues. In the scenario that you describe, there is the potential for every regional Minister to talk about the same thing, and sometimes that happens. For example, three months ago there was an overwhelming concern in the south-west at the meetings that I was having—I think probably every regional Minister was having the same experience, particularly in meetings with small businesses—on lending. One then has to make a judgment: do I repeat the concern that has been raised by every other regional Minister, or do I find something that may be a lesser degree issue but very important for the south-west? You make a judgment on that. One is not limited to one intervention, but from my experience of Council of Regional Ministers meetings, regional Ministers have used the opportunity, and I have used the opportunity, to reinforce concerns raised by other regional Ministers to ensure that the Government centrally are well aware that it is a national problem—as, indeed, the lending issue was—or alternatively, if there is a problem that is particular or peculiar, or felt particularly acutely in the south-west, then to ensure that the peculiarity of the south-west in respect of that particular issue is also on the central Government radar.

Q39 Mr Drew: In the previous session, as you would imagine, I rehearsed the arguments for some form of wage subsidy to support training packages. We now have ProAct in Wales, which is effectively introducing some form of package. In terms of influencing the debate—I know that the debate will take place at a higher pay grade than yours—how can the south-west bring home to the Cabinet the

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fact that manufacturing is now hurting? It is hurting in a different way from the banking sector, but in many respects it is more important for the stability of jobs. That is very true of our region, which, contrary to most people's view, is a very important manufacturing base for the country.

Mr Bradshaw: I think Mr Drew has just put his finger on a very good example of where regional structures can make a difference. He is right in saying that the issue of a wage subsidy will not be resolved on a regional basis; it is an issue and a problem that is being raised by MPs in all parts of the country. However, because of the specific representations that he has made to me, I have not only made my own representations directly to the Chancellor on this issue, but as you would expect, and as regional Ministers have been invited to do, fed into the representations that the Chancellor invited in advance of the Budget. Without going into the detail of interministerial correspondence, which would you not expect me to do, let me say that you can be confident that the issues Members of Parliament in the region highlight to me as being the most important have been reflected in the representations that I have made formally to the Chancellor. Mr Drew is absolutely right that one of the characteristics of the south-west—I would not say it is unique to the south-west—is that contrary to the impression that a lot of people have, it is actually manufacturing—more than the financial sector—which is suffering at the moment. With the exception of places such as Swindon, we are talking mainly about small and medium-sized enterprises, because the region has a heavier reliance on them than any other region. So we are not talking about huge numbers of jobs in a particular factory or business going or under threat, but about smaller numbers spread over a wider geographical area. Some of the issues around supporting people staying in work by providing imaginative training options are ones that, because of that particular reliance in the south-west, are felt more acutely there.

Q40 Chairman: Coming back partly to that point, London is in the middle of all this and skews all the regional figures. If you take London out, the funding and investment across the regions is not hugely dissimilar, and the gross value added starts to look a bit more balanced. London is clearly going to be arguing very heavily at the moment that the financial sector has been hit, and it also has some manufacturing. How do the regions around London make their case, because London has a fair amount of clout? With its profile, it is quite capable of arguing above its weight and leaving the south-west battling below its weight.

Mr Bradshaw: My experience is that both the National Economic Council and the Regional Economic Council take a careful analytical overview of the figures. From memory—obviously, I do not follow London as closely as I do the south-west—the figures do not show what you have just implied, which is that London is being disproportionately hit. In fact, there was certainly a three-month period—if it is not still happening—where, in terms of the

percentage increase in unemployment, the south-west was the worst affected region, because we were coming mostly from a low base. In parts of Dorset, for example, and in many other parts of our region where unemployment had, to all intents and purposes, been eradicated, if just a handful of people are added to the jobseeker's allowance register, you then have a much bigger percentage increase than you do in some of the inner-city areas that still maintained a certain level of unemployment throughout the good times.

Q41 Chairman: But we are talking about percentages. Yes, the percentage is rising faster in the south-west, but the numbers are significantly smaller none the less, and there will be those who argue the numbers rather than the percentages. How do you deal with that?

Mr Bradshaw: Clearly, Government nationally must take a view on where to focus the help available, must it not? The Government help that has been made available and brought together in the very useful document "Real Help Now" is available nationally. When it comes to big strategic decisions about sectoral responses, as we have seen with the motor industry, for example, Government may feel that there is scope for doing something because of the strategic national importance of that particular industry to the UK. However, the south-west has been just as hard hit and would benefit just as much from that kind of help, because, with the exception of Swindon, other regions have more of an automotive sector than we do. A lot of the suppliers are in the south-west, and for aerospace it is even more significant.

Q42 Kerry McCarthy: You have mentioned that the south-west is more dependent on small businesses than any other region. Obviously, it also has some quite remote rural areas. In your role, how do you strike a balance? Swindon is an obvious example of a place where there is a critical mass of employment, and it is easy to identify where the difficulties are in terms of the automotive industry and so on. How do you keep a balance between 50,000 people in a critical mass in Swindon and 50,000 people spread across Cornwall and Devon who all work in small businesses but might equally be at risk of losing their jobs or have difficulty accessing finance? How do you reach those people?

Mr Bradshaw: At the monthly economic task group, we receive real-time, up-to-date information on figures and specific businesses that are in trouble. Clearly, if a major business such as the automotive industry in Swindon announced, as it did before Christmas, that it was reducing its working hours and closing down for a period, that is an issue in which, if required, we would get BERR nationally engaged on that specific manufacturer. If it is a generic problem of small businesses saying, "Well, it's all very well; you're telling us that you've told the banks, in which you now have a majority stake in some cases, that they should be lending, but it's not happening on the ground," then that is not necessarily a specific business issue but a general,

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generic issue with lending—although BERR has set up a designated hotline for businesses having particular problems either with their bank's lending policies or with accessing some of the help that the Government have already announced. You can do both those things: you can deal with the generic problem, and you can point people in the right direction and give them advice as to what to do if they have a problem specific to their business.

Q43 Kerry McCarthy: In terms of bringing forward capital investment and proactive Government measures to try to keep people in jobs, particularly in the construction industry, how is that working across the south-west?

Mr Bradshaw: Again, there will be the impact of decisions made nationally, such as to bring forward £1.2 billion of investment in housing to the current financial year, which will benefit the construction industry in the south-west as much as anywhere else: in fact, relatively speaking, probably more so. I think that I am right in saying that we have the biggest pot for capital spend for social housing of any of the regions in England. At the same time, one of the pieces of work that the regional task group is doing is to identify specific capital schemes—housing, transport and others—that might be held up because of the credit crunch or problems with one or another of the agencies involved in progressing such schemes, and seeing if we can unblock those. I think that I am right in saying that we have had some success in recent weeks in unblocking five significant capital schemes in the region, meaning that they can now go ahead. They are a mixture of housing and transport.

Chairman: There were some nods at the end there. Is there anything that you would like to add to the Minister's comments?

Thoss Shearer: I can confirm the figure. Regional agencies are working together and looking at how existing funds can be redistributed, or used more imaginatively, in order to meet the changed conditions impacting on each project. Those need to be taken on one by one to be solved.

Q44 Kerry McCarthy: Is this going to happen quickly enough to make a difference? In Bristol, I am always incredibly frustrated by how long it takes to deliver on projects. That is sometimes because there seems to be endless consultation and sometimes because of the planning process. Now we are seeing developers pulling out of some projects. It might be happening more quickly than it was scheduled to, but will it be quick enough to make a difference to the country in 2009-10?

Mr Bradshaw: We are focused on trying to ensure that any capital spending that can be brought forward to this year is brought forward and that any schemes that, for one reason or another, are not progressing, are progressed, if they can be. Two of the schemes to which I just referred are in Bristol: first, the former Blackberry Hill hospital—now Southmead hospital—is the site of 355 new homes, 2,000 sq m of employment space and a new district hospital; and secondly, the Hanham Hall, Bristol

carbon challenge scheme, which includes 195 homes and 2,000 sq m of employment space. The other four schemes are as follows: one is the Dolcoath regeneration scheme, in Cornwall, which will include 390 new homes and 14,000 sq m of employment space; another in Devonport will have new apartments for the elderly; another in Devonport, Plymouth is Vision @ Devonport, which will include 463 new homes and nearly 10,000 sq m of employment space; and finally there is a scheme at Yeovil involving 717 new schemes with Barratt as the private partner. We are constantly on the lookout for any schemes where there might be a problem or uncertainty because of—inevitably—the economic climate, especially when it comes to private sector involvement, to see what we can do, as public agencies, to help to move those forward. We think that it is vital, at this point in the downturn, that we do not let up on investment. Making these investments, and keeping jobs and skills in the economy, will not only help us now, but put us in a better position to benefit from the inevitable upturn.

Q45 Mr Drew: Traditionally, the south-west has been seen as two sub-regions—the east, which is fairly well-to-do and the major economic driver, and the west, including Cornwall, which with objective 1 status has needed a great deal more support. From all the evidence, the east is doing disproportionately badly in this recession. How do you convince people outside the region that the traditional growth zones, such as Gloucestershire—my county—and Dorset, might need particular help at this time, because they are the ones stalling? That might be because of the manufacturing issue that we were looking at earlier, but other things could be bringing that on. How do you convince the Chancellor and those outside the region that that part of the south-west might need particular help at the moment?

Mr Bradshaw: They see the figures just as we do. You are right that the figures so far show that the most seriously affected parts of the region are Gloucestershire, Swindon and—to a certain extent—Bristol, but that is not to say that the global downturn is not being felt everywhere. It is too soon to say that that pattern will necessarily remain as circumstances evolve. The statistics on which you based your comments are the same as those that we see, and the same ones that the Chancellor and DBERR see when calibrating their response.

Q46 Mr Drew: If the east is not doing as well as it could and should be, it also has an effect on the west. Although the impact has been graded less severely, we have an objective 1 status county—Cornwall—which takes a disproportionate amount of the resources. To be fair to Cornwall, it has fewer resources in the region to take, so that has a negative backwash effect on it. So this is quite a difficult region to steer at the moment. The normal driving force is not driving as much as it was, but the other bits will not be able to forestall some of the difficulties coming our way anything like as well as would be hoped. Is that the message that you are giving as a regional team?

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Mr Bradshaw: I would say it is a positive thing that Cornwall gets so much support. Of course, most of that support, or a significant amount of it, is from the European Union, which is a good thing for our region. I would not want to get into a position where the region was fighting within itself. That is not a constructive approach. One of the roles that a regional Minister can play is this: when we get sub-regions within the region making a case for more money, we can have a look at that, but we can also spell out the regional overview. You are right that so far the figures show a disproportionate impact on the north-east of the region, but the caveat to that is that it is the north-east of the region that has grown exponentially in the last 10 years, so any impact of any economic downturn is more likely, in raw figures, to be felt more acutely in that part of the country. Clearly, however, if there are sectoral-specific characteristics of that impact, that is something that not just the regional agencies but the Government would take into account when calibrating their response.

Q47 Mr Drew: Do you see the region as a west and an east? That is traditionally the way it has been portrayed to us, but is that less so now? Are there further sub-regions that you ought to be looking at?

Mr Bradshaw: I am not sure it is advisable to generalise in that way. There is no doubt that there is disproportionate growth and there are, as a matter of fact, disproportionate levels of GVA between the west and the east of the region, but there are also big differences within smaller areas. There will be wide variations within a county such as Gloucestershire. There will be wide variations in a county such as Devon. If you try to paint too general a picture of the gaps within the region, that does not necessarily help you to make a constructive and targeted response to the needs that the region and areas within the region have.

Q48 Chairman: There have been raids on various budgets, which have impacted across the region. The neighbourhood renewal funding is going, and as a result of the changes that are following on from that, Bristol, Plymouth and Penwith are losing out. They are getting some transitional funding, but that will also impact on those areas. What do you think the impact will be on those areas as a result of the loss of that particular pot of funding, or do you get a sense that it is covered in another way? Richard, are you answering this, or Jon? You can both have a bite of the cherry. It is all right; we have time.

Jon Bright: I will start. The neighbourhood renewal fund, when we had a neighbourhood renewal strategy, was always intended to be temporary. The idea was that what we had learned about the interventions that succeeded in reducing problems of worklessness, crime and so on would then be mainstreamed by the various agencies. They would change their practice in response to that knowledge and that would then continue the improvements that had been created in the various neighbourhoods. That is what we can do now, principally through the machinery of the local area agreement. There is an

opportunity there for local authorities to agree indicators and targets with Government about what will be achieved in terms of tackling disadvantage. We have the machinery and there is the knowledge to take it further forward through the local area agreements. We have transitional funding in three areas now, but by 2010–11 we will not have any working neighbourhoods fund. However, we can still take that good practice forward.

Q49 Chairman: But you are confident there will not be a significant hole as a result of the loss in those three particular areas in relation to what is currently being achieved?

Mr Drew: This is in the context of declining RDA money anyway, which we keep being written to about, so something in the tool shed is not very happy at the moment.

Jon Bright: One of the major differences between the working neighbourhoods fund and the neighbourhood renewal fund is the increased focus on tackling worklessness. That is what the working neighbourhoods fund would be used for were we to have more allocations of it in the region. We have got some excellent examples in the region of worklessness being tackled effectively, particularly down in Cornwall, with the Cornwall Works programme. That is a combination of the Jobcentre Plus and the Learning and Skills Council using European social fund money. That model, which has been shown to be extremely effective, is being spread eastwards. That is one way, I hope, that we can hope to continue to make an impact on those neighbourhoods most disadvantaged by high levels of worklessness. It will not happen automatically. We have got to ensure that the pressure is on to ensure that the replication of good practice continues.

Richard Bayly: This has not, historically, been a major area of RDA investment, but one of the areas where we have been concerned that the transition should be smooth is around the impact on the third sector. There, we have been focused very much on the procurement practices for mainstream programmes—money coming out of the Department for Work and Pensions and the LSC, and the new ESF programmes—to try to ensure that the capacity that is being developed in the third sector is tapped effectively to support the sort of results that Jon has been talking about, particularly around worklessness. We have seen improvements in those areas, which we think will be helpful in making that transition smoother than it might have been.

Q50 Mr Drew: I want to talk about an area that I asked the RDA about—I will come back to the overall budget in a minute because it is important and I want to try and nail it down. When I was talking to my businesses on Friday night, they were very clear that the public sector could lead and help and be vigorous over public procurement, whether regarding food, the supply chain for manufacturing or the health service—that was identified as being very helpful, and it could be more so. How do you see this playing out in this recession? Again, public

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procurement could be a driver of job retention. Contracts could be maintained or rejigged to ensure that there is an opportunity for firms in the region to be able to meet the demands of the region rather than them having to seek contracts from outside.

Richard Bayly: There is a lot of potential, I think, but, on the whole, the successes come not by starting at the procurement end, but at the supply end, and working with partners to build up the supply chain capacity and the ability to use the procurement processes that are available strongly. Business Link is investing in that now. We have seen very successful examples around land-based industries building up the ability of people to bid-in to supplying for supermarkets and that sort of thing. At the end of the day, whatever we do has to work with the grain of the rules on competitive procurement and the inability to be unfairly discriminatory, but there is no reason why people cannot work with the supply side to build up the capacity of businesses, particularly smaller businesses who may be intimidated by the scale of some of the contracts. We could work out how they can be made more accessible for them.

Mr Bradshaw: The most important principle is that we maintain the investment that allows that procurement to happen. Certainly as far as the health service is concerned, over the next two years, we see the capacity for investment and procurement at the highest levels ever because we have maintained and increased the level of investment in health care. The same is probably the case for most of the public sector, certainly for education. There is potential in the health service. We have seen this from the local food procurement that the Cornwall NHS pioneered. We are looking at rolling that out nationally. The public sector, including the health service, is committed to playing its part in increasing the number of apprentices over the next year or two—I cannot remember the exact figure, but the chief executive of the south-west strategic health authority told us at the last task group the number of apprentices to which he was committed to providing in the NHS across the region over the next year.

Q51 Mr Drew: The other moan I heard last Friday—I might as well share it with you—was the problem of late payment. The public sector, certainly PCTs, were not immune from criticism. What mechanism have you got in place to make sure that all Government agencies are paying on time—if possible, paying early? Again, it is this churning of money, besides the help that we now expect from the banking system, which means that businesses can stay viable and can actually go out there and contract for new business; because if they do not get paid they cannot do any of that.

Mr Bradshaw: Well, as I am sure you appreciate, the Government have reduced the period within which we expect—

Mr Drew: They are not all obeying it, Minister.

Mr Bradshaw: We have made quite clear to public service, certainly as far as the health service is concerned, that that is the expectation, and if you would like to bring, not necessarily in public, but

privately, to my attention any primary care trusts or acute trusts that are not stepping up to the mark, then I would be happy to have a look at it; but I think our feedback is that most, if not the overwhelming majority, are.

Q52 Kerry McCarthy: Are there any positive advantages from the current economic situation that you are looking to build upon—I mean particularly the exchange rate? Is that giving you scope to attract more inward investment to the region?

Mr Bradshaw: I do not think it could really be said that there are advantages to what is an economic crisis unprecedented since the 1930s. However, I think there are sectors we can focus attention on. Tourism is one where I think there is potential to benefit from the current exchange rate and, although the signs are mixed at the moment, there are reports of quite healthy bookings in some parts of the tourism industry; there is certainly a drive nationally with the £6.5 million of extra marketing expenditure to market the UK to foreign visitors this year.

So we are looking for what opportunities we can amid the current very gloomy situation, and I think we are also using the current downturn to refocus on the sectors that the south-west, in the medium to long term, can really benefit from significantly. One I heard mentioned by the RDA earlier is the whole marine area. Also there is renewable energy and green jobs, where I think we can be in the lead of regions. One of the pieces of work which the regional task group is doing at the moment is to become an exemplar for the UK as a whole in renewable energy and green jobs. Another is the potential we have to benefit from the Government's "Digital Britain" strategy, which is expected to report finally later this spring, which has potentially huge benefit for rural areas, in terms of improving business competitiveness and access through the fibre optic network.

So those are some of the areas, I think, where we are thinking very hard about how to, when we get through this period, make sure the south-west is in the strongest position possible to benefit from the new jobs that are going to be created, and, indeed, are now being created, in some of these industries of the future.

Q53 Chairman: You are confident that we are really encouraging innovation and bringing forward ideas at a very basic stage within the region?

Mr Bradshaw: Yes, I think we are.

Chairman: Because ultimately that is where the new businesses will come from.

Mr Bradshaw: We have also got very effective partnership-working with our higher education sector, which is vital if we are going to exploit fully the potential that there is in our region to benefit from these industries which, because of our characteristics as a region, I think we are uniquely positioned to benefit from—particularly renewables and green jobs, and environmental technology as well. We have a very strong higher education sector;

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we have a very strong SME sector already, and a lot of potential to grow that, both during the downturn but particularly when the upturn comes.

Richard Bayly: There is a very strong consensus in the Minister's task group that the management of the recession needs to look beyond, to the challenge of the recovery and the global market the region will still be in, and the importance of continuing to invest in innovation to build up productivity during that period.

Q54 Chairman: To come back to David's point, clearly the recession has a cyclical pattern. From the figures that we have been presented with, some regions appear to be slightly ahead of us. For example, I am looking at Hometrack's figures on new build just for flats. We are still in a position where there is some new build, while other regions are having no new build at all. Are you confident that the measures introduced to encourage innovation, development and working with the universities will, in fact, help us not to be behind everybody else in coming out of the recession? We seem to be slightly behind in the level of unemployment and the way in which it is growing, and other impacts of the recession, but we do not really want to be behind when coming out at the other end, because we would then lose an advantage. Are you confident that we are doing everything we can to ensure that we are best placed to come through this, perhaps next year some time?

Richard Bayly: That has been given very high priority. In our earlier discussion about the challenge faced by advanced manufacturing in the north of the region, one of the things that concerns us is exactly the kind of world-class, high-skilled manufacturing concern that the region has been aspiring to build up. It adds to the importance of being able to find ways of retaining that sort of top-level skill base within our economy, so we can respond to the opportunities of recovery.

Mr Bradshaw: I also think that, because of the mixed nature of our economy, it brings with it a certain underlying resilience that we are not a regional economy that is solely dependent on one or two sectors. We are strong in a number of areas and our economy is very mixed from agriculture and fisheries—some of the more traditional land-based industries—to, as Richard just said, some of the really high-tech manufacturing and technological industries, and everything in between.

Q55 Mr Drew: One of our advantages is that the most counter-cyclical industry at the moment is agriculture. In a sense, the south-west is ideally placed to ride the benefits of that, but also look to the future. It is pretty obvious that we shall have to raise the level of self-sufficiency in agriculture because of all the threats and difficulties that we have seen with rising food prices. How does this industry feature in the current recession obsession, if you like, looking to the future, where we could look at bolstering it—having more rather than less agriculture—and

turning it back in terms of employment, with some land being given over to agriculture? Is that part of the task group's forward-thinking agenda?

Mr Bradshaw: That may be something that you want to raise in more detail with my ministerial colleagues at the Department for Environment, Food and Rural Affairs, but you are right to identify agriculture as one area of the economy that is doing counter-cyclically at the moment—not just counter-cyclically, but also benefiting from the exchange rate in terms of prices that are generally being received for goods. Because of that, it is important that we do not take our eye off the future development of agriculture and what it has to offer in respect of the region's overall strategy. Particularly going back to my point about the potential for land-based industry to contribute to renewable energy, that is certainly something that we are actively considering as part of our paper on green jobs that we are presenting to the National Economic Council.

Q56 Mr Drew: I said that I would come back to the RDA budget. Clearly, it is of concern in the region, particularly at the present time when we need to see public sector leads and investment that will help us to turn around the corner. What representations have you made at least to look at the RDA's concern, which has been expressed to us on a number of occasions, that the budget has now been cut away to an undue amount? It will be difficult to review that further without taking out some of the growth areas and doing some of the maintenance work that must be put in place.

Mr Bradshaw: I think the RDA has made Peter Mandelson and the Treasury well aware of its concern. This issue is not specific to the south-west region; it is a national one. One may argue about whether that was the right thing to do; I believe that it was, given the absolute priority of getting investment into housing schemes quickly as part of our fiscal stimulus. The money must come from somewhere, but I am sure that Alistair Darling will hear the representations on RDAs' funding generally, and south-west RDA's funding specifically as part of those that he will hear in the run-up to his Budget.

Q57 Kerry McCarthy: You mentioned a paper on green jobs. What happens to that? It goes to the National Economic Council to be discussed, but is it intended that that will feed into wider Government consultation, or is it part of the pre-Budget preparation?

Jon Bright: The work has been commissioned by the regional task group. It is still under way and the consultants are still working on it, but it is likely to focus on energy efficiency and generation in terms of renewables and nuclear, and on sustainable food and farming. Those are three areas where there will probably be a heavy focus.

The idea is that when the task group is comfortable with it, we can then present it to the Council of Regional Ministers and perhaps the National Economic Council. It will also be routed through the RDA and Government office networks.

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I think we are the first region to have commissioned such a piece of work. There is real scope for it to help to accelerate our thinking about what to do when the recovery comes. There is a lot of interest in it.

Q58 Kerry McCarthy: A rough time scale? You said, “when the task force is comfortable with it”.

Jon Bright: I am talking about a couple of weeks to improve the quality of the product before sharing it more widely.

Q59 Kerry McCarthy: Obviously, the RDA and representatives from the local authorities have given evidence, but who is in the driving seat in trying to ensure that the south-west is as well placed as possible to survive the recession? Is it the regional Minister and the Government office, is it the RDA, is it the regional assembly, or is it the leaders board? How do they fit together? Is there not a danger that with so many different players, no one will be sure whose responsibility it is to take things forward?

Mr Bradshaw: I imagine that that is exactly the reason for the Prime Minister establishing the regional economic task groups, because that is the forum in which everyone meets, including the RDA representatives who were here just before us, local government representatives, including Rob Bluh and the chief executive of Devon county council. The reason is to ensure that we have an opportunity once monthly, at least, to spend a morning ensuring that we hear from business representatives on that group—such as the Federation of Small Businesses, the CBI and representatives of the chambers of commerce—what is happening on the ground in businesses, the latest up-to-date information, their latest concerns and whether the concerns that they raise are acted on, and that the resulting action regionally and nationally is fed back through the economic task group. I hope that I have answered your question. I would not claim that we are driving, but the task force is certainly fulfilling the important function of ensuring that everything is pulled together. If we had not set it up, it would have been much more difficult to track concerns raised and action taken, to prioritise, and to send clear messages in both directions to national Government and back to the region about what is happening and what needs to be done.

Q60 Chairman: Has the task group expressed any views on the range of Government initiatives? Has there been any feedback? Some are waiting to be rolled out, but which ones does it think will be most effective, and is it content? Some are waiting to be rolled out, but which ones does it think will be most effective, and is it content?

Mr Bradshaw: There has been a whole range, hasn't there? Some of the measures that were taken in the pre-Budget report bore very strong resemblance to some of the issues that had been raised and lobbied for by the business organisations on the task groups.

Q61 Chairman: Can you give some examples?

Mr Bradshaw: The delay in payment of bills by HMRC, for example. The introduction of the threshold for empty business rates was an issue that was raised repeatedly by business organisations. They would still like to see the whole thing go, but again, that is another thing that representations have been made on. Similarly, there has been real-time feedback from the business organisations as to what is working best, whether the banks are lending and whether the business loan guarantee scheme is working. There is very useful intelligence as to how things are working now.

Q62 Chairman: Are they now saying that the banks are starting to lend? We are hearing mixed messages now.

Mr Bradshaw: My colleagues will correct me if I am wrong, but I recall the representative of the Federation of Small Businesses, at our last meeting, saying that she felt that the lending issue had become easier. That was also the message I got back from a meeting I had with my own Chamber of Commerce in Exeter just last week: the lending situation has improved slightly over the last month. Certainly, the banks tell us that they are lending more.

Richard Bayly: The latest business surveys suggest that 43% of businesses report that they can get the credit that they want, which is clearly not ideal. However, as the Minister said, there has been an improvement. The thing that feeds back to us—but is only anecdotal—is that the lending patterns have reverted to the traditional model of lending against security, rather than investing in a business track record, a business plan, or a profit and loss accounts performance. That may explain some of the differences of experience between different companies. We are seeking more information on that, and more understanding of how clearly the messages are passing down through the banks and out into their agents in the field.

Q63 Chairman: The evidence that I have picked up is that some of the groups were in the process of retraining their managers. All the measures that were being brought forward went straight into that training programme, and managers were therefore better placed to take decisions in the branches. However, some of the others were well behind, and you had managers who had to refer everything to regional or even national headquarters to get a response on loan requests. Is that what the task group was suggesting to you, saying that that was happening on the ground?

Mr Bradshaw: Yes, and DBERR has made it clear that it is interested in being forwarded any practical examples that you, or any other hon. Member, may come across in your work as constituency MPs, as to where this was happening.

Q64 Mr Drew: Can I just finish with a plea? It is to do with the RDPE—the rural development programme, in which the south west has a considerable interest. First, can we stabilise it, so that we are not for ever changing it? I know that

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there are negotiations that have to be had, both in this country and in Europe. Secondly, can we also clarify how the programme operates on the ground? It is a tremendous programme in concept, but I am not sure if it is working as well as it could and should be in practice. Again, it is a programme that we can have some particular traction over, and some benefit from, if we are able to exploit it properly.

Richard Bayly: We would see this going back to your earlier point about the opportunity in rural areas. One has to be cautious about the total amount of GVA that will come out of land-based industries. What we have seen is some real innovation in diversification and new value being added in the sector. For us, the really important thing is for the investment to continue to go into that strategy of shifting the value added up the curve and allowing people working in the sector to increase their sustainable incomes. It is not enough just to have good products or stable employment; wages in the industry are still relatively low, and if the sector is to add to wealth in the region, it has to be able to afford to pay higher wages as well. We would see the whole issue of the value added being enhanced through the programme.

Q65 Mr Drew: But if the rural advocate's figures showing a £347 million gap in terms of the countryside's unrealised potential is to be even a quarter believed, the south-west has some real

potential, which it is as yet not exploiting. Are you looking to see that happen, particularly at the moment, when we need to be seeing every green shoot—to use an agricultural term—that we possibly can?

Richard Bayly: The interesting question, which you raise yourself, is whether the market conditions are changing so that the market will be able to go in that direction anyway.

Mr Bradshaw: If you have examples of where this scheme, which, as you say, is wonderful in content but not necessarily, in your experience, in implementation, please let me have them. That is certainly something that I can take up.

Jon Bright: Can I just add a point on that? The last time I met farmers' representatives, they were fairly positive about the way the programme was operating, and they had not been nine months earlier. I know that the RDA has been working hard to improve its management of the programme, and it has a stakeholder group at which the sorts of issues that you have been discussing are raised.

Mr Drew: I would certainly say, Jon, that the farm bits are working better than the other bits. What the rural advocate was talking about was the non-farm bits, and we really have to get a better handle on them.

Chairman: Thank you very much. We appreciate your coming, giving us your time and answering our questions.

Monday 8 June 2009

Members present:

Alison Seabeck (Chairman)

Mr David Drew
Kerry McCarthy

Dr Doug Naysmith

Witnesses: **Nick Beaumont-Jones**, Swindon Chamber of Commerce, **Viv Rayner**, South West Policy Manager, Federation of Small Businesses and **David Rosser**, Director, CBI South West, gave evidence.

Q66 Chairman: Good morning. Apologies for starting a little bit later. I am afraid that there was an incident at Southwell which slowed the First Great Western service down. For the purposes of the recording, could you just briefly introduce yourself?

Viv Rayner: My name is Viv Rayner and I am the South West Policy Manager for the Federation of Small Businesses.

David Rosser: I am David Rosser, the Regional Director of the CBI South West.

Nick Beaumont-Jones: I am Nick Beaumont-Jones. I am on the council of the Swindon Chamber of Commerce. Prior to that I was very much part of the Swindon retail and property sector.

Q67 Chairman: Thank you all for coming. This is our first Select Committee out of London, so I am very grateful to you for responding. Could you start off by setting out your assessment of the south-west economy at the moment from each of your individual perspectives? We will then come back with more questions.

Viv Rayner: The latest research conducted by the Federation of Small Businesses was done in April and we are about to do more next week. Therefore, my information is a little dated, but looking at the trend I think that things are, if not actually bottoming-out, then almost there and looking to improve. In April, when questioned on business over the last two months, 27% of members said that it had actually increased and some 31% said that it had stayed the same, so that is two thirds, or 60%, of members saying that business has either increased or stayed the same. That is on the right side and is certainly an improvement on the previous quarter. In the south-west, we have the influence of tourism. The bookings for summer are looking quite encouraging. We are just keeping our fingers crossed for the weather and that the Highways Agency helps us and we avoid all the tales of long tailbacks on the M4 and M5. The latest news about fuel prices is a concern. That could set things back a bit, but we are cautiously optimistic. The other thing that has started coming through is the impact of run-down stocks. We have businesses reporting that they are being held up because of a lack of stock. Delivery times are lengthening. It is only around 10% or 12% that are reporting that.

Q68 Chairman: Are you getting a sense that that is because suppliers are slowing down output and perhaps laying staff off and therefore product is not coming out as quickly? What are the reasons?

Viv Rayner: It is difficult to say. There are several comments and that is one of the comments that has come back. The other comment is that suppliers have run out of stock because they have cut things dead. It is too early to say why, but the fact that those other comments are coming through is quite encouraging, I think.

David Rosser: First, as the Committee will know, the south-west is an incredibly diverse economy and different sectors have been hit in different ways. For a while it seemed to us that the south-west was going to escape relatively lightly from the UK downturn. We were probably affected late into it, but there is no question now but that the economy in the south-west has been impacted. Manufacturing companies, particularly in the north of the region, have been impacted by a drop in UK and international demand. The aerospace sector has held up relatively well so far, but I think there are longer lag times in that sector as order books are getting booked out. The sector may not escape. Notable has been the impact on professional services, which in previous recessions has coped reasonably well, I think. This time, the professional services sector, including legal services, in the south-west, largely around the Bristol area, has been hit quite badly. I think we are now starting to see some of the lagged downturn in financial services hitting employment in the region. We are now starting to get fairly widespread messages from companies—I need to phrase this very carefully—that we are reaching, have reached or are approaching the bottom. Things are not getting worse anywhere near as rapidly as they were, which is different from saying that things are getting better. One hesitates before offering false optimism, although we are clearly looking for optimistic signs at the moment. Things are not deteriorating to anywhere near the extent that they were. One part of that is the de-stocking issue, which Viv referred to. All companies throughout supply chains have tried to manage their balance sheets and cash positions, and turning stock into cash has been part of that. We are now starting to get signs that, actually, our supply chains are exceptionally lean. There are some supply problems in one or two areas and we may see companies decide that they have cut things back too far and start to put a little bit more stock back into supply chains. That might explain those comments. Going forward, we are optimistic and we see no reason why the south-west, which was a relatively high-growth region within the UK, should not resume that position as and when a recovery takes hold in the UK.

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Nick Beaumont-Jones: I pretty much concur with what Viv and David have said. I would add that the retail footfall in the south-west has been the worst in the UK over the last month or so. Swindon is fairly typical of trends in the south-west, although I think we have some special problems here. There has been quite a lot of retail development in Bristol city centre, Gloucester, around Swindon and as far east as Reading. There are peculiar problems in Swindon in that we are not keeping up with the competition. We have heard that things are picking up a little bit now in hospitality. Swindon is probably not regarded as a major tourist centre, although we are surrounded by some very attractive tourist places.

Q69 Chairman: We are in one.

Nick Beaumont-Jones: Exactly. We expect to benefit from this, but there are concerns, which I guess we will talk about later, about whether the Government are fully supporting the hospitality industry. Construction also is generally fairly depressed at the moment. Development schemes are being proposed for Swindon which may or may not have a positive effect on construction, but there are concerns at the moment. Otherwise, I concur pretty much with what has just been said.

Chairman: Any comments about Bristol?

Q70 Dr Naysmith: I was just going to pick up a little bit on the aerospace industry, which was briefly mentioned. At the moment, Airbus and Rolls-Royce, which are the two big businesses that seek bits from the supply chain all over the south-west, are talking about a slowing of orders. There is not a cancellation of orders as such—they have pretty full order books—but customers are coming to them and renegotiating contracts to say that they are going to have their planes not this year or the year after but in the future. That means they are slowing down production, and that will affect the supply chain in the south-west. Are you picking that up and is it a problem?

David Rosser: There is certainly a nervousness about the future outlook within the aerospace manufacturing industry in the region. As I have said, there is quite a long lead time in that sector, as we all understand, so production has not yet been hit, but there are concerns about what the cancellation of affirmative orders will do to production over the next two years. Most of the aerospace companies are trying to do what they can to support their customers and continue tacking their products, but it is probably too early to say how successful that will be and how it will play out.

Q71 Dr Naysmith: But if it gets more serious and the effects begin to show, we will need support, because these industries will be needed again. Just as you are saying now that stock is not available, in two or three years there will be a shortage of essential parts.

David Rosser: And the preservation of skills is another issue for the companies concerned.

Viv Rayner: The general engineering sector has been quite badly hit by the recession. Some of our members who have extremely successful engineering

businesses have commented that business is just falling off the edge of a cliff. Picking up on David's point about skills, which was well made, if you look at the age structure of the engineering industry you will see that around 50 to 60 % are over 50. When companies such as Renishaw are laying off staff, the prospects for the future supply of skilled engineering workers is of grave concern. One of the comments our members have made to me is that, although they welcome the flexibility in the Train to Gain programme, the trouble is that the sector skills council has nominated business improvement techniques as its flexible programme, whereas what will be needed, maybe not now but in six to nine months, is some basic training to get someone who has the dextrous skills and is good with their hands trained to be a productive shop floor worker. Therefore, that is what we are pushing for for the future. At the moment getting someone trained to that basic level of skill is quite a long and tortuous process and very expensive. Coming out of the recession, that will be a real problem.

Chairman: Before we go on, we are having difficulty picking you up, so we would be grateful if you would speak a little louder when answering, for the purposes of the recording.

Q72 Mr Drew: I want to talk about manufacturing first and move on to other matters such as potential training programmes a bit later. Do you think that one of the problems is that in the wider UK the south-west is perceived as not being a terribly important manufacturing area? We have to do an awful lot to persuade people that, in terms of the aerospace industry in Doug's case and of Renishaw in my case, manufacturing is at the core of the south-west's economy, because I can tell you now that colleagues in the north, in the midlands and even in London will say, "Well, you're all about tourism and the environment, so manufacturing does not really matter to you." I hope you agree with me that that is a really difficult and dangerous place to be.

Viv Rayner: Yes.

Q73 Mr Drew: You say yes, so how do we change that perception, because it is a real problem that we in the south-west actually give out that message? It is not that our colleagues elsewhere in the UK are wrongly perceiving it: that is a message we often give out.

Viv Rayner: The regional development agency's campaign for the south-west, "Lighting the Flame: It's In Our Nature", is along the right lines, but the concern is that it just does not have enough funds to put behind it. It also needs to be backed up with a PR campaign in which you talk to the press and promote through its editorial sections what we do here in the south-west. You mentioned the aerospace industry and manufacturing, and you have the specialised marine sector. You have an awful lot here in the south-west, but that is just not realised. The only way you are going to get that over is by a proper communications programme, and, as with so many

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other things, unlike the bodies that do that work elsewhere in the UK, the body in the south-west does not have the funds. I am talking about the RDA.

Q74 Mr Drew: So it's a funding issue. One of the things that always worries me is that because we are such a long, stretched region, there is very little cohesiveness. When people talk about the West Midlands, we are all fairly clear what is meant. Do you think that there is a continuing problem in the locus of the south-west? Let us take the food processing industry, for example, which is very important in the south-west, yet you do not necessarily hear much about the south-west in terms of food processing. Perhaps the two gentlemen might like to say, besides funding, what is the programme? The FSB is very clear on this. Where and how should we be launching something that may get us out of the current recession but certainly deals with the problems of where we go—how we go forward from here?

David Rosser: I think the point you make about the geographical differences within the region is a very real one. Manufacturing is important to the south-west, but clearly it is much more important towards the north of the region, here in Swindon, than further down the peninsula. As you go further down the peninsula, tourism, food, agriculture and food processing become far more important. It is actually very hard to take one clear message about what the south-west is and get that across when the south-west is very different in different parts of the region. The disparity within the region is something that we all struggle with. Ironically, some of the difficulties facing companies such as Honda here in Swindon, or Renishaw, might serve to get the message out that manufacturing is quite important in the region, and that we need to support and preserve it as we pull out of the recession.

Nick Beaumont-Jones: I think it depends on the profile of the business that you are talking about. Multinationals such as Honda probably are not going to be all that interested in the identity of the south-west. Its concern probably is more about whether it can get what it wants from this part of the world, but, essentially, it could transplant its factory anywhere in the UK. From where I sit, there is a big problem with geography. Swindon is almost a one-off. It is not typical of the type of towns and cities in the south-west. We have a lot of what used to be called cutting-edge industry here, and a lot of commerce as well. Exactly how one portrays the south-west as an economic base, I am not too sure, but I think that first there needs to be some kind of agreement among all the various stakeholders that there is an issue there, and then take the strategy from there.

Q75 Chairman: So there is not general consensus at the moment between different stakeholders, in your view.

Nick Beaumont-Jones: I do not sense one, no. The organisation I am representing here today ought to be the catalyst for that kind of communication, I

would have thought. I would not have thought that it would be that difficult, because, at the end of the day, we are all trying to do the same thing.

David Rosser: Surely the reality is that the south-west is a very diverse economy. We need to get that message across, but it is far harder to get that message across than to decide, yes, it is tourism, or, yes, it is agriculture, or, yes, it is manufacturing. That kind of one-dimensional message is much easier to portray. We think of the West Midlands, we think of manufacturing. The south-west is very diverse. It is hard to capture that. It is hard for organisations such as the RDA to get a simple, clear message across in that way.

Q76 Kerry McCarthy: Do we actually need that cohesive sense of a regional identity as a sort of marketing tool or whatever? Is there any evidence, for example, that manufacturing industries are not coming to the south-west because they do not think of it as a manufacturing hub, or would they actually look beyond the surface perception? If they know their sector, they will know, for example, that Swindon and Bristol have that kind of base. Are we trying to create something that actually does not need to be created by trying to present the south-west as a particular sort of region?

Viv Rayner: It depends on the object of the promotion. My background is in marketing, and your communication strategy all depends on the idea behind the promotion. I agree that people do not think of the south-west in terms of manufacturing, but they do think of Yeovil and Bristol in terms of planes and they think of Gloucester and Swindon in terms of engineering. It is really a case of what we want to promote for. However, the south-west is still important, because it is only by hanging together as a region that we can get the resources into the south-west to make it fit for business. The south-west has suffered as a result of its perhaps cuddly image because we do not get the investment. With broadband, for example, 20% of businesses are unlikely to reach 2 megabytes, so we are the worst English region. South-west businesses are second only to those in London in using the internet for their business, but because we are not seen as an industrial area, we do not get the investment. Similarly, it now takes longer to get to Plymouth by rail from London than it does to get to Newcastle upon Tyne, but Plymouth is closer. The same is true of the roads: we do not get the investment that other places do. It would make sense if we could get more investment through a more cohesive promotion of the south-west as a whole. Otherwise, yes, it makes sense to focus on the reason for the promotion.

Chairman: Can we move on to attempts to tackle some of the economic impacts across the piece? David, do you want to start?

Q77 Mr Drew: Can I look at wage contributions? The FSB has a very clear stance on this with the TUC, so I will take that as read—I hope that colleagues will go along with me on that. Even Wales now has ProAct set up to support people with

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training packages. To be fair, Renishaw and Delphi have a training package ready to go, but, as always, the sticking point is wage contributions, and that could be a back-cloth to this issue. However, is there a real concern in your mind that unless we do something similar, we will lose valuable people and, more particularly, valuable skills, which will give our continental neighbours and Wales a real head start when we see some recovery, as we hope we are now? Perhaps you can start, Viv, because you are very clear on this.

Viv Rayner: Two things. First, one of the things that foot and mouth taught us was the value of using downtime to improve people's skills, but we have forgotten that lesson. The wage contribution that is supposed to be there through Train to Gain is useless. Under the current Train to Gain scheme, you do the training, you get the qualification and then you can apply for the wage support, so it is no good in terms of supporting the business's cash flow. The business has to pay the member of staff and to keep them on during training, and the support only comes in and helps at the end. If wage support is to be any good during training, we have to go back to what we had during foot and mouth, which is support during training.

Q78 Mr Drew: Gentlemen, I am not sure where you both stand on this or whether you are more sympathetic to the Government's dilemma, which is that this will be expensive. We are talking about £1.2 billion, which is not a huge sum in the great scheme of things, but it comes on top of what is already there.

David Rosser: We are very sympathetic to the Government's dilemma. The CBI's membership has very mixed views about whether Government support for wage subsidies is the right approach. It would be far more expensive to take that approach in the UK than in some of our continental competitor countries, because of the nature of unemployment subsidies in those countries. A number of our members fear that there is a great danger of supporting companies that are unlikely to survive anyway. We think it is a very real difficulty. On the other side of that, we have members in internationally competitive manufacturing industries and within global groups who believe that if they do not get that sort of support, either competitor organisations or sister companies within the group will be better at retaining their productive capacity and skills. We will hear when the upturn comes that some of our productive capacity may no longer be in place, so it is a very difficult issue. If Government are going to get into the game of providing wage subsidies, they should certainly link that to training. There is no point in paying people just to sit at home. If they are going to do it, they should link it to some training package. To that extent, what has been offered in Wales hits that button, although I think the extent of the support on offer in Wales, while it will be useful to the companies receiving it—CBI member companies have applied for support and are receiving it—is relatively small scale in terms of keeping a work

force going for a long time. It might help if it is a short downturn. Whether it would help in the longer term depends, I guess, on the Government's willingness to keep putting money into it. I am afraid that we share the Government's dilemma on this.

Nick Beaumont-Jones: The sense that we are getting from the information we are getting back is that we are at that stage of the recession now when, although nobody is actually looking to recruit, very few people have laid off staff. Honda is a good example. Its policy is not to do that. We are getting this feedback from a lot of other businesses. However, they are also not seeking to recruit at the moment. They are going to wait and see how things develop. Some of our members who are involved in recruitment and training have said that this recession has been quite different from previous ones, in that training has been maintained despite the fact that business is clearly falling over a cliff. They have kept the training standards up and tried to recruit staff wherever possible. Swindon has peculiar employment issues. There is no unemployment in Swindon—or there has not been historically—and things have not really deteriorated too badly compared with the national average in recent months. I do not know that here is a good place to ask that question.

Q79 Chairman: So you are suggesting, in a sense, that because there seems to be a bottoming out at the moment—if we can describe it as that—the need for such a scheme may have passed.

Nick Beaumont-Jones: It depends on whether one's view is that we are bottoming out or that we are going to go into a W-shape or whatever shape. Certainly, many of our members are concerned, while we might be V-shaped or bathtub-shaped, about what is going to happen in 2010. We might well be in a position this time next year when such an initiative could actually be very useful.

Q80 Mr Drew: Can I just make one rejoinder? If we made this sector-specific—clearly, the sector most at risk is automotive industries—would that make more sense, and would we get more unity? I accept that there is a dilemma if you talk about the whole of manufacturing or agriculture or whatever. If we made it sector-specific, would that unify the core, and do you think Government would be more receptive?

David Rosser: I cannot say whether Government would be more receptive, but it would probably unify the position. It reduces the overall cost the public purse, and clearly, the automotive sector is exposed to international competition and particularly competition within groups. There is more of a case for it to be applied in the automotive sector, and I suspect that that would reduce some of the concerns of those who have them.

Q81 Dr Naysmith: Mr Rosser, in your written evidence, you suggested that there is very little that regional government organisations could be expected to do that would make a real difference for south-west firms. Do you think that central and

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regional government have any significant role in assisting the south-west out of the downturn, or are you just sceptical about the whole business?

David Rosser: That comment refers to the scale of the recession and where the real levers of power and assistance lie. From the CBI from the start, the things that have been absolutely paramount are fixing the capital markets, getting liquidity moving and sorting out confidence in the banking system.

Dr Naysmith: They are the important ones.

David Rosser: Set against that, does that mean that regional government and agencies have no role to play? No, it does not. I was trying to set the context. It is quite small beer compared with getting that big picture sorted.

Q82 Dr Naysmith: It could be significant, as Mr Drew is suggesting, in particular sectors and industries. It could be much more significant for some than others.

David Rosser: It could, but I doubt whether the kind of wage subsidy scheme that Mr Drew is talking about could be applied at a regional level with regional funding. We have talked about funding already this morning. One of the barriers to regional government and agencies doing anything is the amount of funding they have to apply, which is quite small. If that money is focused, useful things can be done for certain sizes and sectors of companies in the region. But set against the big picture it is quite small beer.

Q83 Dr Naysmith: It is interesting because some of the regions are larger, much larger, than Wales. Mr Drew was talking about the effect in Wales. There must be some things that regional development agencies and so on can do for their areas that are significant and important, if properly targeted. You need the finance I am talking about, although there is not very much. Does it all have to be done exactly the same everywhere?

Viv Rayner: The south-west RDA is to be congratulated as the first RDA to get a fund up and running and open for business—but it is just £10 million. The north-east was talking about a £143 million fund. That difference gives a very clear indication of the difference in funding between the south-west and the north-east. Reference was made earlier to support for tourism. I am trying to remember the figure. I have an idea that something like 0.3p per visitor is the amount we are able to spend on promoting the south-west for tourism. I think Scotland gets £7. We are talking about major and significant differences. If we had the funding, there are things that could be done to improve the economy now by investing in infrastructure, which would leave us in a better position for the future. But we just don't have the funds.

Q84 Chairman: Assuming that the news we are likely to get on RDA funding later today is probably not going to be good, what would your advice be to the RDA? Should it hone and focus on targets rather than try to spread, or do you think it should carry on trying to do its best to help every sector and project?

David Rosser: The worst thing in a situation like this would be for the RDA to take an ever-smaller dollop of jam and spread it even more thinly across the whole region. If one looks for a benefit out of a difficult financial situation for the RDA, it should be that it enables it to focus absolutely on what is going to have the biggest economic return, either by place or by project or a combination of both. It cannot look to do a little bit in every local authority part of the region, I'm afraid. Some of the actions which were nice to do—around town centre regeneration and the public realm—may have to go. We would like to see it focus its spend in future on improving the infrastructure for the region, improving capacity to do research and development, focusing on a few key sectors where the south-west has a real advantage and reinforcing that advantage—so aerospace would probably be one of those. That is the only sensible route out of the situation for it.

Chairman: Doug, did you want to come back on that or can we move on?

Dr Naysmith: No, that was excellent.

Q85 Chairman: Can we move on, as we are starting to run out of time? A whole range of Government measures was introduced to try to hit different sectors and target different problems. Which, in your view, have worked and why? Which have completely missed the target or have not yet taken off?

Viv Rayner: On tax and VAT, it is the first time I have ever had a 100% positive response from members—everybody who phoned up the business support line; they could not have been more helpful. It is getting a bit of a sting in the tail now, whereby they are going back for more help and are told, “You only get one bite of the cherry.” As I said in evidence, that was ridiculous in terms of VAT. As for things that have not worked well, I have to say the cut in VAT. By cutting it across the board, we think a big opportunity was missed. If you had cut VAT, say, to 5% on labour-intensive sectors such as construction and hospitality/tourism, you would have encouraged economic activity but you would have sucked in fewer imports. You would also have had a beneficial structural effect on construction, in that the 5% differential was a lot less temptation to use the cowboys and pay cash. So you would have reinforced the good businesses within the sector.

Nick Beaumont-Jones: I absolutely go along with that. There is a certain amount of cynicism now about the reduction in VAT. Generally, most people accept that it is going to go to 20% when it goes back up again. Certainly for my sector, it created an awful lot of work with relatively little benefit. God knows what that must have cost—HMRC changing its systems and so on; our view is that it probably cost the Government more than it helped the economy.

David Rosser: I endorse the comments regarding HMRC and its willingness to defer VAT; members have been pleasantly surprised with the response. There are huge concerns around trade credit insurance and the length of time that it took Government to intervene in that market; frankly, the extent and effectiveness of the intervention when it did come was quite disappointing. There was a lot of

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real anger around the decision to put up business rates by 5% at a time of negative RPI, just because it happened to coincide with the wrong month. And the refusal, which I still think we do not understand, to reverse the abolition of property rates and property rate relief we think will have a detrimental effect on recovery.

Chairman: Kerry, do you want to speak?

Q86 Kerry McCarthy: Going back to what you said—that it would have been better to target the VAT on certain sectors—I believe that there would be complications in administering it and divvying things up.

Viv Rayner: The French do it—the French have differential rates. If you go on holiday in France and you look at your hotel bill, you are only paying 5.5% on the accommodation. If they can do it, why can't we?

Nick Beaumont-Jones: We do it already with books, newspapers and so on.

Q87 Kerry McCarthy: That is fairly easy when you are talking about products. When talking about something like the construction sector, at what stage along the supply line do you deem something to have fallen within the construction sector?

Viv Rayner: I don't know. At the moment, we are having some very negative results from the environmental suppliers—people who install the energy-efficient boilers, renewing all sorts of things. Anybody who has “construction” in their title or their operation is having grave problems with the banks, unless we can go a long way to helping them. I am not an HMRC person, but I cannot think that it is beyond the wit of man to work out some way of doing it. If they are members of the CITB, for example, or fall within its remit, then perhaps it should be applied. I don't know.

Q88 Kerry McCarthy: As a more general point, do you think that rather than looking at measures that are helping businesses across the board we should

focus on particular sectors, in the same way that we have done for the car manufacturing sector and car retailers? Are there particular sectors that all the Government help should be going into?

Viv Rayner: It's horses for courses. In terms of engineering and automotive, it is to preserve it until the upturn comes. I think that if you change the VAT in the two sectors I have mentioned you have an opportunity to achieve a structural change in terms of improving quality and removing the incentive for the cowboys, which I think we would all welcome. You can help a sector, and if there are other things that come with that as well, then I think that's a reason for doing it.

Q89 Kerry McCarthy: Just following on from that, to what extent should we be using this as an opportunity to go forward and move the economy of the south-west down slightly different paths? You mentioned green technology and environmental things. Should we be targeting the assistance to encourage ones that we perhaps see as long-term survivors, or real prospects for growth in the future, rather than those British-based industries whose days, we would accept, are probably numbered in the medium to long term?

Viv Rayner: There are two comments there. First of all, it is impossible to pick the winners. Much of the work that is going on is targeted on the growth potential companies—the RDA's £10 million loan fund very definitely is. If you look at the small print and the criteria for the enterprise finance guarantee, it is again focused on growth. Certainly the Business Links are tasked with putting most of their effort against the growth businesses. So I think as much as being done there as can be. More can be effected by removing the issues around trade credit and banking support, which is particularly affecting the construction industry.

Chairman: On that point we have to say thank you. I'm sure we could have gone on a lot longer, but we have other witnesses. So thank you all very much for coming.

Witnesses: **Simon Nunn**, Head of South Region, National Housing Federation, **Helen Scadding**, Partnership Development Manager, Citizens Advice South, **Karen Stalbow**, Senior Regional Campaign Officer, Shelter and **Dal Warburton**, Development Consultant, South West and South Central, AdviceUK, gave evidence.

Q90 Chairman: Could you all identify yourselves by name and organisation for the tape? You need, I am afraid, to speak up because the microphones are not picking up and whoever has to transcribe this at a later date will have difficulty if you do not. So, Karen, would you please start?

Karen Stalbow: I am Karen Stalbow. I am a Senior Regional Campaign Officer for Shelter.

Simon Nunn: I am Simon Nunn and I am the Head of the South Region for the National Housing Federation.

Helen Scadding: My name is Helen Scadding. I work for the national organisation of Citizens Advice Bureaux and I am the Partnership Development Manager for the south-west.

Dal Warburton: My name is Dal Warburton. I work for AdviceUK as their regional Development Consultant for the south-west.

Q91 Chairman: Thank you all for coming. Your evidence, collectively, has some common strands running through it. Karen, would you start by setting out the nature of the problems that you are seeing and how different they are from, say, two or three years ago?

Karen Stalbow: As our briefing summarised, there were high housing costs throughout the region for quite some time. I think that they reached their highest level during the third quarter in 2007. Obviously, in relation to income, they required

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people to overstretch themselves to access housing. The rate of repossession within the region has really rocketed since about 2004—well over 10,000 orders were made in 2008. Although those will not necessarily lead to repossession, they are a very good indicator of what is happening. We consider that to be one of the key issues within the region, as well as the fact that it puts quite a huge amount of pressure on an already pressurised social housing stock. We showed clearly that, at the beginning of April 2008, over 160,000 households were on council housing waiting lists in the south-west. This has risen by about 46% in five years. At the same time, supply has not been keeping pace with that level of demand, and affordable housing delivery has been quite low in the region. In 2007–08, only 5,570 affordable homes were delivered. In a sense, we made very clear the dramatic effects that the recession is having on the construction industry as a whole. We know that building starts are very heavily down, and, of course, affordable housing is very much tied in to what developers can contribute through the increase in land values when they build. We know that the national figure is about 60% and that there is quite a strong reliance—local authorities, certainly within the south-west, have been very successful in using this as a mechanism for affordable housing delivery. There is a risk to how much affordable housing can be delivered in the current economic climate. Although there has absolutely been increased funding, it falls within 2008–11, and we don't know what will happen after that. A lot of the money has been brought forward to enable grant flexibility, so we are not certain that we can maintain the necessary levels of affordable housing delivery. Those were some of the main issues that I think both Simon and I highlighted in our briefing. I don't know whether Simon wants to add to that.

Q92 Chairman: There is a progression across to Simon at this point. Do you see any optimism in developments coming out of the Homes and Communities Agency?

Simon Nunn: It is a mixed picture. There are a couple of positives. First, as we said in our report, the HCA in the south-west has been very responsive and was very quick to be flexible and recognise the need for flexibility. Karen has touched on this. I represent the housing association sector and its ability to deliver the necessary affordable housing in the south-west. As you probably know, the housing association model relied upon cross-subsidy from market sales, low-cost home ownership and, in recent years, the availability of quite cheap credit. That took grant rates or subsidies on developments down, in some cases, to 25% or 30%. Now, of course, that is not possible. Housing associations' business plans are under pressure for a number of reasons, and—understandably—that is making them more risk-averse. First, low-cost home ownership has been very hard to shift. The HCA has been helpful in converting low-cost home ownership units to rented accommodation. Obviously, the opportunity for market sales to cross-subsidise the provision of social rented housing has disappeared altogether in

the declining property market. Importantly, lender behaviour has changed, which has impacted massively on low-cost home ownership, for example, where the demand remains, but banks will simply not lend to low-income families because they regard them as sub-prime—much against the evidence, but there you go! Additionally, lending has become a lot more expensive for housing associations in terms of raising the capital to develop. There are those pressure points in the south-west but we have a good working relationship with Colin Moulton at the HCA. The HCA has been flexible and has been quite fast out of the traps—in the south-west, maybe quicker than some other regions. So developments are going ahead but, as Karen pointed out, section 106 agreements have been responsible for the vast majority of affordable housing. We have one in 14 families in the south-west on social housing waiting lists, which is an extraordinary figure. If we are not careful we are going to be talking about one in 10 families quite soon I think.

Chairman: Before I go to Helen, Mr Drew would like to ask a question.

Q93 Mr Drew: Can I concentrate on housing? Is there some frustration among the two of you that it is now clear that the way to regenerate the housing market is entirely through public sector-led delivery? There is a great myth out there that the private sector will be doing it and has always done it, but that is simply not true. Are you conveying that to the HCA and Government further up the chain, or am I wrong in what I am saying?

Simon Nunn: No, you are right. There have been those who have said that public sector provision—housing association and even local authority provision—is the only game in town at the moment. We have conveyed that nationally, to the extent that much higher levels of public subsidy are required if the Government are going to achieve anything close to their targets around social housing.

Karen Stalbow: I would add that public subsidy, if it is accessible to private developers, provides an opportunity to maintain skills and jobs within the construction industry. That would be incredibly valuable in preparing us for the upturn because if housing starts go down even further than currently, when the upturn does arrive it is going to take a very long time to get back to the levels of housing delivery needed to ensure that we are supplying enough housing to meet demand.

Helen Scadding: I made it clear in my briefing that the Citizens Advice service across the south-west and indeed the whole of the country has seen a significant increase in client inquiries in the last year, particularly in quarters three and four. The main area we have been focusing on in the recession is inquiries about jobseeker's allowance and redundancy. Employment is the third most common inquiry that clients bring to bureaux and that tranche of inquiries has increased significantly. While many people see citizens' advice bureaux as providing information around debt, money advice and benefit take-up—and those do make up more

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than 60% of our inquiries—they are increasingly handling employment inquiries, not just from employees but also small employers. That is one of the big highlights that we have seen. The south-west and the east regions have seen the greatest increase in inquiries about jobseeker's allowance and redundancy. It will be interesting to see the extent to which that continues into quarters one and two of this financial year. Some of the broader points that we are particularly interested in exploring with you today in the south-west include what we see as a lack of a strategic approach within the region to financial inclusion in general. That is quite critical for us. We are grateful as a voluntary sector organisation for the opportunity to work on social policy with a number of agencies within the south-west, including the RDA, the Government office and some of our colleagues you are seeing today such as Jobcentre Plus and other agencies in the public sector providing direct services to the public. One great concern we have is that there is no overarching strategic approach to the delivery of services around financial inclusion across the south-west. We are members of some of the sub-groups of the taskforce. We have, for example, been asked to write a report about financial capability, which is around encouraging clients to have a preventive approach to their situation. Rather than dealing with advice as a crisis management approach—something difficult happens to you, you are made redundant, a life event occurs, you have a serious illness—a lot more of our work is put into skilling and giving competence to individuals on financial capability. It is financial education in its broad sense. We are particularly interested in working with the Learning and Skills Council and with employers in a more proactive way. Those are some of the key points that we are interested in exploring to do with the economic recession and the impact of both regional and national Government.

Dal Warburton: I echo what Helen has been saying on the trends that we have seen, and the reports that we have had coming in from AdviceUK members. People have seen increases in demand for advice. In debt advice, for example, we have seen increases of between 30% and 300% in inquiries, with people coming in because they are worried about redundancy. Increasingly, people are already on the margins of unmanageable debt and finding that they are no longer able to service their debt-management plans. The reports that we have coming in are that debt collection is becoming more aggressive, and that it is potentially linked into the fact that companies themselves are having issues with cash flow; they are not able to be as flexible with people who are defaulting or who are not keeping up with payments. One of the strong pieces of feedback that we had from our members was that the financial inclusion fund was a good way of distributing resources to enable the provision of debt advice and financial capability work. LSC-funded work wasn't such a good way of responding to demand. It wasn't as flexible in terms of responding to demand.

Q94 Kerry McCarthy: In your submission—and Helen says it as well—the basic thrust is that there is increased demand upon you, that you need to

respond to that demand and that you therefore need more funding. What efforts are being made within the sector to collate people-shared views on the underlying problems that lead people to get into a situation where they have to come to you? Are there things in the way that the benefits system works, or in how the courts, or collection and debt recovery, works? If those obstacles were removed, would the demand on your sector not be as high?

Dal Warburton: I could say something about that.

Q95 Kerry McCarthy: Do you not have the resources for that sort of work?

Dal Warburton: We would like more resources to do that kind of work. A recently published report from AdviceUK looked at the provision of advice services from a systems-thinking point of view and the opportunities for dealing with some of the systemic causes of demand—if you like, what failure of demand is coming into advice services? Are people coming into advice services for avoidable reasons—for example, because they do not understand the letter that has been sent to them or because of a particular practice in the collection of rent arrears? That is something that we are investigating at various levels. In Bristol, one of our local members is working with Bristol City Council to look at how rent arrears advice is being dealt with and whether the way it is being dealt with keeps people in their home and enables them to find a way to pay, or whether it is counter-productive.

Q96 Kerry McCarthy: Which organisation is that? Bristol Debt Advice Centre?

Dal Warburton: Yes.

Kerry McCarthy: It's in my constituency.

Helen Scadding: I would say that it's a bit of a mixed picture. We've done a lot of work around tax credits—that aspect of the benefits system and how it creates difficulties for a range of people. That is not just to do with financial literacy; it's about how you put in an application for the previous year. That is extremely difficult to do if you are self-employed. You then have to pay money back if it is has been over-calculated. To be frank, a large majority of people using a voluntary service are often doing so because they have reached a point of crisis. A lot of our advice to the public would be to use agencies that Dal's organisation supports or bureaux, earlier rather than later. Often people wait until they are in a crisis before they recognise that they have not prioritised their debts. Issues are often linked, which is another big problem for the voluntary sector. People do not come in with a single issue. Usually, if someone presents an issue with debt, it's because a variety of things have occurred in their lives that need untangling and supporting. There is a clear link, which we are all here to represent, between employment, housing, family relationships and, often, health in the wider family. A critical range of issues come together.

Q97 Chairman: May I quickly pick up on that? The evidence suggests that people don't come to seek help until about six months after having been made

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redundant. Therefore, could something be improved in the redundancy process—obviously, this is a question for the unions and the employers—that would encourage people, perhaps a little more strongly than at present, to seek advice the minute they were made redundant? Would that be welcome?

Helen Scadding: Absolutely. A bureau in Liskeard is doing some innovative work with employers who are thinking about making people redundant. It is saying, “Look, think about short-time working. Think about limiting hours, because there is a range of benefits. Do you know about the working tax credit system?” They don’t know, actually, and they don’t see how that could possibly keep people in employment. That is just a small example of how working more directly with employers—perhaps around an employee training scheme bringing in modules for managing debt and looking at different housing options, which is the sort of work that we do—is really quite critical.

Simon Nunn: There is some evidence, which we are picking up from our members, that there are delays in getting interviews and applying for jobseeker’s allowance, which sometimes leaves people without money for four to six weeks. That causes those people to start to come to the housing association and money advice people with problems. I do not know whether you have picked up any of that.

Helen Scadding: I have to say that our working relationships with Jobcentre Plus are excellent. Obviously, that service is under significant pressure and, as you all know, it has taken on a large number of new staff. It would not surprise me at all if in parts of the south-west there was a delay in processing, because we have seen a huge increase in the number of inquiries in relation to jobseeker’s allowance.

Q98 Mr Drew: I’m intrigued, because we were given a message that there is a tsunami of private indebtedness out there. Given what we have been through in the last six to nine months, I would have expected you to be overwhelmed. Now, I’m not saying that your figures are anything other than deeply concerning, but do you think that there are two things going on? First, people are much more resourceful than we think. They have hidden depths and reserves that get them through. Secondly, there is a danger that we will have the recession and get through the worst of it only for people to find jobs—perhaps not such good jobs as they lost—and begin to realise that the indebtedness, housing costs and other things they are obliged to pay for are crippling them. I wonder what your take is on that, because I’m not sure whether we are living through the depths. We may face more difficulties later.

Helen Scadding: I think you might have misinterpreted what we said. We have seen a 130% increase in inquiries around redundancy, and as I said at the beginning, we are not necessarily a service that people would turn to immediately for employment-related issues. I’m not saying there isn’t a significant client crisis out there. We have bureaux—Exeter, for example—that can normally manage their client numbers, but they have queues like you might traditionally see in an area such as

Hackney. That is relatively new. We have a gateway system. We are trying to give appointments to people rather than people queuing up outside bureaux in the early hours of the morning to make sure that they get an appointment. We are seeing that now. We were given additional hours money. The financial inclusion fund is critical, but there are very few FIF advisers in the south-west region. The additional hours money was critical and really useful because it went directly to the front line in additional hours for the bureaux—£10 million was given because of the recession. The type of local authority money or Government scheme that goes directly to the front line is critical for the voluntary sector. What we have seen more and more is funding going into the infrastructure. We are an infrastructure organisation to a certain extent. What I believe is suffering very much is direct face-to-face front-line advice.

Simon Nunn: I have an e-mail here from one of our members in Bristol. It says, “We are getting increasing numbers of people wanting help managing their finances. It is often people who have been working and either lose their jobs or have their hours cut so they cannot manage their usual bills and expenses in the way they always have done. The advice centre is inundated with people, so our tenants are having to wait several weeks to get an appointment for more in-depth help such as contacting creditors” and so on. Housing associations are seeing a big increase in tenants approaching them for debt and financial advice.

Karen Stalbow: I would say that Shelter’s services throughout the region are also seeing a dramatic increase. I have the benefit of having our Regional Services Manager here—Jackie Beech—who would be more than able to provide greater detail on that. Is it possible for me to refer to her to do that?

Chairman: Could we have it in writing?

Karen Stalbow: Yes, of course.

Q99 Mr Drew: May I come back in? I always feel I am being provocative, but I think it can get a lot worse and the danger is that you will not necessarily track this in terms of just the recession. I suppose I would take it forward. If people are indebted, how do we persuade them—as you say, Helen—to seek help early? We need to try to prevent them from getting in this mess. I suspect the problem is the combination of factors. You lose your job, your health goes, there’s a family crisis. That’s what really brings it all crashing down. That is something you were saying, Dal, in terms of the advice structures we need to put in place on financial capability. That is vital to any message that we give out from our report.

Karen Stalbow: In a sense, the process of indebtedness began prior to the recession. What is happening within the recession is having further impact on that. We know that in 2004 repossession figures were already beginning to rise greatly. A lot of people questioned why that was necessarily the case. The Legal Services Commission had a theory that it had a huge amount to do with secondary debt and that people were taking on debt with their homes as security, putting their homes at risk as a

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consequence. We are now in a position where people have overstretched themselves financially. Their housing costs in relation to their income over quite some period have put people in a precarious position with their levels of debt. That is being exacerbated by the risk of unemployment and the health stress associated with being in debt. We had quite a run-up to the recession. With falling house prices and certain other factors, it is having greater impact, so we are seeing people in a worse position than they may have been in.

Q100 Mr Drew: Is there not another group that we should consider—a group that has not had the opportunity of getting into housing? They are often in relatively cheap private rented accommodation, are in unstable jobs, and are certainly in unstable relationships. The recession has put them so far down the pecking order in their opportunity to get a house, a job and a relationship that will last that it is quite worrying. They may come to you for advice, but the reality is that you can't do much for them.

Karen Stalbow: Generally, in terms of Shelter, people in the private rented sector tend to come to us for advice if they are facing eviction or if they have problems with the condition of their property. The private rented sector is a mixed bag. For some people, it operates an incredibly good housing option and enables them to have the mobility of moving about between high-paid jobs. I don't necessarily know that everybody is experiencing poor conditions or a poor relationship. On the other side, the private rented sector is increasingly used for households experiencing, or at risk of, homelessness; they approach their local authority for advice and assistance and sometimes, if in priority need, are offered the private rented sector as a housing option. To a certain degree, yes, there are people in there, but whether they are untouched by the recession I would not be able to say specifically. I certainly know that there are households that are using the private rented sector as a consequence of having been in housing need.

Helen Scadding: It is also about outreach. Increasingly, it is important that we look to provide services outside our traditional venue. It is about partnership working. We could deliver financial capability sessions or advice surgeries in a children's centre or in a community centre where some other activity is taking place. I have talked about working in the area where people are directly employed; that is a critical area for us to move into. It is another important way for you to do more preventive work. Rather than seeing us as somewhere that people come to when they hit a moment of crisis, you use your advisers and your volunteers and you move into the community. You work with community organisations and, for example, in partnership with the local authority.

Q101 Chairman: Thank you. May we move on to the range of measures that the Government have brought forward to offer support to different groups, and whether you believe they have been successful? This might seem a little unfair, but some of you may

have been around during the last recession in your particular field. Some of you clearly may not have been. Do you have a sense that some of the measures introduced this time around have taken up some of the lessons learned from previous recessions? If not, why not? Clearly, the take-up of mortgage rescue schemes so far has been minuscule—a handful of people. Why is that? Is it simply that the scheme was slow getting off the ground, or are we not getting the message across clearly enough to the organisations that need to hear it? Do you have a view on that?

Simon Nunn: On mortgage rescue, take-up has been small. There are a number of reasons for that, including the fact that the criteria for people being eligible are drawn narrowly and that the Government obviously have finite resources. If you look into our submission, you will see the current figures for the south-west. On the more positive side, when you look at the figures provided by the Department for Communities and Local Government, the vast majority of people who have applied to local authorities in relation to mortgage rescue schemes are referred on by local authorities to other sources of advice, as they are not eligible for the scheme. The figures for people approaching local authorities are positive. I would encourage people to go to local authorities. They get signposted to other mechanisms which, hopefully, result in their home not being repossessed. There is a big time lag as well. There is a delay. It is a long process from becoming eligible for mortgage rescue, going to the local authority, being assessed and then being referred to the registered social landlord. There is a waiting period. I think we will see take-up increase in the mortgage rescue scheme as we go forward.

Q102 Dr Naysmith: Could that bureaucracy be cut a little bit? Can the long drawn out process be shortened and simplified?

Simon Nunn: It could be, but you have to go through certain processes. The Government would be criticised far more if they were seen to be bailing out people who were perhaps not seen as deserving it, rather than going through quite a comprehensive system.

Helen Scadding: It still feels to me—I don't know whether you agree with this from a national perspective—that it is rather early days. I know there is talk that the recession might not be as long and as deep as people thought, but from our perspective it feels like it is very early days. We only saw in the last six months these really big increases in inquiries. Looking at the summer and then the autumn will be more critical, when people see the impact of some of the changes that have happened at work trickling down and impacting on their rent, their housing and their mortgage. I'm not sure we've reached that stage yet.

Q103 Chairman: Do you have the sense that the task group, which some have criticised as being particularly business led—obviously, you are part of the wider economic task group—should shift its

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emphasis away from business concerns through to issues of inclusion? Do you think there should be a shift of emphasis in that body?

Helen Scadding: I think it needs to do both. I am sorry that that is rather hedging my bets, but obviously it is critical that the agencies look at supporting business in the south west and look at the south west as a whole, as a region, and at regeneration and investment inwards. But we see little emphasis on the issue of vulnerable clients and financial inclusion for everybody. There is no emphasis on that. One of the reasons is that we are working with a regional development agency that does not see—I meet officers who tell me this—removing barriers to employment, to financial inclusion and to mobility as a key priority area for its work. That is not really what we are here for. We are here to promote business, and making that link between the client journey—particularly the client journey of the most disadvantaged, and large swathes of the population like women returners, women with children or people with caring responsibilities—for us is critical. That is critical not just for Citizens Advice, but for lots of voluntary sector organisations who have been working closely with those agencies to say, “Yes, let’s look more strategically at broader issues such as barriers to employment and reducing financial exclusion.” These are critical to the well-being of the south-west as a whole.

Q104 Chairman: Are you surprised at the RDA’s response?

Helen Scadding: I think it is changing and I think we have seen real change over the last two or three years. My own view is that it is still quite slow. I don’t know about others, but despite being on a number of forums and being possibly quite actively involved in regional social policy development with a number of Government agencies, I still find it quite hard to engage in clearly identifying what the priorities are and how our evidence and our data can have an impact. We have a lot of data and a lot of social policy evidence.

Q105 Chairman: One of the RDA’s drivers, in terms of putting funding into different areas, is the number of jobs created, and clearly some of the issues you have raised suggest that because it is not engaging with your sector particularly well, it does not therefore understand how to get some of these people back into work in a way that is positive. Do you agree?

Simon Nunn: In general terms, we commented in our submission. Post-SNR structures and other things have come up at an unfortunate time, when there is a need for co-ordinated activity across the region around economic growth. There needs to be a culture shift in the RDA in the south-west. There is still a boom time mentality, which saw economic growth in the south-west being achieved through raising productivity, rather than making job creation a key part. That culture is quite entrenched in the RDA. There are initiatives whereby you can join up all those things. We were calling for huge investment

in social housing, but in terms of regenerating the south-west economy, you can link in all those things, which will be about supporting the construction industry, increasing the supply of social housing, helping people access work—where you have social housing, it is easy to have things such as training schemes to get tenants into work—and building capacity in the south-west around green technologies. It will be a win-win-win situation if we have that kind of investment. We have not yet seen that kind of co-ordinated approach emerging.

Q106 Dr Naysmith: Has anyone suggested that to the RDA, or submitted things to say that that is what it should be doing? What has been the response? Does it just say that it is its job to stimulate more housing, and it doesn’t matter what sort it is?

Simon Nunn: Our two organisations have been pushing the matter nationally rather than locally.

Q107 Mr Drew: None of you specifically mentioned the rural perspective of the south-west. We are one of the most rural parts of the UK. Is there a rural dynamic? We know that there is in terms of housing, but in terms of the nature of the problems that people face, rural isolation adds to it. Is there a sense that people are increasingly being driven to urban areas if they are of lower means, because they just can’t afford some of the offset of costs of their current situation?

Helen Scadding: There has always been an issue in the south-west about what we call the finance gap, which is the combination of relatively low wages—a factor of rurality—high housing, utility and transport costs. Some services are high-cost as well, which leads to that finance gap. We have relatively good, high employment—that has always been the issue for the RDA. Unemployment is actually very low. There is quite a lot of employment that is low-paid, seasonal or temporary—those are the key issues in some of the more rural areas. There are issues around service delivery as well. One of our key concerns is that increasingly for the voluntary sector, it is extremely difficult to provide the type of face-to-face services with the capacity you need to be a voluntary sector organisation in very small communities. You cannot run a voluntary sector organisation on a turnover of £50,000, £60,000, £70,000 or £80,000, even with volunteers. Increasingly, the voluntary sector is facing that difficulty, whereby it is having to retrench, to a certain extent, to larger agencies and rely more and more on telephone-type services. That is another area we will see in rural areas. People will find it more difficult to see a person face to face and get face-to-face support in the long term for issues of concern. I think there are many rural issues. We make reference to the Commission for Rural Communities—it has just issued a big, detailed report about the financial crisis and rurality, to which we contributed a great deal of evidence.

Q108 Mr Drew: Housing—does anyone want to comment?

Simon Nunn: One factor linking the rural housing issue with the economic situation is that evidence shows that the exodus of younger people from rural areas is larger in the south-west than anywhere else in the country. It is younger people of employment age who are driven out of rural communities by high house prices and lack of affordable housing. In the medium to long term, that will have disastrous economic consequences for rural communities.

Q109 Kerry McCarthy: What is happening in the buy-to-let market? Are you seeing any impact from measures such as the easy-buy and shared ownership schemes? Is pressure growing on the social housing sector, owing to insufficient availability of private rented accommodation and people not choosing buy-to-let? On the other hand, are more people able to get on to the housing ladder because of the shared ownership schemes?

Simon Nunn: On shared ownership, which I mentioned initially, our evidence is that, because of the lack of take-up, the Government and CLG are starting to question whether shared ownership products are valuable. As a sector, we would say, “No, no, no, it is a valuable product.” Universally, when I speak to housing associations about shared ownership products, they say that the demand is there, but lender behaviour is holding it back: they just will not lend to low-income families. That’s the real problem. The Government really needs to focus on lenders, either using Northern Rock or, where they have nationalised banks, by moving in and creating some specialist lending vehicles for shared ownership. That would help massively. I don’t think there is any evidence of a lack—the private rented sector is not contracting at the moment; I don’t see that at all.

Karen Stalbow: We have evidence from our Bristol advice centre that Bristol city council has been inundated with private landlords looking to rent their property. They are actually in a position where they are not able to sell it, so it’s an opportunity for them to be able to generate an income by renting it. As far as we understand, the council has taken on a third deposit bond scheme worker to deal with the increased demand.

Q110 Kerry McCarthy: In Bristol, I am observing an increasing number of people buying up family homes and turning them into flats. To some extent, they are managing to squeeze a huge number of properties out of them. I accept what you say about accommodation being available and that people are telling the council that they are looking for private rented tenants, but does the accommodation tend to be flats? Is there a shortage of family homes? With the demographics in Bristol, the demand for quite large family homes has increased in recent years.

Simon Nunn: I can only speak from experience of living in Bristol and what I see around me, but I think that you are absolutely right. Family home rents in Bristol are still very high. Retrospectively, there has probably been over-development in Bristol down by the water and around the docks—all one and two-bedroom flats. That is the key for housing

association purchases. I know that housing associations have bought some flats in Bristol. They have bought some good properties in Bristol. However, the real shortage facing our sector is of family homes. People are saying that there is a big opportunity out there, with lots of privately built properties in Bristol just sitting there. They could be got on the cheap, but they are neither use nor ornament to many housing associations that need to house families.

Q111 Chairman: In evidence from AdviceUK, a series of proposals were made. You comment that a relatively small amount of funding will have a significant impact on the ability to meet increased demand. What is a relatively small amount of funding from your perspective? What numbers are you talking about?

Dal Warburton: Centres with three, four or five caseworkers might want to expand their capacity. I think that the figure was included in the report. However, you could immediately increase your capacity and see a further 200 clients a year by employing a further worker. I think that the figure quoted was about £58,000 in terms of full-cost recovery.

Q112 Chairman: The most optimistic scenario is that it could be a blip with a tail that will go into your sector for about six months. Is the money therefore best targeted at that type of support, or should it go elsewhere? The situation is difficult to read.

Dal Warburton: This is one of the issues related to the question of how you respond to demand. You need to look for ways to respond flexibly to demand, and to be able to do that you need to have organisations that have a relatively strong centre, to be able to recruit extra staff and to monitor their work.

Q113 Chairman: Are there enough skilled staff out there to recruit?

Dal Warburton: The information that we are getting is that recruitment is increasingly difficult, although people in our membership are saying that they are advertising.

Helen Scadding: I think our service is slightly different because we have a national training programme for all the volunteers involved with Citizens Advice. To a certain extent, many volunteers see it as a route into employment—more than 30% of them move into paid employment, either within the service, within other advice agencies, or in a different field altogether. To a certain extent, we are “growing our own” continuously Returning to the FIF (Financial Inclusion Fund) model, which I commend, one of its beauties is that it is based on a full-cost recovery model, which I think our agencies would very much support, so it has an aspect of sustainability. Another unique aspect of the model is that it looked to recruit apprentices who would train for eight or nine months to become financial inclusion advisers. The first three-year funding package was targeted in that way; it was very front-loaded towards the first

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year, where there would be a lot of training and recruitment. In fact, that has led to an influx across the country of trained financial inclusion workers, of which there are about 18 in the south-west region. We want to see an increase in that model and we are hearing some good news in that area. For us, that is a critical campaign. One of our points is that, increasingly in today's society, small voluntary sector organisations struggle, because they have to have a broader core capacity around them to provide. That is particularly the case in relation to contracts; the main way in which voluntary sector organisations that provide a front-line service are going to survive is by winning contracts to deliver services. This is also a rural issue—going back to Helen's point about rurality—because what we are seeing more and more is a kind of M5 corridor to funding. It is going to become increasingly difficult to get funding outside that corridor, particularly

from major private sector contractors, who are winning. They want to put the funding in the main centres, where they think they can get away with serving the most clients.

Karen Stalbow: Shelter is keen to see legal aid availability extended. Numerous clients who come to us with mortgage arrears problems are not eligible for ongoing free legal aid funding. That can be true even if they are thousands of pounds in arrears, which severely constrains our ability to help borrowers or to engage in casework before a crisis point. In order to be able to have the early intervention that we have been talking about, extending legal aid availability for a time-limited period, and specifically for homeowners who are at risk of repossession, would be really important.

Chairman: Thank you. We will take that away and consider it. Thank you all very much for coming and giving evidence; we very much appreciate your time.

Witnesses: **Ian Ducat**, Regional Officer, Unison, **Rachel Jones**, District Manager for the West of England, Jobcentre Plus, **Tim Lezard**, Chair, Regional TUC and **Paul Lucken**, Regional Director of Skills, Learning and Skills Council, gave evidence.

Chairman: Good afternoon. Will you identify yourselves for the purposes of the inquiry and describe your organisations briefly?

Rachel Jones: I am Rachel Jones, District Manager for Jobcentre Plus covering the West of England area.

Paul Lucken: I am Paul Lucken, the Regional Director of Skills at the Learning and Skills Council. We are responsible for post-16 learning in the south-west and nationally.

Tim Lezard: I am Tim Lezard and I am Chair of the South West TUC, which represents about 650,000 trade unionists in the region.

Ian Ducat: I am Ian Ducat. My day job is Regional Secretary of Unison, but I am here substituting for Laurence Faircloth from Unite. I am from the TUC Executive in the south-west.

Q114 Chairman: Thank you for coming. From each of your slightly different perspectives, would you tell us where you are in managing the demands on your individual bodies at present?

Rachel Jones: To give the picture of what has been happening across the south-west: we have seen a rise of 139% in unemployment over the past 12 months, whereas the national figure has gone up by 86%. Jobcentre Plus has been doing several things to support people who find themselves in redundancy positions, and to cope internally with that situation. We have been recruiting staff to keep up with the pace of change and the economic downturn. In May 2008, we were employing just over 4,000 staff across the south-west region; by May 2009, that had reached 4,700; and by the end of March 2010, we expect staffing to have increased to about 5,200. We have also been looking at our own premises to see if they are fit for purpose in the present economic circumstances. Where possible, we have put forward plans to expand our estates. We have also been

working with partners and providers to see how we can deliver services in a different way through co-location and providing outreach where necessary to cope with additional footfall. We have been considering how we can make our internal processes more efficient and work differently in order to cope with the increased demand on services. For example, we have looked at getting similar groups of customers together to provide information on a group session basis, rather than working with them one-to-one. I am pleased to say that, despite rising unemployment levels in the south-west, Jobcentre Plus is still hitting all its key performance targets.

Q115 Chairman: Paul, can you give the LSC perspective?

Paul Lucken: I suppose that the main impact of the recession has been the need for us to shift the focus of our primary service to employers. The Train to Gain service has seen very significant growth over the past 12 months; participation has doubled. Almost counter-intuitively, more people got involved once the recession really started to bite—and those were people who were employed. Employers are responding by using down time or free time to utilise training funds to support their employees. However, that programme is now under significant pressure. We have flexed Train to Gain so that we can now help those people who are facing redundancy, whereas previously Train to Gain was primarily for those who were already in a job. That came through with addition funds. We had a share of some additional funds from the national pot and we have matched those with European social funds. We have introduced a new provision, working very closely with Jobcentre Plus, to help those who have been unemployed for six months. While one might say that they are not the current victims of recession, they are the people who are going to find it harder to

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get back in to work. That provision was launched in April and the process has been very rapid. The announcement only came out about six weeks before the launch, so we had to move quite quickly to develop the provision through our network of further education colleges. Our general sense is that training is part of the solution but that skills training has to now be coupled with training to prepare people for entry or re-entry into work, which is not the focus we had in the first few years of our organisation. We are now having to reconfigure how we go about helping people.

Tim Lezard: Obviously our members have borne the brunt of the recession, particularly in the private sector, although I am sure that Ian will tell you that we have problems with the public sector as well because of the extra demands placed on it because of the present circumstances. The TUC has been working with the individual trade unions, obviously helping them with redundancy. We have produced a guide about redundancy and how to cope with it. We also work very hard with the unions to prevent redundancies from happening in the first place, through various other partnerships—Train to Gain, for example—and other learning, because we would rather prevent redundancies happening in the first place than have to work afterwards. We have been working very hard with employers as well to ensure that people are better trained and learn new skills. Nigel Costley, the regional secretary, has also been working with Jobcentre Plus. More widely, we have been lobbying the Government and other partnership organisations to encourage employment in the region, in the hope that eventually, when the recession finishes, there will be a more equal society and better-paid jobs for everybody throughout the region.

Ian Ducat: I will mention just two specific points. To supplement what Tim has said, we have welcomed indeed the TUC championed this whole notion of the Future Jobs Fund and we welcome the significant billion pound investment in it. Clearly, we want to see it succeed. We are worried about the possibility of job substitution as it develops. That is one of the things that we need to talk about. We are really concerned, however, that so far in the roll-out of the programme, the trade unions, to all intents and purposes, have been neglected by the Government Office. Unions, through the TUC, have responded to not being involved in the preparation for the implementation of the fund and are talking to the Government Office. We were involved in discussions with Ben Bradshaw, the regional Minister, to identify why there was no trade union involvement. That is continuing, although I guess it will be with the new Regional Minister. We have also been talking to the local authority employers to make sure that the local authority trade unions are involved. There is a tremendous opportunity for us to use this scheme—the Future Jobs Fund—to plug gaps, help supplement skills and so on, but we want to make sure that the quality of the projects and schemes is right. That is where we think we can contribute. My second point is that, as you know, the RDA is in the process, as we speak, of telling some of

its partners that some of the projects they have been working on are being cut. With exquisitely bad timing, as the recession developed, the RDA funds were cut and the effects of those cuts in the RDA budgets are just being passed on and announced to partners. If there is one thing the Government need to do, it is to revisit the whole RDA funding issue. We have not yet seen any official announcement about the merger of the two departments, DBERR and DIUS, but I am sure that the TUC will welcome that because of the number of problems with the separation of responsibilities. We need to get these two—the big policy areas—working together. Hopefully, there will be an opportunity with the merged Department to revisit the funding. In your previous session with the CBI and the FSB, our friend Viv Rayner made the point very well that there is a need to ensure that the RDAs have the resources. The south-west region has been neglected, perhaps because of perceptions about the region's role or lack of role, as the case may be, in manufacturing.

Q116 Mr Drew: May I pick up on the issue of wage contributions? Rachel and Paul, you, perhaps, were not in the room when I was quizzing the first panel of speakers, but Tim and Ian were. The key thing, as far as I am concerned, is that as we come out of the recession, we will have lost key people and key skills, and our continental competitors, let alone Wales, will be in a much stronger position. If we are to make progress, how can we persuade Government that it is not a net loss and a big cost, but a realistic response to keep people in jobs, which we should not be losing, and give them appropriate training and skills? It is well known that I have piloted the scheme with Delphi and Renishaw, which is almost there but always seems to be somewhere in the future. Starting with Paul, how can the LSC, notwithstanding that it will cost money you don't have, move forward?

Paul Lucken: The issue of wage subsidy, which is at the heart of your question, has been addressed a number of times in recent months without a clear decision about the value added it brings—in other words, the cost of the wage subsidy versus the benefits gained. The Learning and Skills Council is about training and developing individuals. Therefore, to date, it has not been in our brief to operate straightforward wage subsidy programmes, so we would not set out to create one as a policy initiative. I suspect that that would have to be a major intervention as part of the recession. I know that the costs are extremely high and the time scales over which a wage subsidy would need to be paid to retain labour mean that it could be a very expensive provision. In terms of the Learning and Skills Council, we have no brief or policy goal of introducing a wage subsidy per se, and we do not have the funds to do so. Wherever possible, we have tried to flex all of our provision to make it that much easier for companies to utilise training resources that they already have in-house. Delphi and Renishaw are very good examples and I know that you have worked extremely hard to get them there. It means that they are effectively using Train to Gain funds to

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train their own staff. In doing so, they are deploying their own resources more effectively, but it is not the same, as you well know, as a wage subsidy provision.

Q117 Mr Drew: Rachel, before I ask Tim and Ian to respond, what are your views on the applicability of a wage contribution or subsidy in trying to prevent people from coming to you?

Rachel Jones: There is nothing really further to add to what Paul has already said. It is a question more for Ministers than for the operational delivery part of the organisation. From Jobcentre Plus's point of view, we have invested time and resources into the rapid response funding used to support Renishaw. That has supported people by looking at what skills transferability they may have, helping them to seek different avenues for training in the future and supporting them in CV and other outplacement services.

Q118 Mr Drew: The TUC response?

Tim Lezard: The TUC response is that we would support the wage subsidy. It is important to keep people in work because it keeps the economy going. We are aware that some businesses are struggling and need support. As you know, I am a journalist by profession, and one thing that I would add is that media companies in particular have been using the recession as a smokescreen to get rid of a lot of the journalists. We all know your situation, David, and it is the same in Bristol and Plymouth; they are using it as an excuse to cut staff and we would be wary of that. The TUC advice in these situations is that we ask trade union members to check the company's accounts to ensure that it is actually in need, rather than just complaining about it.

Ian Ducat: I don't underestimate the nightmare of the bureaucracy associated with trying to operate such a scheme and the dangers of employers taking advantage, and satisfying the complaints from employers who are not beneficiaries, if you go down the sectoral base, as you talked about in your earlier session. You only have to think about the outcry from industry in the US when the motor industry was subsidised and supported and others had to go to the wall. Governments cannot win in this matter. However, as Viv Rayner said, they manage to work and operate one in France and several other European countries, so it is worth while pursuing, particularly if it affects our competitive advantage, as the TUC believes it does.

Q119 Dr Naysmith: May I ask Rachel a question? You were saying that demands are increasing on your service and that the types of solutions you have been looking for are at different levels from before. Have you enough resources to deal with this extra demand and the greater difficulty of job placement?

Rachel Jones: In terms of resources within Jobcentre Plus, it has taken some time to recruit the additional work force I talked about earlier, but the signs are that we have got staffing levels about right to cope with the increased customer volumes we are now seeing. Another challenge that the current economic downturn has brought is the very different customer

base from the traditional one you might imagine seeing within Jobcentre Plus. For example, we have seen an increase of about 168% in people coming from professional executive occupations, not the customer base that Jobcentre Plus has dealt with in the past. We had to move quickly to put in place different support, help and services for that particular customer group. One initiative we have taken across the south-west is to work carefully and closely with HERDA, who represent the university sector, who are used to giving graduates guidance and information about what jobs might be available. We have just started a pilot approach in Bristol with the four universities across the west of England. They have put together a three-day programme run by the careers service within the universities aimed at professional executive customers. In the first week of the pilot—just last week—we referred 25 customers and 23 turned up for the programme. It is acknowledged that it is not just the numbers that are different for Jobcentre Plus; it is the type of customer we are seeing and ensuring that we are on the front foot to respond to that.

Q120 Dr Naysmith: I find that very interesting, because a few months ago, probably before the recession began to bite, I visited my local Jobcentre in Monk's Park in Bristol. A young man told me he was looking for a scientific-based job because he was a scientist who had been made redundant. This was just the early stage of his job search and more depth would be coming later. We typed into the computer and desperately tried to find a science-based job and there was only one. There were loads of jobs in shops and commerce and that sort of thing but there was nothing that he could apply for. Presumably this is changing because there must be engineers, scientists and technicians being made redundant in the Bristol area, not at a great level, but there will be some who will be looking for that kind of job.

Rachel Jones: Yes, and that is where we have seen the increases—in the skilled trades, professional and executive people. The first thing to bear in mind is that the vacancies we get in Jobcentre Plus are only about a third of the total vacancies in the labour market at any one time. That is why we encourage customers to use different sources rather than just the Jobcentre to look for work. One bit of feedback we had from the work the universities were doing with us last week is that customers have benefited enormously from having a network set up to ensure that they can gain access to a much wider jobs market information than we might hold within Jobcentre Plus, through journals and professional organisations.

Q121 Mr Drew: One of the things that I have been looking at with the larger employers who have been shedding jobs is what I call the loan transfer. This is based on football. It is where a company has a big order or needs a boost in specific skills for a short time—a football team would get a loan transfer and pay the wages, and the player would go back afterwards. I smile because that is what Gloucester City rely on, usually from Forest Green. I have

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found it incredibly difficult to get this under way. Why is it so difficult? The parent company gains because it has an employee who is temporarily surplus to requirements, the receiving company gains, and obviously the individual gains because they are in work rather than on the dole. Why is it so difficult to get these win-win-win situations under way in the UK?

Rachel Jones: Have you any specific examples in mind?

Mr Drew: I have small companies always saying to me that they need a skills bonus that can help for a period but they do not know whether they can employ someone permanently. Normally they would go into the contract market, but we want to avoid that because we want those skills going into other parts of the economy. If that is not happening, why not? Perhaps Paul has a view on that.

Paul Lucken: It is happening at a certain level with young people in apprenticeships. I mentioned in our submission to the inquiry that we have launched a prospectus to develop group training associations. That is where an association of employers pulls together a group of young people to undertake their apprenticeships. They do not work for any particular employer; they are employed by the association and have the opportunity to work among the member companies. The concept of companies sharing labour seems to work. This is not a new idea; it is one that we have brought back in the current climate. The challenge arises on a number of fronts for fully skilled, employed individuals. The first is competition. The chances are that a company would be lending labour to a competitor. There is an intrinsic issue about the willingness of businesses to do that. The second is cost. The costs between different businesses vary quite considerably. The wage costs for an individual at company A might be more than company B could afford. There are other issues with the capacity of businesses to free up people. Only very large businesses would have the flexibility to let a number of their work force go to another company. At that point the question is, which company could they go to without being in competition? The short answer is that it works, or has worked, with young people, perhaps those in the development phase of being in the work force, but there is no real evidence of it working as you described for the mainstream work force.

Q122 Chairman: Would the unions have concerns about employees' terms and conditions with this sort of loan?

Tim Lezard: We would be worried about such situations. As far as I know, there is no strict policy at the moment.

Q123 Mr Drew: If not this, how can we prevent people from being summarily dismissed? One of the sad things is that I have talked to individuals who make one wonder why it has been taken to that extreme—there were other ways that we might have handled it. I'm off to Cologne next Monday—sadly, I will not be voting in the election of the Speaker—to try to save 30 jobs at Deutz in my constituency. It

is a question of going to the parent company and asking it to give those people a chance. There are only 30 jobs, but they could link with other businesses. The problem with that is trying to do it within a matter of weeks; they will be gone at the end of June. We are trying to buy time, but there is a limit to my time and that of the work force. These are not impossible situations. Why can we not make more of this? That is what I am an MP to do—get out and save jobs. I could stand back and say that this is the way the market is, but surely it does not have to be that way. I wonder whether there are innovative ideas out there that you could tell us about so that we could get out and work with them.

Ian Ducat: We are seeing the “innovation” in lots of companies allowing people to stand down on half wages. It is better than being dismissed and having no job at all for the future, but it is not exactly ideal, is it? I understand Paul's Lucken's comment. Within the public sector it might be possible because there is not the competitive issue between organisations, but in the private sector, particularly when you are talking about cutting edge technology and people with knowledge of processes, technology and so on, there would probably be some practical difficulties.

Paul Lucken: Colleagues may have picked up on this: the RDA is introducing a talent retention initiative around the aerospace and engineering sector. That strikes to the heart of your point, which is how to keep those highly qualified, highly skilled people who may go in the short term but are needed in the medium term. That initiative is around utilising all the information there is about available vacancies and opportunities and bringing it to the attention of those people who are at risk before they lose their opportunities. It requires the co-operation of all the employers because you could end up losing good people to someone else's business. It requires significant management. They are in the process of developing that now. From the Learning and Skills Council's perspective, our contribution concerns whether those individuals might need to change or develop their skills if they move from employer A to employer B. Quite often there are transferable skills and specialist skills linked to a particular business or company, so there are innovative ideas under way. My fear, which is probably the same as yours, is that they take a while to develop. They cost a lot of resource, and the sort of crisis management that I think we are talking about militates against developing them quickly enough.

Ian Ducat: I know that your focus for today's session is recession, but in the long term—again, this was mentioned in the first session and Kerry's devil's advocate question about what is the south-west for—does it matter whether there is a perception about the south-west's place in the UK? I feel very firmly that it does. I was quite surprised by one of the employers' responses. This whole business about building up supply change networks and skills in this region is heavily dependent on people outside the region and within it understanding that it is about more than just hotels and agriculture. It is important that we convey the message that the south-west has a high skill base of engineering, aerospace and the

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marine sector in the far west. That is crucial to attract that investment into the region. Again, the RDA is very interested in that and trying to address it. We need to monitor its work on that continually.

Q124 Kerry McCarthy: I agree entirely with what Ian was saying just then. In my constituency the other day, I met an organisation that is the world's largest wind energy consultancy. It said that there is a huge amount going on at the "intelligent academic sitting at a computer" end of the work. However, Denmark produces all the wind turbines even though we have the manufacturing base in the south-west. Apparently, those turbines are Denmark's second biggest export after bacon. Those sectors are not necessarily exclusive. You don't have to have the dividing lines between the manufacturing sector and some of the more innovative things that are going on. There is a definite link. My question is probably more for Rachel. We have these employer schemes to put people on flexible working or lay them off for short periods, which is obviously fairly disruptive to household income. The self-employed are also going through rocky times. So, how flexible is Jobcentre Plus in responding to people's circumstances? Traditionally, the benefit system is not at all flexible. People have come to me to say that their last job was several months ago and they may have received a lump sum for it. I gather that, in those circumstances, Jobcentre Plus will assume that that lump sum is their income for the coming period. I think that that individual was told that he had earned £5,000, and therefore that was deemed to be income, divided by 52 weeks. That is ludicrous, because at the time that he earned that £5,000 that individual didn't realise that it would have to last him that long. Are there things that could be done to help people in those situations?

Rachel Jones: The rules and regulations of the benefit system are subject to legislation. The one thing that has happened over recent months that has helped relates to people and their mortgage position, where we have responded to people who found themselves out of work. We have reduced the time that they have to wait for mortgage interest payments to be received and raised the level at which we can pay mortgage interest, from £100,000 to £200,000. Legislation and benefit rules are a matter for Ministers to consider.

Q125 Kerry McCarthy: I think that it is an area where we need to collate the information about what is happening on the ground. That is because, when you are drawing up the rules and regulations, it is very easy to think of people being either in or out of work. Would that mortgage help kick in if somebody was put on, say, part-time hours or short hours?

Rachel Jones: No, it wouldn't at that particular point of time. The other thing I would say is that we endeavour within Jobcentre Plus to take each individual case as it comes to us. So, although there is the legislation, when we assess benefit we do that on an individual basis and we look to see what rules and regulations would affect that particular individual.

Q126 Dr Naysmith: The moment has probably passed, but I just want to go back to Ian. My question relates to the green recovery. If you want the real recovery, that is the green recovery. In your submission, Ian, you mentioned that the Government seem to lack a bit of commitment in that regard. They talk about green issues but they do not do very much. There is no urgency or leadership in terms of establishing these green industries. What do you think would be better done than the things that are being done now?

Ian Ducat: The Government have been very slow, although in the last six weeks or so the RDA in the south-west has been the beneficiary of some additional cash to support projects in the far west of the region based around wave-hub technology. We would certainly like to see more of that type of investment. There was also the point about wind turbines. There is huge scope to try to put that sort of technology at the centre of the south-west's economy. Any support that industry could get to help it through this time would be welcome.

Tim Lezard: I would just like to add to that. Obviously, the south-west has huge potential in that sector, because of our geography; we have the waves, the wind and the tidal situation too, with the Severn barrage. So there is loads of stuff there. The TUC is trying to go into businesses to work with employers to set up green workplaces—green projects within the workplace—to help employers to best use their energy and other things, so that development is sustainable. Any support that the Government could give for that would be helpful, too. I know that such green activity is only on the micro-level, but it all helps and it all adds up, doesn't it?

Q127 Chairman: May I come in at this point and talk about, first, the way in which companies advise you and enable you to prepare for significant redundancies. Just from looking at the Plymouth experience and then looking at what happened with Honda here, things are hugely different. Some companies seem to turn up in the morning and drop this bombshell on their work force. When you say to the company, "What measures are you putting in place to ensure that people have support, advice, and so on?", their answers are all a bit vague. Some of those companies are quite significant ones, with international reputations. If you compare that with others, which have clearly had pre-negotiations and discussions with trade unions and other bodies, what do you think can be done to improve the way in which employers think in advance of making changes? What can each of you do to try to ensure that this is much better managed and that we get protections in place? Also, how do you think Honda has managed what happened in Swindon? Has it been managed well or not, and are there lessons to be learned?

Rachel Jones: That is an interesting point. In the same way as Jobcentre Plus has not experienced anything quite like this for some time, that has to be true of employers as well. They may well not have been through a recession before and may never have been in a position where they had to think, "I'm

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going to have to lay off staff and make them redundant.” One of the things that we have been working on across the south-west region with our area action forces is producing information for employers telling them not only what services are available, but also how we are trying to join up those services between the RDS, the LSC, the local authorities, HMRC and Jobcentre Plus. We are trying to present that as a single package for an employer who might be beginning to struggle financially and is asking, “Do I at this point need to declare my work force redundant, or are there other things that I can do before I get to that stage?” We have produced and sent out across the region a leaflet that jointly summarises what our response could be before an employer gets to that redundancy stage. Of course, as soon as we know that an employer needs to make people redundant, we can respond pretty quickly; the usual response time across the area action forces is within 24 hours of an employer publicly announcing a redundancy situation. At that point, we would go in as a joint public sector response to offer what services we could.

Q128 Chairman: How many have left it to the last minute? Can you give an approximate percentage of such employers?

Rachel Jones: I don’t have those sorts of figures in front of me, but we had to respond very quickly—as did the rest of the country—to Woolworths. That response came literally within a few days of the announcements of which particular stores would be closing. Again, our response had to be pretty swift.

Q129 Chairman: What is the view on the trade union side?

Tim Lezard: We think that they should give notice, as they are supposed to have a consultation with employees. The trouble is that once they have decided to close, what else is there to do? We would obviously encourage people to give as much consultation time as possible and to work with trade unions. We have seen situations before where employers have actually worked with employees to work out ways to save businesses—there might be voluntary redundancies, for example, or people might be happy to work part-time. Things like that cut back on costs.

Ian Ducat: I believe that the penalties for failing to have a consultation with your work force before making big decisions involving redundancies should be more severe. Otherwise, they, the staff, are just ignored and the employers simply take the hit imposed by tribunals.

Q130 Chairman: Have there been any difficulties in defining significant redundancy and how it relates to getting additional help through the system?

Rachel Jones: Jobcentre Plus has been clear that what significant means for us is any redundancies of 20 or more. At that point, we would trigger our services to have the conversation with the employer about the help we could give.

Q131 Chairman: Paul, let me put you on the spot a bit. LSC is currently in a position of flux and going into a transitional period. Do you envisage any problems for the service that you currently operate during that transitional period? It is not going to be easy for you or your staff, is it?

Paul Lucken: The Learning and Skills Council will be replaced by two agencies in April 2010: the Skills Funding Agency, which will look after post-19 learning, and the Young People’s Learning Agency, which will support local authorities for 16 to 18 learning. We are now in the process of transition towards that, which means that all of our staff will, I hope, be matched to roles in either of the two new agencies. There will be challenges in the south-west because of geography; the new structures will have far fewer outlets than the LSC currently uses and will therefore probably place demands on people’s flexibility to work away from an office base, which is what many staff are currently used to. That is a general picture. Our goal is to continue services so that it does not show on the outside and we continue to fund provision, maintain quality and, where possible, try to flex that provision to react to our environment. That is our policy intent. We see these changes as a significant risk which we need to manage. Our management team regard it as a priority to consider how our service is being delivered in the light of these changes. Rather than ignore them and hope that service carries on, we are taking steps to ensure people are in a position to do that while going through the change.

Q132 Mr Drew: I want to pick up a point from earlier. If anybody wanted to invent the reason for trade unions, it would be the way in which some companies have handled redundancy situations. They don’t understand what they are doing and they make the rules up as they go along. A lot of good people have to dig them out of the holes they have gotten themselves in, otherwise we would be for ever in the courts. However, that is just a statement. Can I look at one thing which is overarching the south-west and about which I am quite worried? It is the narrowness of our employment base. Although we seem to be the most diversified of regions, with tourism, agriculture, manufacturing and the creative industries, in fact we are quite narrowly focused. When we have seen some of the cutbacks, we have perhaps done disproportionately badly in the south-west. Gloucestershire was seen as one of the major losers. That has been manifested in the way we have seen a lack of security in business. Maybe we were too complacent in the past, thinking that it would never hit the Gloucestershires and Swindons of this world because we were the growth models that the rest of the region was trying to catch up with. We have learned some real lessons in this, haven’t we? Paul or Rachel, would you like to respond?

Paul Lucken: We certainly have. In my experience, this recession has had very different characteristics and we have been through a few of them. The capacity to understand how it will impact on industry in the south-west—we have really been learning as we go along because of the nature and

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cause of the recession and the impact on different types of business. We have a reputation as a community in the south-west for having been the least damaged by some of these things. The word you used was, I think, complacent. This time we have not been complacent in terms of our capacity to recognise the danger we face. I picked up on a point made earlier; we face challenges beyond other parts of the country. Rurality and isolation are crucial when it comes to dealing with recession in the south-west. We have an added challenge here.

Q133 Chairman: May I finally ask for some short responses to a question? It will not be easy. The RDA are clearly facing funding issues and I understand an announcement has already been made. Which sectors or schemes, in your view, should not be cut? I am sure you will say all of them. However, given that there are pressures, which areas do you think are vital to the region and should be continued in terms of support?

Rachel Jones: I reflect back to the experience we have had working with the RDA over the last 12 months. My home patch is Bristol and we have had a major new development called Cabot circus which is one of the biggest shopping developments in Europe. The RDA gave support to the Bristol Alliance—the developers of the Cabot circus approach—and to the LSC and Jobcentre Plus, as well as providing funding to knit that partnership together, support the work of each of the public sectors to outreach to the local community and provide pre-employment advice and training. In the previous session, it was suggested that the RDA was not that focused on

employment opportunities and growth. Actually, the experience I have had in Bristol was that they were dedicated and committed. That would be my one plea: that they keep their focus on supporting new development sites that are opening up job opportunities to the most deprived and disadvantaged areas.

Ian Ducat: For the record, I should declare an interest.

Chairman: Yes, I had forgotten your position.

Ian Ducat: The exercise at the RDA of going through and trying to work out who were going to be the casualties was painful. Ultimately, the RDA decided to focus on its three key priorities: place, productivity-led growth and the green agenda. That was the correct way of doing it. The circle could not be squared and there were some casualties. I would say that, wouldn't I? The discussions about how to do it were very long. The answer is not to say the priorities were wrong. The answer, for those of us in the south-west that make the case, is that this region in particular has done quite badly out of the settlement, from the Department down. Lord Mandelson has said that the RDA is the cutting edge of the economy and recovery from recession. The delivery of that has not been evident in the south-west.

Tim Lezard: I only add the learning agenda to that. I know the RDA is a key funder of those sorts of situations. That should be encouraged.

Paul Lucken: I endorse everything my colleagues have said.

Chairman: Thank you very much for coming, it is much appreciated.

Written evidence

Memorandum from the South West Forum (SW 01)

SOUTH WEST REGIONAL COMMITTEE INQUIRY: THE IMPACT OF THE CURRENT ECONOMIC SITUATION ON THE SOUTH WEST AND THE GOVERNMENT'S RESPONSE

1. SUMMARY

1.1 Third Sector organisations are uniquely capable of responding to support people in difficulty as a result of the recession.

1.2 In our view the government response in the South West does not sufficiently recognise the role and potential of the sector.

1.3 We welcome the Office of the Third Sector's action plan "Real Help for Communities: Volunteers, Charities and Social Enterprises" but believe that its proposals do not offer enough support to third sector organisations for them to be able to deliver their full potential to help people affected by the recession.

2. INTRODUCTION

2.1 "Third Sector" or "Social Purpose" organisations provide services and meet needs which are not delivered through the statutory or private sectors: independent of government, any profits they generate are reinvested in their "social purposes". There are many thousands of these organisations operating in the South West offering a vast range of services. To be more specific, there are over 70,000 voluntary and community organisations in the region. Around 50,000 of these are small un-constituted or unregistered groups run by volunteers. There are 18,000 registered charities in the region which employ 66,000 paid people and have a £2.3 billion annual income.

2.2 South West Forum is the regional champion for voluntary and community organisations which comprise the majority of the wider "Third Sector". Our role is essentially a strategic one—working to ensure the voluntary sector is fully engaged in policy making and that organisations have the support they need to be as effective as possible. In other words, we are committed to helping to ensure an "environment for a thriving third sector"—one of the key national indicators adopted by the majority of local area agreements in the South West.

2.3 One of the strengths of voluntary and community organisations is their ability to rise to the challenge in response to change. This flexibility includes the experience and skills to adapt to serve the needs of communities during recession. The recession is going to be challenging for everyone, not least for voluntary and community organisations which often rely on the public sector for financial resources through contracts, service level agreements and grants.

2.4 As voluntary and community organisations are often quite small they can be better placed to respond in times of financial change, delivering the right services at the right time. The nature of the sector means that its leaders are realists and optimists who are used to juggling limited resources to the best effect. Voluntary and community activity is very diverse, but has a common purpose of reaching those most in need of help and support in local communities.

2.5 To highlight the capacity of third sector organisations to respond effectively to the challenges thrown up by the recession South West Forum is about to publish *When it matters*; a booklet featuring case studies of the work done by third sector organisations in the region to help people adversely affected.

3. ACTIONS BY GOVERNMENT IN THE SOUTH WEST

3.1 We do not believe that the government's response to the recession in the South West adequately reflects the importance of third sector organisations potential to support people in the recession.

3.2 We are concerned that third sector organisations are not represented on the Regional Minister's economic task group, in spite of South West Forum advocating for involvement at this strategic level.

3.3 The third sector is represented on the People, Employment and Skills and Resilience of Public Services sub groups; however, we do not feel that either of these structures is giving due weight or importance to the role and potential of third sector organisations.

3.4 We have read the draft transcript of the evidence given to the Regional Select Committee by the Regional Minister and a representative of Government Office for the South West on 30 March 2009 and once again there is little or no recognition of the role and importance of third sector organisations in a period of recession.

3.5 We were also disappointed to receive the Regional Minister's response to our document on the impact of the economic downturn on the services and sustainability of voluntary and community organisations in the South West, *Community crunch in the South West*.¹

¹ Information provided, not printed

3.6 In a letter dated 21 January 2009 he writes: “It was not immediately apparent that even the small number of examples referred to, while significant to an extent in themselves, could be for the most part attributed to the current economic difficulties.”

3.7 It is worth noting that the report was not intended to be an exhaustive survey of the voluntary sector in the South West but rather it was intended to document specific examples of the impact of the economic downturn and the underlying financial pressures on the sector. Providing intelligence and case study evidence of the experience of third sector organisations on the ground is exactly what the Regional Minister, the Government Office Regional Director, the Office of the Third Sector and others had been asking for and this report was just one response to those requests.

3.8 A number of third sector organisations well placed to respond to the challenges of the recession are themselves currently facing the possibility of cuts in their funding from government funded bodies including the South West Regional Development Agency.

4. REAL HELP FOR COMMUNITIES: VOLUNTEERS, CHARITIES AND SOCIAL ENTERPRISES

4.1 In December 2008 South West Forum’s contributed to the development of the Government’s action plan of support for the third sector.

4.2 In our submission we suggested that the Government should consider establishing a dedicated fund in each of the nine English regions to be used strategically to enable voluntary and community organisations to respond effectively to the increased demand for their services brought about by the current economic situation. Funding decisions could be made through a joint mechanism involving the Regional Employment and Skills Partnership and regional voluntary and community sector representatives. We suggested a fund of about £10 million per region as an appropriate order of magnitude.

4.3 We also suggested that the government should consider establishing a national fund to provide temporary assistance to successful voluntary and community organisations facing serious financial difficulties to help them respond to the new economic conditions. Such a fund would be used to “buy time” for organisations to enable them to re-configure, develop new partnerships and secure new income streams. We suggested a national fund of c £250million would be appropriate.

4.4 We proposed in total a £340 million cash injection to support third sector organisations.

4.5 We welcome the Office of the Third Sector’s Real Help for Communities programme proposals but do not believe they go far enough in helping the sector to respond to the demands and challenges of the recession.

Memorandum from RISE (Regional Infrastructure for Social Enterprise) (SW 02)

1. SUMMARY

1.1 Planning and activities in the SW aimed at responding to current economic climate do not engage with a wide enough spectrum of business models or challenge the “status quo” that led to root causes of the credit crunch/recession. The social enterprise model offers a “viable business solution” that not only delivers profit, but reinvests this profit to benefit environment and society as part of its “raison d’être”. In essence People, Planet, Profit are the key motivations for social enterprise.

1.2 RISE as the regional strategic body for social enterprise is working with a number of government agencies and the social enterprise sector to raise the profile and improve the working environment for social enterprises. Currently the expertise of RISE and the sector are not being fully utilized by the mechanisms that have been put in place by government partners.

1.3 RISE has a number of recommendations that could help to address this situation, that do not have significant resource implications:

- Awareness raising activities should be carried out within the SW government agencies on Social Enterprise including SWRDA, GOSW and other agencies such as the LSC.
- The regional business support service for social enterprise should be fast tracked as a matter of priority by SWRDA and Business Link.
- Social enterprise should be more closely linked to the business agenda and embedded in all recovery plans.
- Partners should actively promote the Social Enterprise Mark as the means of identifying social enterprises that can prove that social and environmental benefit are integral their core business objectives.

2. THE CASE FOR SOCIAL ENTERPRISE (for more information on social enterprise see Appendix 2)

2.1 Social enterprise is a business model which offers the prospect of a greater equity of economic power and a more sustainable society by combining market efficiency with social and environmental justice. As businesses with primarily social or environmental objectives social enterprise can play a key role in building a more sustainable and resilient economy that addresses the social, economic and environmental challenges we face.

2.2 The latest government data suggests there are currently at least 55,000 social enterprises in the UK contributing more than £8 billion to GDP per year—in the SW it is estimated that there are at least 6,600 social enterprises. They operate across an incredibly wide range of industries and sectors from health and social care, to renewable energy, recycling and fair trade and at all scales, from small businesses to large international companies. They incorporate a range of business models including cooperatives and mutuals, Development Trusts and community enterprises, housing associations, credit unions, leisure trusts and Social Firms.

2.3 Social enterprises are well placed to play a key role in mitigating the impact of the recession and creating a more sustainable economy. They also offer a model of business that once established have a far higher survival rate than standard SMEs in total (by a factor of 4).

2.4 They are powerful economic actors that promote social inclusion, bring into use under-utilised assets and foster greater levels of community cohesion. They offer a more efficient and innovative model for public service delivery and are innovating in the sectors of the economy identified as integral to our recovery. Harnessing and supporting their growth could enable social enterprises to play a key role in creating a sustainable economy that is committed at its very core to the well-being of its citizens and the environment.

2.5 Social enterprises are already directly addressing many problems which have arisen out of the recession, from Community Development Finance Institutions and Credit Unions providing local finance; to social enterprises creating training opportunities and employment in the areas of the country that have been hardest hit.

2.6 In addition, the values embodied by social enterprises have a key role to play in rebuilding confidence in the British economy and in responding to the current thirst for a more values based approach to business and as such, generating a higher level of awareness among the public, investors and entrepreneurs is of paramount importance. Recent research (December 2008) carried out by RISE showed that in a poll of 1,000 consumers across the UK 74% of respondents would rather buy from a company that makes decisions based on concern for society and environment.

3. ROLE OF RISE (Regional Infrastructure for Social Enterprise—for more information see Appendix 2)

3.1 RISE is the strategic regional body for social enterprise. RISE and the SW social enterprise sector are regarded as one of the leading regions in terms of numbers, innovation and good practice. RISE has consistently operated at a high level in terms of advising Ministers on good practice and ensuring that where the SW leads, it informs national policy. Most notable cases are in the arena of social enterprise business support and in the development of the Social Enterprise Mark (a Fair Trade style Mark to help social enterprises market their unique business model to potential customers—for more information see Appendix 1). The Social Enterprise Mark is being integrated into the thinking of the Cabinet Office (OTS), in its “Real Help for Communities” plan in activities to promote social enterprise. It would follow that there is scope for endorsement of the Mark more widely by partners in the region as the badge to promote businesses that deliver social and environmental benefits as well as delivering economic outcomes.

4. EFFECTIVENESS OF THE CURRENT GOVERNMENT RESPONSE IN THE SW

4.1 The social enterprise business potential is not currently being sufficiently recognised or realised by the structures, government bodies and policies in their implementation in the SW, particularly around its role in the current economic climate and perhaps even more importantly in planning for the recovery of the SW economy.

4.2 To date RISE has had very limited input into any discussions and actions which seem to have been limited largely to government agencies and the “traditional business sector” eg FSB, CoCs, CBI, IOD etc on the one hand. On the other, there has also been a tendency for government agencies to categorise social enterprise into a wider “Third Sector” remit which has focused on grants and charities rather than the business potential in areas such as:

- Delivering on social and environmental needs alongside wealth creation—the triple bottom line—and to create social justice through an enterprising approach.
- Delivering creative joined business approaches to social cohesion and inclusion challenges eg reinvesting profit to further social aims and objectives and creating greater business viability and sustainability to local activities.
- The potential for communities to benefit from acquiring assets whilst the demand in the market is low. This will create financial sustainability and provide long term investment in these communities.

- The potential to encourage existing businesses to convert or set up as social enterprises particularly in areas where the mainstream market has failed in community and employee buy-outs eg village shops, transport facilities, managed start-up units and office space etc.
- Preserving and creating employment and skills (the Government has announced that 10% of the £1 billion Future Jobs Fund will be targeted at Social Enterprises)—during a recession it is likely that those that were previously excluded will be further disadvantaged, social enterprises are well placed and have experience in this arena eg Pluss who provide a number of employment opportunities to those who are disadvantaged in the labour market (including those with disabilities).
- Leading innovation and alternative business models in the field of public service delivery (eg Mid Devon Community Recycling—recycles more waste as it is not motivated by shareholder profit and also creates employment of people with learning disabilities).
- Being at the cutting edge of business creativity in the open market eg leading social enterprises such as COSMIC and the Big Issue were all business models conceived during previous recessions.
- The use and promotion of alternative ethical finance institutions eg Triodos, Co-operative Bank and CDFIs such as Wessex Reinvestment Trust and SWIG.

4.3 RISE has worked extensively with SWRDA and Business Link on the social enterprise agenda, and together has designed a support service that has the potential to scale up and increase the numbers of effective businesses in the SW. However, this has been frustrated by the length of time and processes that have been put in place leading to constant delay. This has been very frustrating for all concerned—there is an urgent need to progress this to ensure that social enterprises have a chance of becoming sustainable businesses in that current climate. We are also concerned that there is no social enterprise input into the Support for Business Action Group which feeds into the Regional Economic Task Group—at present none of the agencies that contribute cover the social enterprise perspective.

5. RECOMMENDATIONS

5.1 In order to progress the social enterprise agenda in the region to its full potential we would recommend the following activities:

- That there is awareness raising activities within the SW government agencies including SWRDA, GOSW and other agencies such as the LSC.
- That the regional business support service for social enterprise is fast tracked as a matter of priority by SWRDA and Business Link.
- That social enterprise is more closely linked to the business agenda and is embedded in all recovery plans.
- That partners promote the Social Enterprise Mark as the means of identifying social enterprises that can prove that social and environmental benefit are integral to their core business objectives.

APPENDIX 1

THE SOCIAL ENTERPRISE MARK

The Social Enterprise Mark is the ethical label being used by social enterprises on their products and promotional material. It communicates effectively with their customers that they do business a different way—trading for people and planet.

Social enterprises are:

“Businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community”

Office of the Third Sector

RISE has developed the Social Enterprise Mark, owns the intellectual property and is responsible for the implementation in the South West. RISE is a not for profit company established to strategically improve the business environment for social enterprises in the South West region. The need for the Social Enterprise Mark arose out of this work.

THE CONCEPT

Our vision is of a society where customers identify and choose to purchase the products and services available from social enterprises, aware of the ethical benefits these bring.

Currently social enterprises are “the missing piece of the capitalist system” says Mohammad Yunus, Nobel Peace Prize Winner. Actually, Government statistics indicate that there are 55,000 established social enterprises in the UK. However, the exciting ethical offer of social enterprises is still missing from the market place.

There is no understanding that a business can “trade for people and planet” (as opposed to a traditional business that trades for profit), and no easy way for customers to recognise social enterprise products or services with confidence. This is true for all social enterprise customers—whether the public sector, the private sector or individuals. This damages the effectiveness of social enterprises in making and reinforcing customer relationships in their market. It limits their ability to access preferential finance and also impacts more broadly, for example on their ability to access quality Board members, and to develop coherent partnerships/collaborative approaches.

The Social Enterprise Mark is changing this—and has been heralded within the movement as the new “fairtrade style” mark for social enterprises. This new ethical label is now being used by social enterprises on their products and services to communicate with their customers.

CURRENT POSITION

The Social Enterprise Mark was launched in November 2007 at the RISE AGM at Eden Project in Cornwall.

Since then a key development has been to establish an “Independent Panel” which validates decisions regarding applications to the Social Enterprise Mark. The panel is independent from the social enterprise movement and can therefore effectively police the application of the criteria, ensuring that the Social Enterprise Mark is giving a clear and consistent message to the customer.

The independent panel consists of a lawyer, a solicitor, the National Consumer Council, a public sector procurement officer and an academic. The RISE assessment manager reports to this panel regarding latest applications to the Social Enterprise Mark and their findings regarding likely eligibility or any issues. This is then discussed by the panel, which may ask for further information or make a decision.

There are currently (May 2009) 30 SEM holders in the South West and one organisation outside of this region, the first of a series of regional and national champions who will assist in the Mark’s roll out into their region and across the UK. RISE has been in discussions with all the regions and devolved nations of UK and working with the national Social Enterprise Coalition is aiming to start a national roll out in November 2009.

For more information on the Social Enterprise Mark see www.socialenterprisemark.co.uk

APPENDIX 2

INFORMATION ABOUT RISE AND SOCIAL ENTERPRISE

DEFINITION OF SOCIAL ENTERPRISE

Social enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners (OTS).

CHARACTERISTICS OF SOCIAL ENTERPRISE

Enterprise Orientation—produce goods or providing services to a market.

Social Aims—eg job creation, or service provision, with ethical values & are accountable to members/stakeholders and the wider community.

Social ownership—-independent organisations whose governance and ownership structures are normally based on participation by stakeholder groups.

Social enterprise is an embracing term that includes for example:

Development trusts and community enterprise.

Cooperatives.

Social Firms.

Social businesses.

Credit Unions.

VISION OF RISE

“Social enterprise to be recognised as a successful business model at the heart of communities”.

MISSION

“RISE will work to help the trading and operating environment for social enterprise development in South West England”.

STRATEGIC AIMS

- S1 Social enterprise is promoted as a significant trading option.
- S2 Social enterprises grow, thrive and become better businesses.
- S3 There is wider understanding about the added value of social enterprises in South West England.
- S4 RISE is a well run, effective social enterprise.

For more information on RISE see www.rise-sw.co.uk

Memorandum from the University of Plymouth (SW 03)

**THE IMPACT OF THE CURRENT ECONOMIC SITUATION ON THE SOUTH WEST
AND THE GOVERNMENT'S RESPONSE**

THE UNIVERSITY OF PLYMOUTH

The University of Plymouth, the enterprise university, is a dynamic and ambitious institution. By encouraging and promoting entrepreneurship and enterprise through accredited work experience, placements and volunteering we are delivering a first class experience to our students. With a core belief in widening participation and nurturing talent, we have embedded innovation and creativity at the heart of all our activities. At the University of Plymouth we pride ourselves on our national and international reputation for excellence in teaching and research and we are committed to leading the knowledge economy for our city, region and beyond.

INTRODUCTION

As well as the contribution that higher education makes to the UK in skills development, it is acknowledged that universities have a key role to play in the transformation of the social and economic environment, particularly in regional contexts.ⁱ The role of a university as an “urban innovation engine”ⁱⁱ of the regional economy is understood and widely discussed. As a leading institution, the University of Plymouth understands the value it brings to the city and the region; positioning itself as the enterprise university and embedding innovation and creativity at the heart of all its activities. By embracing fully its social and economic responsibilities, the University of Plymouth demonstrates how universities play a key role in leading the development of economically and socially vibrant cities.ⁱⁱⁱ

KEY POINTS TO NOTE

- Universities have a key role to play in the social and economic development of a region.
- The University of Plymouth is taking on a leadership role, promoting and enabling entrepreneurship, developing the skills and ethos of the enterprise university to ensure a vibrant enterprise city and region.
- The Government is placing increasingly greater emphasis on the role of higher level skills and the importance in the development of the economy—both nationally and regionally.
- The University greatly supported the Economic Challenge Innovation Fund (ECIF) initiative and received (through HEFCE) £425K to enable an increased engagement with the region’s businesses and individuals. The University was disappointed that the total funds available nationally for these activities was very small.
- At a time when the Government is encouraging people to upskill, retrain and seek higher level skills, the Government have maintained a freeze on the “additional student numbers” (ASNs) funding through HEFCE which leaves less flexibility and opportunity for expansion in the sector.
- The University is developing its thoughts on the role of universities in developing and promoting social enterprise. The University considers this to be the new business model for sustainable and future-facing cities; creating cities with longevity and empowering economies that are more resistant to economic change.

ECIF (ECONOMIC CHALLENGE INNOVATION FUND)

The University was awarded £425K to further develop its engagement package for local businesses and individuals. The University has promoted this information, skills and training package as “Enterprise Solutions”. As part of the ECIF application, the University held an event for local businesses to look at ways collaboration and partnership in skills development can make businesses more competitive and agile, especially in these times of economic challenge. Over 140 businesses attended a half day at the University, focusing on the particular areas of marketing, action planning and leadership. This event was very successful with attendee feedback being very positive. We are currently following up over 100 businesses that asked about specific services that we could offer, for example, KTPs or the utilisation of our labs for materials testing.

 FURTHER DETAILS

 1. *The impact of the economic situation on the South West, including problems around unemployment and debt*

As far as the University is aware, the economic situation seems to have affected SMEs the most and particularly medium sized businesses in the City. For example, Toshiba recently announced that 270 employees were being made redundant with the manufacturing operation moving to Poland. Outside of the urban areas unemployment is rising steeply in rural areas and particularly in the Plymouth travel to work area. Local intelligence we gathered to support our ECIF application revealed that unlike in previous downturns, individuals with higher level skills including graduates were particularly being affected this time around. Local support agencies such as Jobcentre Plus were largely unable to help this group, as they did not have the skills and experience in dealing with individuals in this category. The University is actively promoting its “Enterprise Solutions” “offer” to both businesses and individuals to try to assist. The initial response has been very positive and we are providing internships and re-skilling opportunities to many of the individuals with higher level skills to give them an edge when applying for new jobs.

 2. *The nature and extent of the Government’s response to the current economic situation in the South West*

The University has been encouraged by the interest and support of DIUS to the contribution the University is making in the region in these difficult economic times. The University has worked with the Department on a number of innovative projects aimed at supporting businesses and individuals in these challenging times, for example, featuring as a case study in a recent Government/HEFCE publication.

 3. *The effectiveness of the Government’s response in reducing the impact of the current economic situation on the South West*

It is difficult to judge the effect of the Government’s response as we are unsure how sustained the difficulties in the current economic climate will be. However, at a time such as this, the University would like to be able to recruit more undergraduates as the demand is very high but, we are unable to do so because of the reduction in numbers allocated. The effectiveness of the response would be enhanced if universities were able to recruit more. This would take potentially thousands of individuals off of the unemployment count and these same individuals would be then better equipped to enter the labour market when the upturn comes in the next few years adding to business competitiveness.

 4. *The effectiveness of the Government Office for the South West, the Southwest Regional Development Agency, the South West Regional Economic Task Group, and other Government agencies and partner organisations in the South West in delivering the Government’s response*

These agencies have been very supportive of the University and the role of Higher Education. However, more could have been done, particularly by the SWRDA to support innovative projects that we have proposed. We fully understand that under the spending review, there is a large reduction in their budget but their effectiveness has been hindered in this regard.

 5. *The impact that the response to the current economic situation might have in the longer term on the economy and well being of the region*

The impact of the response in the longer term on Higher Education we believe might have actually helped in our interaction with businesses and individuals. For example, the funding provided under ECIF has enabled us to provide a single gateway into the University for businesses and individuals to access our services, expertise and facilities. This has brought forward our plans at least two years in this regard in the pursuit of our mission to be the enterprise university. It has also enabled more effective and joined up partnership working, for example, we are working very closely with Business Link who is supporting our Enterprise Solutions programme.

REFERENCES

- ⁱ DIUS—A New University Challenge—Unlocking Britain’s Talent—March 2008. *The importance of universities and other higher education providers to the national economy is becoming increasingly well recognised. A local, high quality campus can open up the chance of higher education to young people and adults who might otherwise never think of getting a degree. Higher education now provides the skills and knowledge transfer that enables local businesses to grow and attract new investment to the area. Over and above their contribution to economic regeneration and development, universities and other higher education providers are seen as making a real difference to the cultural life of our towns and cities.*
- ⁱⁱ The Work Foundation—Embedding Universities in Knowledge Cities—December 2008. *Universities have long had a deep relationship with the economic, social and cultural life of the cities in which they are based. As the UK makes the shift towards an economy that is more reliant on knowledge, innovation and skills, however, national policy makers are placing increasing emphasis on capturing, building on and incentivising a stronger relationship between universities and cities.*

- iii OECD—(Re)Conceptualising the Academy: Institutional development of and beyond the third Mission—December 2008. Tim Vorley University of Cambridge and Jen Nelles, University of Toronto—*Explicitly states that an integrated enterprise mission enhances both teaching and research activities in universities.*

Memorandum from South West TUC (SW 04)

SUMMARY

The impact of the recession has been significant and fast-moving. Private sector unions in particular have been under considerable pressure to respond to redundancies, short-time working and attempts to cut pay and conditions.

Government agencies have been quick to react and the Regional Economic Task Group with associated meetings have helped co-ordinate intervention. The level of intervention, however, has been restricted, especially around sustaining employment and training. The “demand-led” approach and “business-led” philosophy that drive Government policies needs urgent review and requires more robust change than the recent New Industry, New Jobs report from BERR.

We must realise the connections between public and private sectors in supporting people at this time and in the key economic role of public services.

1. IMPACT ON JOBS AND DEBT

The private sector has been badly hit and the impact cuts across all sectors. Construction, finance and manufacturing have been especially hit, with the acceleration of unemployment fastest around Swindon.

Unions report that some employers are using the economic climate to push through unjustified changes to working conditions. Any drive to cut pay will further depress and delay the recovery.

We have joined with others to form the South West Action on Poverty. This is helping to press the case for enhanced provision on general advice and debt support.

2. GOVERNMENT RESPONSE

We welcome government intervention to protect the credit markets and stimulate growth. Unions believe it remains too easy to reduce staff and cut pay. There is also disappointment that a job-subsidy scheme, linked to training, has not been supported. This will not only mean more jobs are lost, good companies contract further but also we will slip in our competitive position with continental countries who have effective programmes of job support and training for workers on short-time.

We welcome the efforts to breakthrough blockages in construction projects especially for social housing and alternative energy projects. We also welcome more flexibility for councils in the provision of houses to rent. This is a step in the right direction and we hope more will be done.

3. REGIONAL RESPONSE

We welcome the leadership of the Minister for the South West in his chairing of the Economic Task Group. We would urge a review of the linkages to other key groups and partnership meetings whose work overlaps.

Representation at every level is skewed towards private sector employers in the name of “business-led”. At a time when there is a divergence of interest between people and business, regional partnerships, agencies and boards need to reflect wider constituencies. These should include the voluntary and community sectors, social enterprise and trade unions.

Our concerns over the reforms to welfare support have increased in the light of the recession. For example lone parents may be forced into poorly paid, low quality jobs.

4. JOBS AND SKILLS

We welcome the work done by regional partners to protect current apprentices and promote the take-up of quality apprenticeship schemes.

We welcome increased flexibilities in Train to Gain but access to such funds should not be unreasonably denied by employers.

It should be possible to trigger access to Redundancy support including Rapid Response through trade unions where an employer is refusing to cooperate with Jobcentre Plus.

Whilst we welcome improvements in the recent budget, redundancy payments remain too low and evasion of proper consultation too easy.

The South West TUC/unionlearn has renegotiated funds from the RDA for Skills for the Future initiative—a smaller project to follow the very successful Learning Works for All fund. This will concentrate on redundancy support.

Redundancy is a traumatic time for those involved. The human cost can be considerable and the impact spreads to families and friends. Businesses often lose more than they expect in skills, experience and expertise. But a change of job can also provide opportunities. Government should seize the chance to help people develop and build upon their skills rather than look for the most effective means to remove people from welfare support.

Young people should be encouraged to continue learning at school, college and university. Such education should be seen as an investment not a cost and restricting university and college places at this time is short-sighted in our view.

5. SUSTAINABLE RECOVERY

We want to build a recovery built upon quality employment, a less unequal and greedy society, a more planned economy to develop the region's strengths. This should include taking proactive steps to develop social enterprise and community capacity.

Regional partners need to be very mindful of the impact upon different sections of society from the recession. We welcome the use of Equality South West in bringing together the data and actions needed to respond to any worsening of inequality in the region.

We are very anxious that government at all levels realises the importance of public services. It is the public sector that picks up the pieces following redundancies and the social damage caused by rising unemployment. The role of public services in rebuilding damaged communities is vital and we will oppose any reduction in government funding in this regard.

We are further concerned that the "business-led" groups will be relieved when the recession starts to ease. But the impact upon people and communities will continue to grow. The economy of the South West is dependent upon the public sector in many ways. Big defence cuts could see job losses in the aerospace industry, the public sector has been a major driver in labour market growth and has a higher proportion in some parts of our region than in most of the UK.

Regional agencies have mirrored the government's welcome commitment to a "green recovery" but the rhetoric has not been matched by action on the ground. There is a lack of urgency and leadership. The government approach to domestic insulation, re-fit, energy saving and micro-generation is confusing and fragmented. It is further marred by indecision and delay.

Memorandum from the Learning and Skills Council (SW 05)

I am writing on behalf of Malcolm Gillespie, in response to your invitation for the SW LSC to present evidence to the forthcoming South West Regional Committee Inquiry into the impact of the recession on the SW economy and the Government's response. I have confined my comments to those areas of the enquiry relevant to the LSC's agenda (people and skills):

The nature and extent of the Government's response to the current economic situation in the South West

In late 2008, in response to the growing impact of the recession on employed individuals the Government announced a £100 million programme of support for those facing redundancy or preparing to re-enter the workplace, adding funds to the LSC's existing Train to Gain programme. The share of additional funding in the SW is over £10 million. This went live across the region in February/March 2009.

In early 2009, the Government also announced a share of £80 million to support a programme of job search and skills support for those unemployed six months or more, of which the SW LSC share is just over £6.5 million. This went live on 6 April 2009.

During the latter part of 2008, the Government also agreed a range of flexibilities for the LSC's Train to Gain service, enabling more learners to access support, particularly for SMEs and enabling Apprentices to complete their frameworks. These flexibilities have been in place for some months now.

The Government recently announced a new jobs fund—*Future Jobs Fund*—to encourage the creation of c 150,000 jobs nationally that will be for long term unemployed people aged 18–24 and that will also benefit the community. This is expected to go live in October 2009.

In May 2009, the LSC launched a prospectus to invite proposal for developing Group Training Associations (GTA) for Apprenticeships and it is anticipated that there will be at least one GTA established, each with c £350k of public support, in each region by September 2009, to assist in the training and placement for Apprenticeships particularly during the recession.

The effectiveness of the Government's response in reducing the impact of the current economic situation on the South West

It is too early to judge the effectiveness of these interventions in evidencing how they have, or will, reduce the impact of the recession, but their scope enhances the existing provision considerably and in most cases moves the publicly funded skills "system" towards integrating employment and skills issues more fully, thus providing greater joined up provision for those affected most by the recession.

The effectiveness of the Government Office for the South West, the Southwest Regional Development Agency, the South West Regional Economic Task Group, and other Government agencies and partner organisations in the South West in delivering the Government's response

We have seen plenty of evidence of a good deal of constructive partnership working between all major agencies in the region in connection with the recession (eg the joint LSC/JCP customer journey activity, the joint partnership plan in response to the economic downturn). We would consider the extent of these positive relationships to be a particular strength in the region, exemplified by the continued commitment and engagement of all major partners in the SW Economic Task Group.

Paul Lucken
Regional Director of Skills

Memorandum from the Federation of Small Businesses (FSB)—South West (SW 06)

BACKGROUND

With 215,000 members, the Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. It lobbies at many levels of Government, including local, regional, national and European.

Representations have been made elsewhere to Government about the exacerbation of the current problems by the introduction of changes such as those to maternity and paternity leave and to holiday entitlement, the failure to make small business rate relief automatic and the increase in fuel duty. Any change which increases costs or distracts small business owners from their core activity increases the risks to their business. Full details of the FSB's policies can be found at www.fsb.org.uk

The responses below relate specifically to the South West of England.

Describe the impact of the economic situation on the south west, including problems around unemployment and debt

1. The impact of the recession on the South West has been mixed. Worst hit sectors have been, as might be expected, construction, retail and the local year-round elements of the leisure industry such as pubs, restaurants, dance schools, gyms etc. But even in these sectors there are examples of small businesses doing well.

2. On the plus side, holiday accommodation, both self catering and hotel is looking good. We just need the weather.

3. One concern is the impression visitors will get. The retail offer is an important part of the holiday experience. 2008 was a bad year and we know a number of retailers were left with significant volumes of stock. Simple lack of space as well as lack of cash means that they will be going into 2009 with much the same stock as 2008. It is to be hoped that it will not look tired.

4. The FSB latest survey has 41% SW members saying business had gone down over the last two months, with 28% saying it had gone up, with 31% saying it stayed the same. Equivalent UK figures are 46%, 23% and 31%.

5. The major impact on the SW has been through finance—or rather the lack of it. Good businesses with reasonable order books have closed just through a lack of finance. We have case studies about overdrafts being withdrawn or cut, about factoring being withdrawn forcing the closure of businesses, about six figure Government contracts being lost through loan refusals. In one case a small overdraft was refused to a business of 30 years standing with the same bank. Asked for a reason the bank said "they (the bank) did not know the business"!

6. The latest FSB survey shows that over the last two months, 22% of SW small firms were granted the finance they need with 17% being refused. This compares with 22% granted and 22% refused for the UK as a whole.

7. Finance is a key issue because many larger firms are delaying payment. The consequence of delayed payment is that a firm needs a greater level of finance to continue to operate at the same level of business. In one case the major customer of one small firm unilaterally changed its payment terms from 30 days to 90 days. The firm had to close as its factors refused to support the increased level of finance required.

8. Another group badly hit by loss of finance is the businesses that are doing well. It is not generally appreciated but lack of capital is the biggest reason for firms ceasing to trade. It is when a business is expanding that the supply of finance is key. That is why more firms go under when the economy is expanding out of a recession than on going into it. Ironically, the very firms now hitting this problem are frequently those the Government wants to encourage such as the providers and fitters of “green” energy equipment.

9. The third area where finance difficulty hits businesses is when they want to refresh or remarket their business. For example a retailer might have a new shop front. Without finance, this is no longer possible.

10. The SW has many 2nd or 3rd tier suppliers to major manufacturers. Because of their size, they may not make the headlines, but they are still having to lay people off.

11. The stats for the SW will understate our problems compared with the rest of the UK. According to the Small Business Service stats, some 20% of people working in the private sector in the SW have self employed status. This means they are not eligible for Job Seekers Allowance or in many cases for Train to Gain support for upskilling or retraining.

Government’s response to the current economic situation in the south west and its effectiveness in reducing the impact of the recession

12. The FSB in the SW welcomes prompt payment by the public sector.

13. However, the new unitary council for Cornwall has gone back on the 10 day commitment and will be paying in 30 days. Failure even to achieve 30 days over the Xmas period put at least one business at risk of closure.

14. We have reports from some Councils who brought in the 10 day rule, that it is making them more efficient and so saving money for the Council tax payer.

15. It is a great pity the public sector cannot make the large companies who also benefit follow suit. It is an even greater pity that the Government has not agreed to use the Companies Act to enforce prompt payment.

16. The FSB in the SW welcomes the work of HMRC’s Business Support line in permitting businesses to spread their tax payments. Members using this facility have been 100% positive in the way their calls for assistance have been treated.

17. The only negative has been feedback from a few members who were unable to get through on the Business Support line—mainly over the Xmas period. Despite putting a note with their return to that effect, they are still being hit with late payment penalties. Small business owners are time poor, especially at the moment. So they are more than ever likely to use times when others are taking breaks, to catch up with administration. The quiet period between Xmas and the New Year is a very good example. Account needs to be taken of this in future.

18. However, members calling their local tax office have not received the same support and in many cases were not referred on to the Business Support line. It is a great pity that such an excellent initiative has been marred by an obvious lack of communication/briefing. There are indications that businesses who would have had help from the business support line and were not referred on, are now incurring penalties as a result.

19. Members who were able to spread VAT payments and are now returning to ask for more help are being told that they only get one opportunity for such support. This should have been made clear at the outset. In any case, VAT is paid quarterly and moving to a monthly basis should not be such an issue.

20. The FSB welcomes the opportunity for businesses to spread this year’s increase in business rates over the next three years. Given the problems in obtaining finance, to have left things as they were, would have forced more businesses to cease.

21. The impact of the Government finance initiatives on the majority of small businesses seems, to date, to be minimal. In the latest FSB Survey, almost 12% of those responding had applied for the Enterprise Finance Guarantee and just 1.28% were offered it. This is almost identical to the figures for England.

22. The supply of finance seems to be more likely to be improved by the process of “Quantitative Easing” increasing the overall supply of funds available to lend.

23. We welcome the temporary increase in the threshold at which an empty property becomes liable for business rates. March 2010 is probably too early to end this temporary change.

24. In the SW, firms employing² more than 250 employ just 29% of the private sector workforce, compared with the 41% working in firms employing less than 10. Thus the extra money and the National Employment Partnership aimed at tackling unemployment through large employers will have a much smaller effect in the SW than the rest of the UK. The support for small redundancies is much more important for us, though we have yet to see any evidence of it.

² Source—Small Business Service 2007

25. To boost employment, members suggest a 12 month exemption from employers NI payments for staff additional to the number employed for the previous 12 months. They take the view that a proportion of small businesses would be more likely then to employ someone. Giving the exemption in this way would encourage the employment of additional staff and avoid the possibility of “churn”.

26. Despite the recent revision of employment laws, their whole approach is still very much for the large organisation with significant trade union membership. As stated earlier, such employees are very much in the minority in the SW. Employment law continues to be a significant barrier to employing more staff.

27. While the temporary fiscal stimulus announced in the PBR is welcomed, its route is not. Programmes like “Warm Front” are delivered by a very few national organisations and frequently at a cost higher than would be payable to small local firms. Their servicing “tail” effectively breaks the link between consumer and local contractor, putting small firms out of business courtesy of the tax payer. This topic has been extensively covered by broadcasts such as “You and Yours”. The FSB would welcome alternative methods of delivery of such programmes.

The effectiveness of the Government Office for the South West, the Southwest Regional Development Agency, the South West Regional Economic Task Group, and other Government agencies and partner organisations in the South West in delivering the Government’s response

28. As I normally represent the FSB on the SW Regional Economic Task Group, it is hard for me to comment on its effectiveness. However, Ben Bradshaw has been an excellent Chairman, keeping the group focussed and on track. Members have been very impressed with his feedback to the Regional Economic Group (March meeting) welcoming his full support on the SW situation.

29. The FSB in the SW has always found GoSW effective and supportive. Regarding the economic situation, our awareness of their role is the organisation of SWRETG meetings, providing supporting papers, the notes and, with the SWRDA, following up on the action points that come out of the meetings. The FSB welcomes and appreciates their input.

30. It is worth noting that to avoid duplication all information from partner organisations is being channelled through the SW RDA’s Chief Economist.

31. The FSB welcomes the creation by the SWRDA of a special £10 million loan fund to supplement that available through Government sources.

32. However, the SW FSB is very concerned at the way the South West RDA funds are being raided to support National programmes. Only the South East of England gets less funding than the South West RDA and this has been an issue for many years. From conversation with FSB colleagues, it is clear that RDAs elsewhere are able to be much more active as they get higher levels of funding. Business in the South West is severely hampered by market failure on things like Broadband speed outside of Cornwall. While RDAs elsewhere have the funds to take action, the South West does not.

The impact that the response to the current economic situation might have in the longer term on the economy and wellbeing of the region

33. SW employment is overwhelmingly with small and micro businesses. 41% working in businesses employing less than 10 compared with 29% working in firms employing 250 or more.

34. While we very much welcome the Government’s efforts to counter the effects of the recession and prevent it becoming something worse, too many of the initiatives have been focused on larger firms and organisations. As a result the SW, purely because of our economic structure, misses out and will suffer recession effects longer.

35. It is likely that South West RDA’s cuts, to reflect the change in its funding, will be based on what can be cut rather than following the various SW Strategies. We can only surmise at present as South West RDA is unable to make an announcement on their budget position until 8th June, following the local and European Elections. If our assumptions are right, projects aimed at lowering carbon footprint and moving us towards a more knowledge based economy will suffer simply because they can be cut. Other projects which were developed before the strategies were refocused, will survive, simply because of the stage they have reached and the legal implications of cancellation. We will have a clearer picture on 8 June.

36. Longer term, the impact outlined in paragraph 35 will mean the SW takes longer to reach its desired goal.

37. Last autumn, we were asked to nominate projects against which money could be rapidly spent in an attempt to maintain the level of economic activity. The FSB in the SW took part in these discussions and was keen to see work start on the A30 in Cornwall and on improving fast broadband connectivity. As far as we know, the SW has not benefitted from any funds to pull forward any projects, let alone the ones mentioned above.

38. Key to future business success is adequate skill levels. The SW has historically suffered from the highest level of hard to fill vacancies at level 3. The FSB welcomed the Train to Gain programme as a credible independent source of advice and information about what training would help a business achieve its objectives.

39. As has been previously stated, the SW economy consists overwhelmingly of small businesses. The owner often works in the business as well as doing the accounts, developing new products and markets and seeing to the various regulations and new laws. They also have to consider staff skill levels. With everything else they have to do, new sources of help like T2G take time to be recognised and appreciated. Consequently it probably takes the SW longer to get on board with such schemes. To have this vital source of assistance capped just when SW businesses are starting to use it is very short sighted. As a result SW small businesses are likely to be more wary about spending the time to commit to future Government programmes—to everyone's detriment.

Vivienne Rayner

Policy Manager, South West Policy Unit

Memorandum from the CBI South-West (SW 07)

INTRODUCTION

1. The CBI is pleased to offer the following submission to the South West Regional Committee investigation.
2. The CBI represents some 240,000 businesses across the UK, and in the South West this includes companies employing around a third of the private sector workforce. Our members are businesses of all sizes, sectors and from all parts of the region.
3. This submission has been collated from responses by the CBI South West Council (elected by the membership in the region) to the Committee's call for evidence.

THE IMPACT OF THE ECONOMIC SITUATION ON THE SOUTH WEST

4. Evidence from our members, and comparisons with companies elsewhere in the UK, suggest that the full effect of the UK recession was delayed in the South West. However, it seems clear that the impact on manufacturing, and the delayed redundancies in financial services, is now truly hitting the South West economy. Some of the sectoral impacts are highlighted below:

- *Housebuilding*. This sector has been one of the hardest hit, with all major companies shedding significant numbers of staff and ceasing activity as they look to clear stock. There are some indications that life is returning to the housing market, with mortgage availability having improved, and valuations stabilising. This is leading to the housebuilding sector starting to increase activity though from a very low base.
- *Aviation and aerospace*. Passenger demand has been hit across the region both for business and leisure flights, with discretionary travel notably impacted. Aerospace manufacture is a key industry for the South West and one where there is a time lag in activity from economic downturn. So far the manufacturing sector has yet to feel the consequences of the drop in demand for new aircraft, but the sector fears that the mothballing of existing aircraft will hit companies' demand once the current order book is built out.
- *Professional services*. This sector, which has traditionally weathered recessions to a large extent, has been badly hit this time. The legal services sector clustered around Bristol has seen redundancies and short time working at all levels. Those firms with a strong public sector practice have fared better.
- *Manufacturing*. Companies in the region have been impacted by the drop in demand for goods across all global markets. A strong wave of destocking has exacerbated the situation. This is now coming to an end, enabling companies to assess the underlying level of demand in different sectors. Many companies are optimistic that once export demand recovers, the weakening of sterling in the past year will leave them well-positioned to recover.
- *Agriculture*. With the exception of dairy, the agricultural sector seems well placed, with strong land values, and good access to finance.

5. Availability of finance has been a problem for companies in the region as elsewhere in the UK. Most difficulty has been experienced by the very largest companies accessing wholesale markets, and the smallest companies with a weak balance sheet and poor security. Medium sized companies which can operate within existing facilities have coped reasonably well.

6. There are signs that bank lending is becoming more readily available. Banks' assessment of risk, and pricing of risk, have both changed significantly from pre-credit crunch times. There is an argument that a correction was overdue, but irrespective of this, this situation is unlikely to change significantly in the medium term.

7. Trade credit insurance has proven a real problem for many companies with the three main providers reducing limits and impacting on companies' ability and willingness to trade with each other. The government response to this has been slow and the solution offered will not address the full extent of the problem.

8. Firms are actively endeavouring to retain skilled staff, despite the often severe downturn in activity levels. A range of options have been utilised, including shorter working hours (sometimes with a substantial loss of pay), changes to holiday structures, temporary lay-offs, etc. Pay freezes have become the norm within the private sector. There have been many examples of management teams and unions working together on innovative ways to safeguard core employment.

9. However, unsurprisingly, some firms have no choice but to reduce headcount and to make redundancies amongst permanent staff.

THE GOVERNMENT'S RESPONSE

10. The Government has responded in a number of ways to the recession and its impact on business. Some of these actions have been effective, others not.

11. On the positive side it was necessary for the Government to act to restore liquidity for the financial markets and confidence to the banking system. There are signs that this is now starting to feed through to availability of finance to companies in the region. As indicated, this has not restored credit to its pre-credit crunch levels and it is arguable whether this is desirable per se. However, finance availability is not yet back to a necessary level and there is a way to go.

12. Small companies have reported a willingness by HMRC to defer payments due on VAT and PAYE, and with relatively little bureaucracy involved. This is very much to be welcomed.

13. The Treasury intervention to restore liquidity to the PFI markets has enabled financial close of some projects that had been delayed, and will assist in getting key construction projects underway.

14. On the negative side, the Government's response to trade credit insurance supply problems has been slow and ineffective.

15. The refusal to reverse the abolition of Empty Property Rate relief for all but the smallest of properties will add to the financial burden of companies which are downsizing, and will effectively stop speculative property development in all but the most high-demand areas of the UK's property market. This is likely to have a particularly negative impact on peripheral markets such as the South West.

16. The decision to increase business rates by nearly 5% at a time of negative inflation will only add to the costs of businesses which are already struggling with the economic environment.

17. Employers are still committed to training but need more flexibility. Employers continue to see value in investing in the skills of their staff. They have long been calling for training support which does not necessarily lead to accredited qualifications. Now more than ever, short, modular training provision is essential so that employers can obtain those skills which will deliver increased productivity and efficiency.

THE REGIONAL RESPONSE

18. It is important to note that the scale and scope of the recession has meant that government action has needed to be high level and massive. The South West has been impacted by the same forces that have hit all the regional economies of the UK, and intervention at a UK (indeed international) level has been necessary. There is very little that regional government organisations could be expected to do that would make a real difference for South West firms.

19. Most CBI members in the region have had little direct interaction with regional governmental organisations, and have little visibility of the effectiveness of their interventions. This has been reflected in their comments to us.

20. As a representative organisation, the CBI has greater engagement and interaction and is better placed to take a view on this.

21. It is well known that the budget for the South West RDA has been cut (including in order to fund some of the Government reactions to the recession) and that it will shortly announce how it is to reprioritise its ongoing budget. It is essential that it focuses its activities on key projects and workstreams that directly add to the knowledge base and competitiveness of the South West region and its companies. This will necessarily require South West RDA to cease some activities altogether and it needs to be able to clearly set out its strategy, and priorities, to those stakeholders who will be disappointed by its decisions.

22. South West RDA has stepped up its engagement with the business representative organisations in response to the downturn, and this is much to be welcomed. It now needs to show that it will prioritise the economic prosperity of the region and we are confident it will do so.

23. The South West Economic Task Group has been a useful initiative allowing the CBI to reinforce the messages, at a regional level, that we are already making to Government nationally. As these messages are consistent, and are generally aimed at ensuring national government action, it is not readily possible to determine the effectiveness of SWETG in delivering actions. However, we are clear that a vehicle for bringing economic stakeholders together with regional governmental agencies is a useful initiative. We believe it has been helpful in aligning local delivery organisations with need in the region and in providing a channel for the business organisations to highlight where delivery needs to be sharpened.

CONCLUSION

24. In conclusion, the South West region has proved far from immune to the current recession, but neither can we track many unique regional features of the downturn. The CBI's focus has been on gaining national government action in the areas our members have highlighted as being of critical importance.

25. The regional dimension has been subsidiary, but nevertheless it is appropriate and welcome that the Regional Committee acts to understand how the recession has impacted in the South West and we are happy to support this enquiry.

Memorandum from the Government Office South West (SW 08)

QUESTIONS RAISED BY THE SELECT COMMITTEE FOLLOWING ORAL EVIDENCE ON 30 MARCH 2009: ANSWERS PROVIDED BY THE GOVERNMENT OFFICE SOUTH WEST

INTRODUCTION

The South West Regional Select Committee raised a number of specific questions in light of the oral evidence session on 30 March 2009.

Responses have been set out below.³

Q39 . . . *Mr Bradshaw mentions "supporting people staying in work by providing imaginative training options". Could you provide further information on the training options provided; including background on who is providing them, whether they are specifically short term, whether the content is led by business or by the provider.*

Response

1. DIUS and DWP are working together to create an integrated employment and skills system. In the past redundancy often let people become completely detached from the labour market. The new training places available in colleges and with other providers will allow people to train while they are looking for a job and carry on with their course once they get into work.

2. The extra 70,000 places available nationally for people recently made redundant offer further flexibilities that increase the capacity for real help. They are, for example, available for people under notice of redundancy and have no set prescriptions on the type of provision. Training is expected to last for 28 weeks.

3. The help for people who have been unemployed for six months or more—75,000 training opportunities nationally—will include a significant content of skills uplift. Greater flexibility of provision from colleges and other learning providers will be a prominent feature of the new help available to maximise local impact and access for individuals. Eight weeks of training is envisaged.

4. Employers access LSC funded skills provision through "Train to Gain", via specialist independent skills brokers. Extra help is available for small firms as they are particularly vulnerable in the current climate. A package of support makes them the focus of £350 million Government funds and new flexibilities available as part of Train to Gain. This includes:

- funding for "bite-sized chunks"—small units or modules of qualifications in subjects known to be important to SMEs eg business improvement techniques;
- relaxing the rules to allow workers to get training up to level 2 even if they already have a previous qualification at this level; and more funding for level 3 training; and
- extending DIUS's successful leadership and management programme so that more SMEs can benefit from it.

³ Where the question raised relates to national initiatives contributions have been sought from the lead Government Department.

Q44 . . . Mr Bradshaw mentions housing and transport schemes identified by the regional task group that might be held up because of the economic situation, and investigating if it is possible to unblock them. He then lists the housing schemes unblocked. Could you provide an update on any other schemes given impetus by the task group since 30 March? If possible could you give details as to what the reason for the blockage was and the benefits gained by the actions of the task group?

Response

1. Under the umbrella of the South West Regional Economic Task Group (SWRETG)'s Housing and Infrastructure Action Group, representatives from regional agencies (including GOSW, SWRDA, Homes and Communities Agency, Highways Agency and NHS SW) have been focusing on stalled or at risk infrastructure projects that require cross-agency engagement to advance, but could, if unblocked, start in time to impact on the current recession. The list below therefore reflects actions of the infrastructure projects sub-group only, and does not include actions taken by individual agencies.

2. It should be noted that this agency grouping is not representative of all sectors for example, higher education) but many of the sectors not represented either operate at a national rather than regional level, or are not currently experiencing problems due to the recession.

Q44

INFRASTRUCTURE PROJECTS ADVANCED SINCE 30 MARCH 2009

<i>Project Name and Location</i>	<i>Description</i>	<i>Main Reason for Blockage</i>	<i>Task Group Actions and Benefits Gained</i>
Weston Visioning, Weston-super-Mare	1,000 acre urban extension—housing and employment space.	Lack of national funding for infrastructure.	HCA investment has brought forward initial phase of 100 houses plus employment space.
Camborne Pool Redruth (CPR), Cornwall	Four separate main sites—two industrial developments, two mixed housing and industry, together with improvement in sixth form and FE provision.	Principally at planning stage. Securing future gap funding for mixed use schemes, and support for infrastructure, highways and education investment.	A “case conference” for all schemes in the area was held on 7 April. All interested parties were involved, and able to agree on main priorities for action.
Devonport, Plymouth	Three separate main sites—including housing, employment space, retail and community facilities.	Fall in housing values and sales.	A case conference was held on 29 April. This identified a number of actions for partners. Some additional HCA support has enabled additional housing to proceed.
Millbay, Plymouth	Mixed housing and regeneration scheme in a number of phases.	Fall in housing values and sales.	HCA and SWRDA have identified some additional resource to enable a start to be made on infrastructure, which will enable end use development to proceed as soon as market conditions start to pick up.
East of Exeter, Devon	Mixed development—including 3,500 new homes.	Infrastructure stalled due to lack of funds. Housing investment model affected by falling end values.	SWRDA have worked with consortium to renegotiate Regional Infrastructure Funding. Should start later this year. Confirmation of Community Infrastructure Funding for access improvements. Partners working to address barriers to housing development.
Regional transport schemes	Various transport schemes of strategic significance to region.	Delay in processing of new schemes submitted to DfT.	Delay in these schemes is setting back related housing, regeneration and employment projects. Regional Minister is pursuing with DfT, and will meet with Paul Clark (PUSS) on 2 June.

Q49 . . . *Mr Bright mentioned schemes for effectively tackling worklessness in Cornwall, specifically the Cornwall Works programme. Could you provide more information on this scheme?*

Response

1. The development of Cornwall Works has been led by Jobcentre Plus on behalf of the Cornwall Strategic Partnership (CSP) through Cornwall's Local Area Agreement (LAA) and builds on the lessons learnt from the Area Action Team and European Social Fund delivery in the Objective 1 programme. The aim is to have a sustained impact on the difficult and complex aspects of worklessness and to raise employment rates.

2. Cornwall Works was launched in October 2006. Interventions delivered by a range of partners but all under the umbrella of Cornwall Works. It recognises that worklessness can only be effectively tackled through a partnership approach which includes a strong inter-relationship with health, housing, crime, education, and child poverty. It brings partners together to ensure there is appropriate support in the right place at the right time for all people to progress towards, enter and remain in work. It includes addressing issues from several angles by looking at inclusion, prevention, and both individual and community based approaches. The aim is to change the way organisations work together to outlast any particular funding stream. Funding is pooled from a variety of sources eg Primary Care Trust funds to target health inequalities; Child poverty Innovation Pilot funds; Area Based Grant; other funds are aligned to Cornwall Works such as a DWP Convergence ESF.

3. Cornwall Works' approach is different because it moves from one of supporting individual projects to one of programmes of activity which are mainstreamed and integrated, and from reactive approaches and interventions to preventive ones. It ensures all partners have a clear understanding of how they can impact on delivery and enables in the strategic "buy-in" from partners and a commitment to act.

4. Examples of innovations developed by Cornwall Works include: community based Health Trainers with access to enabling funds to support individuals with their health issues and move closer to work, a unique partnership between health and employment recognising a mutual customer base—the Primary Care Trust has mainstreamed the funding of Health Trainers from April 2008; a Passport to Work which enables people to build and demonstrate their employability skills in the workplace and which has been endorsed by employers; and specific to employer needs Route ways to Work for any workless individual which include two days of certified training, a focus on key employability skills and intensive support with the application and interview process.

5. Cornwall Works has been successful in developing a strong brand which is recognised and trusted by partners and individuals. Its strategic approach has helped secure over £1.2 million additional investment in tackling child poverty and for Citizens Advice Bureaux development. Its Real Choices (child poverty) project achieved its three year target relating to workless families into work within two years.

6. Cornwall Works has been recognised as a model of good practice through the LAA Demonstration Areas Programme.

Q50 . . . *Mr Bayly mentions the work of Business Link in maintaining supply chain capacity within the region. Could you give any examples of this?*

Response

1. Supply Chain 21 (SW) is aligned to the Society of British Aerospace Companies (SBAC) national SC21 programme aimed at bringing about the cultural change required to maintain and grow the aerospace industry over the next decade. Within the South West this is delivered by WEAFF (West of England Aerospace Forum) with the support of the RDA.

2. SC21 is a change programme designed to accelerate the competitiveness of the aerospace and defence industry by raising the performance of its supply chains. International competition, together with the challenges posed by the defence industrial strategy, necessitates rapid improvement in the effectiveness of our supply chains. At the same time, industry must ensure that it delivers competitive solutions for customers whilst maintaining profitable business growth.

3. Signatories to SC21 are committed to developing supply chains to ensure they remain competitive and able to deliver increased value to customers. To be a signatory to the SC21 action plan you do not have to be a large prime company, companies from all levels in the supply chain are actively encouraged to participate.

4. The national SC21 strategy is comprised of five key strands:

1. Performance and Development.
2. Relationship Management.
3. Accreditation.
4. Innovation.
5. Through-life Capability Management.

5. The initial RDA funding (£351,048) was aimed at delivering the first three strands of the strategy.

6. Of the 476 companies signed up nationally, 99 are based in the South West—leading the way in the national programme.

7. Within the South West WEAFF have organised a series of sub regional SC21 clinics—providing attendees with:

- An awareness of the SC21 programme aims and benefits.
- Presentations from companies already making progress.
- Practical exercises and explanations from the strategic partners.
- Presentations from WEAFF highlighting regional assistance.
- Open discussions amongst delegates on SC21 implementation.
- Presentations on leadership in “Change programmes”.

8. Seven events have been held to date which have attracted 185 delegates from 118 companies.

9. As at the beginning of May 2009 through WEAFF activities 69 companies have signed up and are engaged in the SC21 programme with 53 business supported and 108 people trained.

10. In February 2009 the RDA agreed subsequent funding (£189,000) to deliver against and focus on the fourth strand “innovation”. This Innovative Supply Chain Project is to deliver four Prime-driven innovative and collaborative supply chain initiatives to service the needs of the primes in driving forward a sustained, productive and competitive supply chain in the global marketplace. The project will also deliver an additional Dorset geographically-based supply chain that has already been identified, as being those companies that have an understanding and a willingness to undertake collaborative and innovative supply chains.

11. The Dorset group has already started to progress in this area and the project manager for this element of the project is working closely with the regional aerospace primes to bring forward the remaining supply chains for this strand.

HONDA (SWINDON)

12. Honda has been in discussions with its Tier 1 suppliers on a 1:1 basis and recently held a supply chain event with about 70 suppliers invited from across the UK which the RDA attended (BERR are maintaining a close interest and have assisted in the preparation of a finance matrix). This is to ensure that there is a functioning supply chain when Honda turn on the tap again (Jazz production) in June.

Q50 . . . Mr Bradshaw mentions the NHS SW committing to apprenticeships in the region, could you provide the number of apprenticeships, and, where possible, numbers for any other commitments by similar agencies in the region?

Response

1. The Department of Health has identified that 5,000 new Apprenticeship posts will be in place in the NHS nationally by 1 April 2010. Each Strategic Health Authority is responsible for supporting and meeting this agenda.

2. NHS South West organisations presently have 197 apprentices in post mainly within non clinical areas. The South West Strategic Health Authority is committed to supporting a further 500 new Apprenticeships by March 2010.

3. The South West Strategic Health Authority has identified an Apprenticeship Lead who is working with the local Apprenticeship Service to support NHS Trusts in implementing more apprentice roles within key workforce risk areas, these are:

- Pharmacy.
- Health Care Support Workers.
- Administration.
- Support Services, for example catering.
- Estates.

Q55 . . . *The work of the task group was mentioned several times. In particular, at Q55 Mr Bradshaw mentioned the Task Group commissioning a paper on green jobs in the region, which would be presented upwards to the Council of Regional Ministers. Is this paper finished yet and can we see a copy of it? Are the minutes of the Regional Task Group made public? Has the Regional Task Group commissioned any other research?*

Response

1. The South West Regional Economic Task Group (SWRETG) has identified ‘green recovery’ as a key priority in terms of the opportunities it brings for jobs and people, and the transformation towards a low carbon, resource efficient economy.

2. Earlier this year it invited SWRDA, GOSW and the Defra agencies to look at the environmental impact of the economic downturn and green measures that could contribute to a recovery. Research was commissioned to help the partners:

- (a) Consider the extent to which key economic interventions can also deliver “green” outcomes, and the potential for “green” interventions to deliver immediate economic stimuli.
- (b) Improve their understanding of key activities that are being, or could be, undertaken by the main public sector bodies in South West.
- (c) Identify the best opportunities for maximising both the economic and environmental impact of the public sector’s response to the downturn and improving their understanding of the business opportunities.
- (d) Work in partnership to provide a focus on delivering these opportunities and adding value to each others’ efforts.
- (e) Ensure the region is able to respond quickly to new Government initiatives aimed at building a low carbon economy.

3. Phase 1 of the green recovery study is now complete. The attached discussion document prepared by the consultants (Arup) provides a general account of the main opportunities for delivering a green economic recovery. Phase 2, which is now underway, will seek to explore in more detail a number of key measures identified as making a significant contribution to the region’s economic recovery, or that could be scaled-up or refocused in order to contribute. Phase 2 of the green recovery study will be presented to the Task Group on 29 June 2009.

4. In addition, the regional partners are developing detailed proposals around four priorities already identified:

- *Domestic energy efficiency*—cavity wall and loft insulation, and other low carbon solutions (including micro-generation), create multiple economic and social benefits, as well as provide a cost effective and accessible method of delivering carbon reduction.
- *Business resource efficiency advice*—more one-to-one support to business through Business Link will help to reduce the financial burden on businesses and our carbon emissions.
- *Financial support for marine energy technologies*—maintaining the UK and the region’s competitive advantage and securing the new green business opportunities that go with it.
- *Nuclear energy*—SWRETG members have expressed interest in the potential for new nuclear to provide economic benefits as the region moves towards a low carbon economy. Hinkley and Oldbury are both on the Government’s recently announced list of nominated sites for consultation. Although the final decision on where new nuclear power stations will be located will be taken at a national level, there are many facilitative actions that the region can take in the short-medium term. The RDA, GOSW, local authorities and the Environment Agency are working together to provide an integrated response now to maximise the opportunities from potential new nuclear build both in the region and nationally (for example, skills and supply chain development).

5. The minutes and papers of the Regional Task Group (excluding any which are commercial in confidence) are placed on the SWRETG website here. The Task Group has not commissioned any other research of this kind.

Memorandum from HM Government (SW 09)

INTRODUCTION

1. On behalf of the Government, this submission responds to an invitation to submit written evidence on the “*Impact of the current economic situation on the South West and the Government’s response*”, which was made in a press notice published by the South West Regional Select Committee on 28 April 2009.

2. The Government Office for the South West [GOSW] has a statutory duty to co-ordinate the overall Government response to the Inquiry. This submission draws on the work of Government agencies at national and regional level.

3. GOSW works to achieve sustainable growth and to develop safe and prosperous communities that meet the diverse needs of everyone who lives and works in the South West. To achieve this GOSW puts Government policy into practice at local and regional level, implementing key programmes and initiatives in partnership with regional and local organisations and provides feedback to central Government that helps inform future policy.

4. This memorandum sets out the impact of the economic downturn in the South West region and the response of the Government Office for the South West, the Regional Economic Task Group and other Government Agencies in the region.

THE GOVERNMENT'S RESPONSE TO THE RECESSION IN THE SOUTH WEST

1. Summary

1.1 All areas of the South West are experiencing the impact of the recession. There are indications that the economy is declining less sharply than it was. However, the South West labour market continues to deteriorate, with manufacturing and construction particularly hard hit. Confidence linked to problems of the property downturn, job losses and access to credit remains a key concern.

1.2 The South West Regional Economic Task Group, chaired by the Minister for the South West, brings together key representatives from the public and private sectors to take coordinated action, at regional and national level, in response to economic challenges. It is also working to ensure that the South West takes opportunities in parallel to plan for recovery.

2. Impact of the downturn in the region⁴

There are signs in the South West, as elsewhere, that the rate of economic decline is easing, and investment beginning to pick up. Nonetheless, considerable challenges lie ahead. Some of the impacts of the recession will take longer to turn round than the economy itself.

2.1 Economy

The South West economy is heavily dependent on manufacturing, construction, distribution, retail and financial and business services. All of these sectors, and in particular manufacturing and construction, have been hit hard by the recession. Areas such as Gloucestershire, South Gloucestershire, Swindon (as well as Honda, a number of other employers in the area have announced significant cutbacks), Plymouth and Poole all of which have twice the GB average share of engineering compared to total GVA, have been badly affected. This has in turn impacted on local supply chains.

2.2 Construction

All parts of the region have been affected by the downturn in construction. The sector is significantly reliant on public sector contracts, but the impact is particularly likely to be concentrated on those parts involved with the construction of new private housing (around 22% of construction output in the South West).

2.3 Retail

Retailing and distribution remain of major concern, especially in smaller towns and rural communities, where the loss of 50–100 jobs and induced demand effects can have a debilitating impact.

2.4 Financial Services

The picture for financial and business services is mixed, with some parts of these sectors (for example, consultancy and labour recruitment) worse affected than others. There is likely to be substantial restructuring in the financial sector over the coming years. This could impact severely on key urban areas within the region (Bristol, Swindon, Bournemouth and Poole) which are heavily reliant on the sector.

Business confidence remains low. Credit conditions remain difficult for many firms in a region which is dominated by small and medium sized businesses. Consumption is weakening in the face of high unemployment, reduced income from savings, and high levels of household debt. As the South West economy is relatively dependent on household spending, these "secondary effects" will have a substantial impact on the length of the downturn in the region.

2.5 Unemployment⁵

The claimant count (based on Jobseekers Allowance (JSA) claims) rose by 139% to 97,376. The impact has been felt throughout the region but particularly in Swindon, with a 227% increase to just over 7,000 JSA customers. Just under a quarter of a million JSA claims have been received while 181,000 people ceased to make claims. Through the Rapid Response Service (RRS) Jobcentre Plus has worked with over 200 employers.

⁴ To give the Committee a more holistic view of the state of the economy in the South West, GOSW has commissioned a number of regional organisations to submit their individual response to the current economic downturn. These are annexed to this document and have been presented for the Committee's information verbatim.

⁵ All figures for 12 months ending April 2009.

3. *The Government Office for the South West*

GOSW has been proactive in its response to recession management in the region with a programme of work that falls into the following three areas of work:

3.1 Supporting the Regional Minister

We support the Regional Minister for the South West in raising the profile of “Real Help Now” and other national initiatives in the region, negotiating solutions at regional and sub-regional level, and contributing to national policy development. This involves co-ordinating his programme of meetings with businesses and other key economic stakeholders in the South West, and providing advice and briefing on a range of regional and national issues.

3.2 Coordinating the Regional Response

We play a major part in coordinating and supporting regional and local recession management activity:

- We provide the secretariat for the Regional Minister’s South West Economic Task Group [SWRETG].⁶ We drive the agenda, encourage a focus on actions and delivery, and offer challenge and expertise to the Action Groups which underpin the main Task Group.
- We work closely with the SW Regional Development Agency [RDA] and SWRETG’s Regional Employment and Skills Partnership to ensure that the People, Employment and Skills Action Group is helping partners to address the skills and employment challenges of the recession in a joined-up way.
- We are working with Job Centre Plus [JCP] and other partners to help implement the Future Jobs Fund. In particular, GOSW will be helping partners to submit good quality bids and, separately, providing advice to the Department for Work and Pensions [DWP] on the bids submitted.
- GOSW has chaired local joint agency groups focussing on specific infrastructure problems in West Cornwall and Plymouth, and is project managing research into rising mortgage repossession levels in the South West region to support targeting of resources, services promotion and early intervention.
- GOSW provides the secretariat for SWRETG’s Resilience of Public Services Action Group, which is looking at the impact of the downturn on public services. We are leading work on prompt payment and on the implications of the Operational Efficiency Programme and the Total Place pilots.⁷ We are working closely with the SW Regional Improvement and Efficiency Partnership to support capacity of local strategic partnerships and local authorities to respond to economic challenges.
- A fifth SWRETG action group, on green economic recovery, has recently been established. GOSW emphasised the need for a joint approach, and a focus on practical measures with clear potential for economic benefit. We influenced the form and content of a research project which SWRETG had commissioned, ensured alignment with national priorities, and encouraged a clear focus on skills and employment.
- At local level, we help local strategic and economic partnerships shape both mitigating actions and longer-term strategic direction. We help to ensure that they are fully aware of the wide range of initiatives that are available at regional and national level, and keep them abreast of research findings and information as it becomes available.
- We are using the local area agreement process to encourage joined-up local responses to the downturn, and effective recovery planning. We have helped Local Employment and Skills Boards to strengthen their capability and to identify the roles that they can play in tackling recession issues at the local level.

3.3 Central Government Liaison and Intelligence

We provide central departments with timely regional and local intelligence on the impact of recession-related policy initiatives. Our unique knowledge and understanding of our region means that we can provide both qualitative and quantitative analysis of places and sectors, and in this way inform policy development and implementation.

We work with DWP to manage the European Social Fund programmes in the South West, a significant part of which has been focused on action in response to the recession.

⁶ The work of the SWRETG is set out in more detail from paragraph 4.

⁷ The Government’s Operational Efficiency Programme (OEP) examined key areas of public sector operational expenditure and made recommendations for delivering further efficiency savings in the context of challenging economic circumstances, the drive for continued improvement, and investment in frontline services. The final report was published in April 2009. The “Total Place” project is an element of Sir Michael Bichard’s work, as part of the OEP, on the scope for efficiency savings in the public sector. The project aims to map money flowing through a locality (from both central and local bodies), and make links between services, to identify where public money can be spent more effectively and deliver better value for local residents. Pilot projects are taking place across the country: the South West pilot area is Dorset, Poole and Bournemouth.

4. *South West Regional Economic Task Group*

4.1 Background

The South West Regional Economic Task Group (SWRETG) was established in November 2008. It is chaired by the Minister for the South West, Ben Bradshaw MP, and brings together each month key representatives from the public and private sectors.

The SWRETG's remit is to assess the regional impact of the economic downturn, and to take coordinated action, at regional and/or national level, to respond to economic challenges. Increasingly, the Task Group is looking for opportunities to plan for and aid the recovery as well as ways of mitigating the immediate impacts of the downturn. It does not seek to duplicate the work of individual agencies or localities in tackling locally-specific impacts.

4.2 SWRETG Action Groups

The Task Group is supported by five Action Groups which focus on:

- People, employment and skills.
- Housing and infrastructure.
- Support for business.
- Resilience of public services.
- Green economic recovery.

The action groups link to existing groups and structures, such as the South West Regional Improvement and Efficiency Partnership, where appropriate. Each Group has a work programme and a set of short- and longer-term priorities against which it delivers.⁸

4.3 Role of the Regional Minister

The Minister for the South West plays a crucial role in galvanising partners and maintaining momentum. The Task Group provides a channel through which he can discuss economic challenges with the business community, local authorities, and regionally-based Government agencies. It also provides a structure through which he can lead a prompt response, at both national and regional level, to problems affecting particular sectors or sub-regions.

The Task Group functions as a means for the communication of key messages on the economy to regional and local audiences.⁹ Each member of the Task Group has a remit to disseminate information on regional and national activity to their constituent organisations.

4.4 Impact

The SWRETG is regarded as a hub for regional recession work. It has helped to foster a shared regional understanding of key issues and priorities. Feedback from partners is that it is promoting closer partnership working, resulting in greater pace and more effective outcomes.

The SWRETG has helped to instil a more systematic approach to recession management in the region through a light-touch performance management regime. Each Action Group is required to complete a "report card" updating the Task Group on its work and the impact it has made. An action log records key issues raised by members of the Group, and tracks progress in resolving them.

5. *SWRETG Work Programmes and Other Regional Activity*

5.1 Action Group on People, Employment and Skills

Work to date has focused on ensuring that the offer of help to employers and individuals is integrated and communicated in an accessible way:

- The region's eight "Area Action Forces" (groups of key partners that provide a coordinated response to redundancy and company closure situations) have to date supported over 250 large and medium-scale businesses in difficulty: assisting with the redundancy process, and helping individuals access the support they need.
- The Group has been collaborating with Rolls Royce on approaches to talent retention in aerospace/advanced engineering. A package is being implemented for the aerospace, automotive and advanced engineering sectors consisting of redeployment services for people at risk of redundancy, training to improve job matching/redeployment opportunities, and a web based system to provide a rapid match between organisations with shortages/surpluses of labour.
- Partners are working with HERDA-SW (the association of higher education institutions in the South West) to improve redundancy support available for professionals/executives.

⁸ Examples of the type of work carried out by the Groups are set out in paragraph 5.

⁹ A dedicated SWRETG website is available to view here.

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- The Group is raising awareness in the region of the Future Jobs Fund, and offering support to potential bidders.

5.2 Action Group on Housing and Infrastructure

The Group is giving priority to:

- stalled or at risk housing and infrastructure projects that may be unblocked by joint action by regional agencies. Over the past four months nine¹⁰ major projects which have stalled/were at risk of stalling as a result of the downturn have been unblocked through joint action by members of the Housing and Infrastructure Action Group;
- identifying and delivering of sites on surplus public land;
- constraints within the region on mortgage lending, particularly in respect of shared ownership where lenders appeared to misunderstand the risks;
- local authority capacity to lead innovative responses to the downturn and to plan for recovery;
- mitigating impacts on individuals at risk, because of the downturn, of losing their home (by mortgage repossession or otherwise); and
- work on medium-term (18–24 months) recovery in the context of reducing public expenditure and tighter commercial frameworks.

5.3 Action Group on Support for Business

Regional activity is focusing on ensuring that provision of and access to business support meets the needs of businesses across the region:

- A £10 million Loan Fund for South West businesses was established in April.
- Over 3,800 “Business Health Checks”, which advise companies on finance, strategy, marketing and other aspects of business, have been conducted since October.
- Work with banks in the region has encouraged greater collaboration between front-line banking staff and Business Link advisors, resulting in improved services and advice to businesses.
- The “South West Bites Back” campaign highlights success stories in the recession to build confidence. The campaign has the potential to reach up to 250,000 people a day across the region with positive messages.

5.4 Action Group on resilience of public services

The Group’s remit includes:

- Coordinating and sharing intelligence about the impact of the economic downturn on local government and other public services. The Group is currently supporting work by third sector partners on data collection.
- Identifying and sharing innovative practice in responding to the economic downturn across the public sector in the region, with a focus on long-term sustainability. A summary of economic downturn “good practice” has been placed on the South West Regional Improvement and Efficiency Partnership website, and the Group is planning to focus on active learning from the Total Places pilot programme and ensure the emerging thinking is shared quickly across the region.
- Informing and influencing the SW Regional Improvement and Efficiency Partnership in its role of supporting local public service providers, using its resources to build capacity and capability in response to the challenge.

5.5 Green Economic Recovery

The SWRETG has commissioned research on the contribution of green technologies and wider “green economy” to regional recovery. This is being developed through joint regional working as a delivery package with potential for real economic benefit. Four green economic recovery priorities have been identified as part of a broader response to the recession and a contribution to a low-carbon economy:

- Domestic energy efficiency and carbon reduction.
- Business resource efficiency advice.
- Financial support for marine energy technologies.
- Nuclear energy.

¹⁰ At the oral evidence session on 30 March 2009, the Regional Minister quoted that a total number of five projects had been unblocked “in recent weeks”. The nine quoted above relate to a period of the last four months.

Annex 1

6.1 REGIONAL DEVELOPMENT AGENCY—RESPONSE TO THE ECONOMIC DOWNTURN

1. In the current challenging economic circumstances, the South West RDA is working hard with our regional partners to develop or expand a number of initiatives to help businesses and the wider economy respond to these testing times and then chart a course for recovery.

2. The staff at the South West RDA have worked extremely hard to understand the fast moving situation and develop appropriate responses. A very challenging budget position also means the Agency is more reliant than ever on the contributions from partners and on finding new ways to use limited resources. For example, in developing the business loan fund which was launched in April, the RDA has leveraged ERDF money to provide loans of up to £250,000 to viable growth businesses in the region; the first time ERDF funding had been used in this way.

3. The RDA has also worked with partners to fine tune their support; for example the RDA-funded South West Manufacturing Advisory Service is offering a review to provide advice specifically to help manufacturers survive and continue to grow through the recession.

4. Business Link already provides a high standard of service to over 100,000 of the region's businesses. They have been central to RDA-organised road shows across the region where 500 businesses have received advice and support from a wide range of public and private sector partners. Continuous RDA dialogue with the main banks meant they also supported these events.

5. The RDA continues to directly engage with businesses which are strategically important to the region or a sector. These businesses and their supply chains were significant to the region's economy before the downturn; their future success will be a key factor in moving towards recovery. The RDA provides them with a single point of entry to the public sector and is working with them to help remove barriers restricting their performance. Of course these include issues relating to company or supply chain restructuring, but also other areas of work are being covered, including help with premises, skills and taxation.

6. As the region's economy evolves, the RDA will continue to stay close to the needs of business to ensure the support available remains relevant.

Annex 2

6.2 JOBCENTRE PLUS—RESPONSE TO THE ECONOMIC DOWNTURN

The Agency's response to this increased workload is summarised below.

1. *Increased Operational Capacity*

- The ongoing recruitment of 850 new staff between November 2008 and July 2009.
- In a limited number of hotspots, agreement to the funded expansion of existing estate.
- Flexible deployment of staff. For example, non-operational staff working in Jobcentre Plus offices and an increase in overtime working.
- Extended opening hours, including weekend and evenings.
- Flexible delivery of services on Provider and Employer premises.
- Deployment of process changes following the application of LEAN techniques.
- Weekly senior management tele-kits to identify and manage hotspots.

2. *Increased Support to Individuals*

- From April 2009, the successful introduction of additional programme provision to support the newly unemployed (including access to Local Employment Partnership vacancies and job search support for professionals and executives).
- Additional support for the long-term (six months +) unemployed (including self-employment advice and access to training and volunteering opportunities).
- Monitored and managed capacity of existing provision, particularly Programme Centres.
- Production of a financial support contact sheet.

3. *Working with partner organisations, Jobcentre Plus*

- Is an active member of the Regional Economic Task Group and the People Employment and Skills Group.
- Has produced a joint "offer" document with the Learning and Skill Council.
- Is working with universities to reinforce the professional and executive support.
- Has formed a link with the National Debt Advice Network and continues to work with Citizens Advice Bureau.

- Has established an intelligence sharing network, to support partnership approach to redundancy situations.
- Is working with Local Authority (LA)/Local Employment Board (part of the Regional Improvement and Partnership Programme) to form a LA Challenge Fund.
- Is developing its understanding of the diversity impact on the labour market by working with the Skills Learning Intelligence Module (SLIM).

4. *Outcomes*

Jobcentre Plus exceeded its payment performance target to JSA customers and, through a number of Labour Market measures, supported 69,000 people into employment.

Annex 3

6.3 HOMES AND COMMUNITIES AGENCY—RESPONSE TO THE ECONOMIC DOWNTURN

1. The HCA has undertaken significant work to respond to the market downturn and has engaged positively with various stakeholders to meet the challenges of the economic downturn. As a result, there have been a number of interventions that have resulted in securing the progress of a number of stalled projects.

2. The HCA is working closely with GOSW, SWRDA and Local Authorities as well as RSLs and developers to secure maximum outputs for our investment. There is progress on a number of fronts and in the first month of the 2009–10 financial year, 67 homes have been delivered for an investment of some £4.5 million. Provisional results from May suggest that the number of homes delivered to date is well over 200, and HCA are forecasting a pipeline for the next three months of over 1,500 homes with an investment of some £60 million across the region.

3. Given current market conditions, it is too early to predict affordable housing outputs with certainty for 2009–10. Current HCA expectations are that they will deliver over 3,000 social rented homes and over 1,000 intermediate tenures plus any further outputs from Kickstart and grant to Local Authorities in 2009–10.

4. The HCA has worked with other regional agencies to unblock some major projects.

5. Examples of how the HCA has contributed to these are:

Millbay/Devonport

6. In Plymouth, the HCA is helping to stimulate economic growth and improve the quality and choice of homes for local people by delivering two major new neighbourhoods at Millbay and Devonport alongside action by other agencies. Millbay is a strategically important £300 million harbour-side regeneration scheme which will provide new homes, offices, shops and leisure facilities for Plymouth and reconnect the marine area with the city centre. National Affordable Housing Programme 2008–11 funding of £2,985,000 for 88 units is being provided to Devonport and Millbay.

7. HCA property and regeneration funding is contributing to projects in Millbay–Phoenix Quay with Midas which will provide 123 units (59 affordable), and Cargo with the English Cities Fund this will provide 134 units (25% affordable). A further £4 million was provided through HCA funding towards the Devonport Extra Care Scheme. Land acquisition and development costs for Millbay and Devonport have totalled £17 million.

RAF Locking

8. This is a land acquisition with SWRDA to deliver a mixed use development with major employment and new homes. HCA Property and Regeneration funding is providing £8.3 million; this will provide 999 homes (265 affordable), 50,000 square feet office space, and 41ha of brownfield land reclaimed.

9. In addition to the inter-agency interventions coordinated through the Task Group, the HCA has been able to unblock a number of other sites from within its own resources.

Lyde Road, Yeovil, South Somerset

10. The HCA is providing £9,761,326 for 169 affordable units. The funding has enabled the new homes, which will in time form part of an 820 home site at Lyde Road.

Source/Persimmon Development

11. This is a partnership scheme with Source and Persimmon for three sites in North Dorset and one in Salisbury. The development will provide 464 affordable units funded by the HCA at £37,521,000 and a further 464 private sale units funded by Persimmon and Source. It was considered that without this public funding intervention, the scheme would not have been financially viable and therefore would not have commenced.

12. The investment has prompted additional benefits, such as the expected scheme opening of a major supermarket in one of the areas that will provide jobs and retail space.

Hanham Hall, Bristol

13. A Carbon Challenge project. The HCA has committed significant investment in bringing forward this site, and in supporting the provision of affordable homes. The project will commence in the late summer of 2009, with all 195 homes built to Code for Sustainable Homes Level 6.

Gloucester Quays

14. The HCA has funded the acquisition of land from Gloscat (Gloucester College) to enable relocation to a new site, and the redevelopment of former Gloscat site, including major infrastructure at Gloucester Quays. HCA property and regeneration funding of £19.3 million will provide 634 homes (209 affordable), the reclamation of 15ha of brownfield land, 7,742 square metres retail space, 1,360 square metres employment space and 20,010 square metres of training and education space.

Greensquare Package

15. A good example of how the South West region is working is the Green Square package—through tailored packages of small schemes. The Green Square package deal includes 518 units across the South West and the South East at an average grant rate across all tenures of £54,742 which will take place during 2008–11. This amounts to 436 rent, 32 intermediate rent, and 50 New Build Home Buy units in total. The HCA has also agreed to fund 69 properties under the conversion package, at £3,474,000 for 52 properties for social rent, £68,600 for two Homebuy properties and £753,000 for 15 properties for intermediate rent.

Annex 4

6.4 HIGHWAYS AGENCY—RESPONSE TO THE ECONOMIC DOWNTURN

1. In January this year the Secretary of State for Transport announced a £6 billion programme of works to boost the economy and jobs by increasing the capacity on some of the nation's busiest roads managed by the Highways Agency. In the South West that programme includes the M4/M5 Managed Motorway scheme around Bristol as a top priority. The scheme covers the congested sections of motorway from the Interchange between the M4/M5 at Almondsbury southwards on the M5 to Junction 17 and eastwards on the M4 to Junction 19.

2. The objective is to relieve congestion by opening up the hard shoulder for use by traffic at peak times. Construction is planned to start in spring 2010, with completion by summer 2012. The estimated scheme cost is in a range from £93 million to £142 million and the works will secure benefits in and around the Bristol area itself as well as the wider region by improving a part of the network which serves as a strategic gateway to and from the South West.

3. Also, as part of the Governments wish to boost the economy during the recession by additional targeted public expenditure, the Agency is as well bringing forward £400 million of its capital budget in 2009–10. In the South West this means that a number of localised asset renewal and improvement schemes are being brought forward on sections of the strategic motorway and trunk road network across the region as a whole. This will both improve the resilience of the network and its performance in terms of more reliable journey times and improved safety across the region.

Memorandum from South West Councils (SW 10)

This short response provides additional information to the oral evidence provided by SW Councils and Strategic Leaders Board representatives on 30 March 2009. It does not seek to repeat information already provided or other publicly available statistics.

The main messages below are that there needs to be:

- Involvement of the SW Councils Strategic Leaders Board in the planning (not just delivery) of all government initiatives in the region.

- Sustained investment in capacity to deliver future growth and infrastructure and as much use of front funding initiatives as possible.
- Recognition of the falling level of income for local authorities and SW RDA at a time when demand for support is rising.

Councils in the South West are undertaking a wide range of actions to support business, help vulnerable households and ensure that, when the upturn come, we are well placed to recover quickly.

South West Councils have an important role to play in leading the response to the recession over the coming months. We are confident that working together, we can deliver what matters for local communities—not just improved services or better value for money but better places to live, work and visit.

The responses to each of the main points in the inquiry's call for evidence are set out in turn below.

The impact of the economic situation on the South West, including problems around unemployment and debt

It is clear from the data that some areas are experiencing much larger rises in unemployment than others. Even in areas with a pre-recession backdrop of relatively low unemployment, the proportionate increases in unemployment in parts of the South West have been some of the largest in the country.

Many councils have reported a substantial increase in visitors seeking advice on benefits (roughly a 20% increase from last year). New claims have been particularly noticed and the means testing elements are found intrusive by some applicants which can be a challenge for council staff.

Councils themselves are not immune from the effects of the credit crunch or the recession. As the economy slows, local authority income from interest payments, land searches, planning fees, recyclables and car parking fees is all affected—at a time of rising demand for council services. Losses in these areas are significant (estimated as greater than £100 million across the South West) and roughly equivalent to 2–4% on council tax in many areas. The problem is exacerbated in the South West by a greater dependency on these sources of income due to a lower level of revenue support grant. In some cases this is leading to further job losses in the public sector, particularly in services whose budgets are underpinned by these income streams.

In this context, efficiency programmes are assuming an even greater importance for local councils, particularly when set against pre-recession pressures such as: increasing service demands; a particularly ageing population in South West England; waste costs and; a reducing rate of Government support in real terms.

SW Councils now incorporate the work of a Regional Improvement and Efficiency Partnership which helps councils collaborate and innovate in service delivery. Local government is already the most successful part of the public sector in delivering efficiency savings but this work ensures that further value for money is delivered, freeing up resources for front line delivery.

Councils in the South West provide a wide range of services which will help support local households through these challenging financial times. These include: home energy efficiency—grants for loft and wall insulation and advice; housing solutions—such as affordable housing, sheltered housing, housing benefits and support for the homeless. In addition to these existing core council services a wide range of additional measures are being taken to help businesses and people through the recession. These include:

- encouraging housing benefit take up;
- adopting a discretionary policy of no evictions for rent arrears;
- extending time available to pay council tax and rent;
- introducing support measures for people facing eviction;
- providing support for debt counselling—through the Citizens Advice Bureaux and others; and
- support for Credit Unions, which can provide finance and support to those who need it most.

SW Councils are ensuring that best practice in these areas is shared with other local authorities in the region.

The nature and extent of the Government's response to the current economic situation in the South West

The steps taken by Government at national level to combat the credit crunch and the recession have been well publicised.

Within the region, some of the main sources of support for people who have lost their job are currently Job Centre Plus and the Learning and Skills Council. As the impact of the recession is varying across the region, it is critical that support for employment and training are effectively targeted on the needs of local people and employers. Through direct involvement in the community and local business groups, councils have a good picture of how business is being affected on the ground and are well placed to respond.

In this light, the announcement of the £1 billion Future Jobs Fund in the Budget was particularly welcome, with its emphasis on local authority led job creation programmes.

SW Councils are working together through the Regional Improvement and Efficiency Partnership (RIEP), with GOSW, Job Centre Plus and SW RDA to support a comprehensive action plan to tackle worklessness. SW Councils' Local Economy Programme has allocated £100k of RIEP support to combat worklessness, together with £200k of funding provisionally allocated by the Department for Work and Pensions. Working with Economic Development Officers, the action plan will support the preparation of applications to the Future Jobs Fund, sharing of best practice and ensuring an equitable share of the Fund comes to the South West.

The South West has the highest percentage of small businesses of any area of England so ensuring the right support arrangements are in place is vital. Councils in the South West already provide a wide range of services which will be of benefit to business through the economic downturn. These include:

- Small Business Rate Relief.
- Rate Relief for Business in Rural Areas.
- Charities and Discretionary relief (from rates on non-domestic property).

In response to the recession, councils are also now undertaking additional measures to support local businesses. These include:

- paying suppliers ahead of schedule;
- stepping up publicity on support and advice available to business;
- encouraging take up of small business rate relief and introducing full rate relief in areas where there are no alternative employers; and
- putting in place local procurement strategies.

On average, councils in the SW already procure between 60–70% of their goods and services locally but a number of councils are currently reviewing their procurement policies to see if this could be increased still further. SW Councils recently undertook a major member-led multi-agency review on Sustainable Procurement, which has made recommendations to a wide range of partners on the scope for further collaboration, potential RIEP support and the best way to reduce environmental impact.

Councils in the South West also spend roughly £27 million a year on marketing the local area and many are currently reviewing tourism marketing plans to take advantage of the substantial depreciation in the value of sterling. This may open up some significant opportunities for the domestic tourism market. An associated review of the South West's regional tourism strategy is therefore also timely.

In many areas the area action force approach with SW RDA, councils, Job Centre Plus and other agencies is working well. In other areas councils and Job Centre Plus have taken the initiative to establish a "Rapid Response Service" to deal with closures and redundancies.

The effectiveness of the Government's response in reducing the impact of the current economic situation on the South West

At this moment it may be too early to judge the effectiveness of the Government's response. The work the Government has undertaken to stabilise the banking system has been well publicised, however some concerns remain on access to credit and associated falling confidence amongst consumers is a critical issue for the South West's economy.

Councils are at the forefront of implementing a wide range of Government initiatives, tailoring them for local circumstances and leading close working with other public sector agencies. However, many local authorities do not see the Government's package of support measures as a unified programme and clear guidance on their implementation can be more difficult to come by in some cases.

It is also especially important in a downturn that local authority work with the third sector is well coordinated. In this light there is a need to ensure that the work of the RIEP on Stronger Communities and the Regional Empowerment Consortium are complementary.

The effectiveness of the Government Office for the South West, the Southwest Regional Development Agency, the South West Regional Economic Task Group, and other Government agencies and partner organisations in the South West in delivering the Government's response

A great many of the issues raised by SW Councils representatives (Cllr Rod Bluh, Leader of Swindon Council, representing the Strategic Leaders Board and Dr Phil Norrey, Chief Executive of Devon County Council) in the SW Regional Economic Task Group (SW RETG) are now in the Group's Action Log (available online at www.swretg.org.uk).

Some of these have been or are being addressed—notably guideline council housing rents and a temporary increase in business rates of 2% rather than 5%. However, whilst the temporary increase of 2% was welcomed by businesses in the region, the cost of administering this initiative could not be re-couped by local authorities and had also come at a time immediately after initial bills for the year had been sent out. It would have been helpful if local authorities had been consulted about the initiative prior to its announcement.

For a number of other issues SW RETG now appears to be at the tricky stage between diagnosis and the prescribing of treatment. Acknowledging that there is no “deus ex machina” to help solve all the problems we face, SW Councils are encouraged that at the very least the Group is a useful mechanism in which to engage directly with Government.

Not all of the SW RETG sub groups have appropriate local authority representation on (such as the People and Skills and the Green Economic Recovery sub groups) and this appears to be a major oversight of the role SW Councils are playing in these areas.

Some of the main changes to Government policy that South West Councils are asking for are:

1. *Faster and less complex decision making* processes in Government Departments such as Transport and Schools to enable investment to be fast tracked.
2. *Risks on capital projects to be shared* fairly between Government and councils (otherwise projects could dry up).
3. *Treasury rules to be loosened* to allow essential pre-planning of projects and the revenue costs of programme management to be capitalised.
4. *A “capacity fund” to be introduced in Regional Funding Allocations* to allow that to happen with greater flexibility for local authorities to use funding creatively ie change capital/revenue mix.
5. *More support for front-funding infrastructure.* The South West has innovated in setting up a Regional Infrastructure Fund to forward fund essential infrastructure which unlocks development projects, with the costs recouped later. The fund is playing a crucial role in bringing forward development at Exeter, for example, by funding road improvements and a station. This fund if much bigger could act as a catalyst to make sure that when the upturn comes major development projects can proceed quickly.
6. *Reform of the Housing Revenue Account subsidy system.* Many councils in the South West are net contributors to this scheme. Given the need for investment in the region, it is unfair for tenants, many of whom have very limited finances, to be taxed to support investment in other regions when the South West has the oldest and least energy efficient housing stock in the country.

We welcome the steps taken by the SW RDA to combat the effects of the recession in the South West (set out in the publication “*First Steps: Action for Recovery*”). In particular, proposals for community finance initiatives and a Business Loan Fund are supported and we hope that sufficient funds will be provided by Government to enable the proposals contained within the document to be implemented.

The recent depreciation of sterling, and the requirement for RDAs to match fund Rural Development Programme for England, has meant that SWRDA funding has been diverted from other strategic regional projects. Together with the recent RDA budget raids and a fall in capital receipts, this could jeopardise some important activities at a critical time. The South West already has one of the smallest RDA budgets and some complex and difficult challenges to address but may not be in a position to respond as fully as RDAs with much larger budgets in other parts of the country. Given the universality of the shortage of credit across the country this situation does not seem fair.

Following a “Grey Skies” thinking day for SW Councils Chief Executives in December, Members of the SW Councils Business Committee also recently agreed a reprofiling of the Regional Improvement and Efficiency Partnership (RIEP) support available to local authorities in light of the economic downturn. The reprofiling has leant greater support to programmes of transformational change and to the new Local Economy Programme.

SW Councils’ Local Economy Programme has three main aims: overcoming barriers to employment and training; ensuring sustainable economic growth; and building capacity for development. These goals will be achieved through skills and capacity development for Local Authorities (involving capacity needs analysis, skills training programmes and support from a pool of experts), performance support (in the form of a programme of technical peer reviews and event and seminars) and bespoke support for sub-regional working and adapting to new roles and responsibilities.

The impact that the response to the current economic situation might have in the longer term on the economy and wellbeing of the region

Local authorities have important roles to play in planning, economic development and supporting regeneration projects. Over the next 20 years the population of the South West is expected to grow by an additional 500,000 people so ensuring that sufficient housing, transport infrastructure and employment land is available for this growth will be essential.

However, the slowdown in the housing market has affected a wide range of development schemes and infrastructure projects already. As a result, councils are re-evaluating short term priorities to ensure construction does not grind to a halt and so that longer term plans can be delivered. By undertaking assessments of the state of the local economy, councils can underpin these decisions as well as ensure appropriate support is provided to business.

South West Councils' Strategic Leaders Board, with the SW RDA Board, also recently signed off Regional Funding Advice, which will decide how and when £9 billion of expenditure is invested over the next 10 years, for housing and regeneration, economic development, transport, and the skills agenda. This advice took account of the impact of the recession to accelerate schemes which could deliver quick wins and the best result for the South West as a whole.

Councils also have important responsibilities in 14–19 education, working with local colleges to ensure that businesses are provided with appropriately skilled people. A number of councils are supporting and expanding apprenticeship schemes with local colleges. Councils' work with Further and Higher Education will assume particular importance in ensuring the local workforce has the right skills when the recovery comes.

Evidence from previous recessions has shown that pockets of worklessness have persisted in some areas despite subsequent widespread recovery. This is an important lesson to learn and there is a need for concerted action to tackle this and ensure people do not miss out when the recovery comes. Similarly, while many rural areas are entering the recession later than cities and towns, they may stay in recession for a much longer period of time afterwards.

There are concerns that the current profiling of public expenditure may also lead to a “w” shaped recession, in which a recovery begins but stalls as Government spending is cut back in the next spending review period. Increasing the amount of money available for front funding initiatives could be one way of avoiding this.

The opportunities for a “green” economic recovery—achieving a structural shift in the economy to a low carbon base—have been widely highlighted and could be particularly beneficial to the South West which has a strong base in environmental industries. Local government will play a critical role in ensuring the successful scoping and delivery of a green economic recovery plan.

Memorandum from the South West RDA (SW 11)

IMPACT OF THE ECONOMIC DOWNTURN ON THE SOUTH WEST AND THE REGION'S RESPONSE

1. SUBMISSION TO THE SOUTH WEST REGIONAL SELECT COMMITTEE

1.1 On 30 March 2009, Sir Harry Studholme, Chairman Designate, and Stephen Peacock, Executive Director of Enterprise and Innovation gave oral evidence to a meeting of the South West Regional Select Committee. The RDA would now like to submit supplementary written information to feed into the Committee's inquiry into the economic downturn in the South West. In particular, the Committee has requested additional information on:

- Responding to the economic climate.
- Working with Jobcentre Plus and the Learning and Skills Council.
- Practical advice to business.
- Support to new start-up businesses.
- Area Action Forces.
- Interreg IVC—public procurement of local produce.
- Promoting the South West as a base for Aerospace.

2. THE ROLE OF THE SOUTH WEST RDA

2.1 The South West RDA is a business-led organisation, created and funded by Government, to improve the economic performance of South West England. We promote the development of a sustainable economy in the South West of England, investing to unlock the region's business potential. Our statutory purposes are to:

- further economic development and regeneration;
- promote business efficiency, investment and competitiveness;
- promote employment;
- enhance development and application of skills relevant to employment; and
- contribute to sustainable development.

2.2 Our 2008–2011 Corporate Plan, published in Spring 2008, sets out our corporate strategy for delivering these purposes, which is focused on:

Creating the conditions for productivity-led growth

We aim to help improve the competitiveness of South West business—focusing on skills, innovation, resource-efficiency, enterprise and transport and communications infrastructure.

Developing a low carbon economy

To ensure that the South West is in the vanguard of the transition to a low carbon economy, we want to help the region's economy adapt and its businesses take maximum advantage of the new opportunities that will be created. To reduce our own and the region's carbon footprint, we are going to work to make our overall annual interventions zero carbon by 2013.

Creating successful places

A strong economy is built on successful places. We will help key places in the region develop so that they are ready to maximise business opportunities to adapt to change in the future and accommodate growth; to make a difference we concentrate our efforts in priority places rather than spread the jam too thinly.

3. RESPONDING TO THE ECONOMIC CLIMATE

3.1 The South West RDA is helping the region's economy emerge from the current challenging economic circumstances in the best possible shape. We are working with a range of regional partners to develop or expand initiatives to help businesses and the wider economy, and then chart a course for recovery.

3.2 The regional response to the crisis is being steered by the Regional Economic Task Group, chaired by Ben Bradshaw, the regional Minister (see www.swretg.org.uk). There are four strands of work being taken forward by the group: help for business; people, employment and skills; infrastructure and construction; and resiliency of public services.

3.3 The RDA's contribution ranges from helping coordinate a "rapid response" to company closures and tuning the advice and support for individual businesses, to specific initiatives including establishing a business loan fund, and investing more in grants for innovation. Further details of our activities are provided below.

4. WORKING WITH JOBCENTRE PLUS AND THE LEARNING AND SKILLS COUNCIL

4.1 The South West RDA is working with regional partners to help employers and people cope with the consequences of the economic crisis, ensuring there is a well coordinated public sector and supply side response.

4.2 In partnership with Jobcentre Plus, the Learning and Skills Council, union/third sector partners and others, we are integrating the existing and new support available, providing a better service to employers and people. Our aim is to communicate these offers in a joined up manner, making the messages as simple and as accessible as possible. Our work is informed by expert analysis of the latest economic data and intelligence so that we can identify the policy and delivery implications and highlight issues for discussion and decisions that need to be made by partners and national government.

4.3 Under the auspices of the RETG, partners are leading the work on people, employment and skills and are focussing on five main areas:

- helping businesses avoid making redundancies;
- helping those at risk of redundancy (eg access training);
- helping those who are made redundant;
- helping those who are furthest from the labour market; and
- helping those who are new entrants into the labour market.

4.4 There are also four key areas where new work is being taken forward in order to respond to the particular needs of people in the South West:

- talent retention—working to keep the workers in key sectors in the region;
- apprentices—putting arrangements in place for when businesses close so that apprentices can complete their training;
- older workers—looking at ways to support older workers and encourage mentoring; and
- personal debt/finance—looking at financial literacy and other issues.

4.5 Eight Area Action Forces have been set up to work with businesses when they are dealing with redundancies and closures. The action forces convene all the local public sector partners (eg Business Link, JobCentre Plus) and put together a package of support which can include training. Staff can be trained for new jobs in new sectors, or for different jobs in the existing company. Re-training may be one way that a company can survive the recession by moving into new markets/opportunities. See Section 6 below for further information on the work of Area Action Forces in the South West.

5. PRACTICAL ADVICE TO BUSINESS

5.1 The RDA is responsible for a wide range of business support, through a combination of direct engagement with business and by funding delivery partners to provide support through contracted agreements.

5.2 Delivery partners include Business Link and the Manufacturing Advisory Service (MAS-SW). Business Link provides an information, diagnosis and brokerage (IDB) service to over 100,000 SMEs a year.

Business Link

5.3 Through a combination of their website (www.businesslink.gov.uk/southwest), telephone service and direct one-to-one meetings, Business Link's advisers work with a business to understand their needs and then direct them towards the appropriate support; sometimes this may be financial, other times it could be more general such as training. 88% of businesses using the service state they are "very" or "extremely" satisfied with the service they receive. In the south west, Business Link is provided through three delivery partners operating a seamless service under one brand.

5.4 Support for new start-up businesses is provided through the Business Link "Starting a Business" service, which comprises web based information and self help materials, telephone hotline support and workshops. For those businesses from underrepresented groups or with the ambition and potential to grow rapidly, additional one-to-one mentoring support is available around a number of key themes including business strategy, finance and market understanding.

5.5 The RDA has worked with Business Link to tailor services to the needs of businesses in the downturn. In October 2008 Business Link launched the Health Check service. This gives a business an in-depth review from a Business Link advisor to help identify the key issues and therefore the relevant support available. As such it is a natural fit with the core Business Link operation. To date (21 May) 4,356 businesses have received a Health Check.

5.6 Feedback from these Health Checks also goes into the RDA's intelligence reporting to help develop a clear picture of the region's economy. These intelligence reports in turn feed the monthly Regional Economic Task Group (RETG). The Health Checks consistently show that the key issues for businesses are in the area of strategy & planning and finding new customers and markets to offset the impact of the downturn.

5.7 Business Link has also been central to the RDA-organised road shows that have been held across the region over the past two months. 500 businesses have received advice and support from a wide range of public and private sector partners. Continuous RDA dialogue with the main banks (see 5.11 below) meant they also supported these events.

Manufacturing Advisory Service: MAS-SW

5.8 MAS-SW works with the region's manufacturing SMEs to help improve their efficiency through activity such as introducing lean manufacturing techniques. Since 2002 MAS-SW has helped 500 companies make savings of more than £50 million and provided advice and information to 2,000 businesses (source: MAS-SW). MAS-SW is also an integral part of projects such as Supply Chain 21 (SC21), working with the West of England Aerospace Forum (WEAF—see section 8 below) to help aerospace and defence companies compete more effectively in the global marketplace. The RDA has provided WEAF with £500k so MAS-SW can offer a free review to help companies identify areas for improvement and opportunities for innovation and to explore how supply chains.

5.9 MAS-SW has also launched the Downturn Readiness Review which offers specific advice to help manufacturers to survive and continue to grow through the recession.

Business Loan Fund

5.10 In April the RDA launched its £10 million business loan fund. The RDA has leveraged ERDF money into this joint fund, which provides loans of up to £250,000 to viable businesses with growth potential and is a key tool in helping to unblock finance for South West businesses. This is the first time the current ERDF programmes have been used in this way in England. To date 135 businesses have enquired about the loan with 12 formal applications received, to a value of £1.6 million.

Working with Banks

5.11 The RDA has regular dialogue with the four main banks (HSBC, Barclays, Lloyds Banking Group and RBS) to develop ways to improve provision of business support, particularly relating to the availability of finance. Our intervention has led to the banks agreeing to provide more advice to Business Link advisors on what they are now looking for from businesses seeking finance and has also seen the banks support the recent regional road shows (see 5.7 above).

Working with Business Representative Organisations

5.12 In December 2008, to formalise and build on our good working relationships with the main business representative organisations, the RDA established the Regional Business Forum (RBF), chaired by a member of the RDA Board and attended by the CBI, FSB, SW Chambers of Commerce and the Institute of Directors. The RBF provides a valuable way of developing thinking in response to the recession. For example, in February the Regional Directors of the banks were invited to the Forum which gave the representative organisations the opportunity to question them on their lending on behalf of their members and from this discussion several actions were developed, such as those mentioned above.

Solutions for Business

5.13 In conjunction with BERR, the RDA has worked to help reduce the number of separate business support products from over 3,000 to 30 product groups, all accessible via Business Link. The portfolio was launched in April, with transition to the S4B line-up being managed over the next 12 months.

Support to exporters

5.14 The Agency has helped to lever in ERDF funding to expand UKTI trade services by £2.1 million over the next three years, and has also approved additional funding of £490,000 this year to fund six global business advisors who will work in areas of sectoral specialism to include Aerospace, Marine, Environmental, Food, ICT and Bio Medical opportunities for international growth.

High Growth business coaching

5.15 Later this year the “Coaching for High Growth” service, supported by the RDA and ERDF, will be available region-wide offering tailored, intensive business coaching to those companies with exceptional potential to grow rapidly.

R&D and Innovation

5.16 The RDA administers the Grant for Research and Development scheme which offers financial support to businesses involved in the creation of new products and processes.

5.17 Start up businesses can also receive support and advice from the Enterprise Europe Network, part funded by the South West RDA, which can help companies find European partners with complementary technologies. It will also give guidance on EU R&D programmes and advice on Intellectual Property issues.

5.18 In a new initiative, the South West RDA is setting up innovation networks (iNets) in the five key sectors of creative industries, ICT, biomedical, aerospace and environmental technology. The iNets programme will provide and develop innovation and knowledge transfer resource for business and industry in the SW, extending the reach and scope of the Technology Strategy Board’s Knowledge Transfer Networks.

5.19 Agency support for research and development is exemplified by that offered to Apitope Technology. Investment from the RDA, UKTI and the Technology Strategy Board has enabled this Somerset-based company to sign a multi-million pound drug licensing agreement that will soon be transforming the lives of multiple sclerosis (MS) sufferers worldwide. Before Apitope’s groundbreaking vaccine gets to market—the time to market for biomedical products is often lengthy—the company expects to have generated revenue from a diagnostic test for MS, developed with the help of a £75,000 Grant for Research and Development (Grant for R&D), administered by the Agency.

Green technology

5.20 The RDA funds Regen South West (www.regensw.co.uk) which gives specialist support to the renewable energy & energy efficiency sectors. Their mission is to speed up the transition to a low-carbon economy in South West England and there are three key pillars to this:

- (i) Input into national and regional policy, providing independent advice to decision makers as well as acting as a sounding board for policy developers and feeding key policy information to businesses.
- (ii) Research to help businesses develop capability and understand the market, eg the Road to 2020 report which showed what the opportunities could be for the SW in achieving 20% of energy from renewables by 2020.
- (iii) Direct support to business such as investor readiness advice.

5.21 The RDA is leading on the Wave Hub project off the north Cornish coast and is one of the public sector bodies working on the nuclear opportunity in the region. Both these strands offer significant future potential for innovation, green technology and start up businesses in the region.

6. AREA ACTION FORCES EXPLAINED

6.1 The RDA has a statutory role to respond to economic shocks. And as such the Agency is well used to bringing partners together to co-ordinate responses to large company closures. In the increasingly uncertain economic environment the RDA is strengthening this capability and adopting a more proactive approach by working with other regional and local bodies to ensure that companies in difficulty receive support which is coordinated.

6.2 Area Action Forces (AAF) have been set up (or existing area action forces strengthened) across the region. Currently there are 8 AAFs covering the following areas:

- Bournemouth, Dorset, Poole (BDP).
- Cornwall.
- Devon.
- Gloucestershire.
- Somerset.
- Swindon.
- West of England.
- Wiltshire.

6.3 Up until 8 May the AAFs have engaged regionally with 253 companies. The sub regional split is as follows:

- Bournemouth, Dorset and Poole—7.
- Cornwall—13.
- Devon—51.
- Somerset—16.
- Swindon—21.
- Wiltshire—18.
- West of England—63.
- Gloucestershire—64.

6.4 The diagram in Annex 1 sets out a spatial breakdown of business engagement by Area Action Force.

6.5 Each AAF is linked in with the Sub-regional Economic Partnership and/or local Employment and Skills Board as appropriate. Where such structures are not established or are in their infancy, the AAF activity has been a good way to help develop partnership structures for the longer term. The AAFs also have a direct link to the Regional Employment and Skills Partnership.

6.6 All the AAFs have the following key objectives:

- to respond to the anticipated increase in redundancies and company closures as a result of the current economic crisis;
- to ensure the public sector response to redundancies and company closures across the sub region is co-ordinated with relevant partners sharing information to avoid duplication of effort and to maximise resources;
- to develop a more co-ordinated approach to identifying those companies, individuals who are most at risk and deploying relevant resources in a proactive, pre-emptive way; and
- to feed back information and intelligence to regional and national partners to influence future service delivery, resources and policy development.

6.7 Each AAF is comprised of a range of key partners that can provide support to businesses and individuals including Jobcentre Plus, Learning and Skills Council, RDA, Business Link, Local Authorities, Sub Regional Economic Partnerships, Unions, ACAS, Citizens Advice Bureau, Federation of Small Businesses, Connexions/Next Steps, GOSW, Chambers of Commerce, Business Councils and Train to Gain.

6.8 Key activities in the development stage of AAFs have been:

- Ensuring partners are up to date with each others' offer to businesses and individuals. With significant flexibility and re-allocation of resources taking place throughout many organisations, partners have to be kept up to speed with what each partner can bring to the table.
- Developing protocols for sharing where possible and acting on what is often commercially sensitive information.
- Identifying gaps in provision to be discussed at regional level in terms of additional or flexible resources if required.
- Ensuring a seamless system of cross referral between partners to ensure the customers' needs are met by the appropriate party.

6.9 AAFs are focussed primarily on redundancy and company closure situations. Their role is to minimise the impact of such activity and identify opportunities and sources of support to provide a co-ordinated response to both the company and the individuals affected.

Redundancies

6.10 Redundancy situations will in the majority be led by Jobcentre Plus with support from a range of partners (Local Authorities, Business Link and Trade Unions) both in terms of intelligence gathering and in supporting the company and the workforce. The Area Action Force will ensure that available resources are co-ordinated, maximised and targeted where most effective.

Company Closures/Large Scale Redundancies (either confirmed or anticipated)

6.11 Company closures and large scale redundancies will in many cases (depending on scale and impact) need a special company focussed task force set up. Membership will depend on this size, scale and impact. Leadership of the Group will also depend on these as well as capacity. We may find that company task forces will cover more than one at a time. They will be linked to the appropriate Area Action Force (in most cases it will be a sub group of an area action force but could also include the company, MPs, sector bodies if appropriate, local college or university).

6.12 The decision on whether a Task Force needs to be set up will be taken by the Area Action Force if within a sub-region or by the RDA (and regional partners) if the situation covers more than one sub-regional area. Normally the RDA, SEP or local Authority partner set up and chair the taskforce (this can be agreed by the AAF). In future, depending on the numbers of company closures, the same taskforce may cover multiple companies.

6.13 Key areas that will need to be addressed with company closures and large scale redundancies include:

- *People and Skills*—this is support for the workforce being made redundant and encompasses all the areas listed in the Redundancy section above.
(JCP lead with partners support)
- *Supply Chain*—working with the company to identify what the impact is on their supply chain. Identify those businesses that will be affected most by any closure to help them identify new market opportunities.
(Business Link lead with partner support)
- *Site issues*—work with the company and local partners to explore issues in relation to the site—future uses, new tenant etc. Identify possible inward investment opportunities.
(SEP/Local Authority lead with partner support/HCA or RDA if priority location)
- *Local Impact*—PR, encourage investment, morale etc.

How does it work—a practical example

6.14 In the West of England the Area Action Force is known locally as the West at Work Action Group. It was formed out of an existing West at Work Project Board which delivers an integrated employment and skills project across the sub region. The partnership's terms of reference were amended and membership has been expanded to incorporate this additional activity.

6.15 The West at Work Action Group reports directly to the West at Work Programme Board which is the Employment and Skills Board for the sub region. The Action Group has extensive partnership working experience having recently (September 2008) provided a joined up recruit and train offer for employers in the Cabot Circus Development in Bristol (4,000 jobs) as well as intensive support for those out of work or claiming JSA to secure jobs at the development. That partnership experience is well placed to help co-ordinate activity around redundancy and company closure activity.

6.16 The Area Action Force meets face to face on a monthly basis. Some partners also hold a weekly telephone conference (JCP, RDA, West at Work, Business Link, Union rep) to share intelligence and co-ordinate engagement on recent announcements.

6.17 In May 2009 there are two large scale company closure “task forces” in existence: the “Cadbury Response Team” is an action group working on the closure of the Cadbury site in Keynsham (500 jobs); a task force was also recently convened to deal with the RSA (Royal Sun Alliance) announcement that they are closing their office in Bristol with 400 job losses (500 redundancies). Both have direct links to the AAF.

7. INTERREG IVC—PUBLIC PROCUREMENT OF LOCAL PRODUCE

7.1 The Interreg IVC programme offers the opportunity for public bodies to enhance, improve and expand existing practice, whilst creating tools and mechanisms to ensure the spread and development of best practice. The FoodTURE-S project was submitted under the second call of Interreg IVC and is currently going through the appraisal process which will be completed by October 2009. If the bid is successful, the project will run for three years from the end of 2009 through to late 2012.

7.2 The participants in the proposed project are seeking to develop new and innovative approaches to food as a strategic area within their administrative boundaries and thereby to foster food systems that contribute to sustainable economic and socially cohesive territorial development.

7.3 For the South West of England the project matches perfectly with the work currently being undertaken by the South West Public Sector Food Procurement Project and allows extension of this strategic sustainable food policy development work into other channels of the food and drink sector.

7.4 The project partnership brings together governments from 9 cities (Amsterdam, Rennes, Munich, Malmö and Ferrara) and regions (SW England, Scotland, Basque Country and Andalusia) across Europe that are committed to advance policies in this relatively new area. Current policy experiences tend to be fragmented and are not easily disseminated to other cities/regions which face similar challenges. The exchange network established by FoodTURE-S in this respect provides a context to learn from each other and transfer replicable best practices between regions/cities. Likewise, innovative policy approaches frequently require coordinated cross-sectoral action in different relevant policy fields—FoodTURE-S brings together best practice of regions/cities across Europe in these fields and collates these into a model integrated Sustainable Food Policy Toolkit.

7.5 A key element in this approach is the development of an integrative food policy framework that builds cohesion between different measures within the region and strengthens and reinforces a sustainable and healthy food culture at regional level. This in turn would act as a means to mobilize relevant stakeholders and citizens to adjust their collective actions and individual behaviours, and strengthen regional capital and cultural assets that may be utilised as resource for sustainable and balanced economic development in the food sector.

7.6 Project Objectives:

- Development of a model integrated policy framework that will contribute to the protection and enhancement of regional food systems, and utilise and exploit this asset for sustainable regional economic development.

7.7 Project Activity Objectives:

- Identification and assessment of current policies and practices.
- Diagnosis of areas for policy improvement.
- Exchange of best practice between partners via peer reviews and strategic exchanges, thereby improving regional capabilities and capacities through exchange visits.
- Audits and appraisals by policymakers and regional experts.
- Transfer of policy best practice based on the developed toolkit.

7.8 Outcomes:

- Individual regional action plans based on best practice.
- Development of regional food policies that promote food systems assets.
- Design of a collective model policy framework with tools and guidance for transfer and adaptation throughout Europe.

8. PROMOTING THE SOUTH WEST AS A BASE FOR AEROSPACE

8.1 Aerospace is a key sector for the South West which has an estimated 27% of the UK industry and is home to the HQs or major facilities of 9 of the UK's top 11 aerospace companies. The company has contacts with the prime contractors (Airbus, BAE Systems, Agusta-Westland and Rolls-Royce) and many of the 1st and 2nd tier supply chain companies including GE Aviation, Thales, Cobham, Messier Dowty and Boeing.

8.2 The Agency has invested heavily in this sector. As part of the National Aerospace Technology Strategy, the Agency has spent over £11 million and committed another £8 million on major R&D projects which have strengthened the UK's expertise in composite materials, fuel efficient engines, UAVs (civil unmanned air vehicles), energy efficient landing gear, and advanced design technologies. These have leveraged around £140 million of external R&D funding and safeguarded and created hundreds of jobs in some of the highest value added parts of the UK economy.

8.3 The Agency has facilitated engagement between leading companies and universities which have resulted in very significant investments and the development of valuable IPR and attracted heavy investments from EPSRC.

8.4 As well as funding for technology projects, the Agency has in the last five years funded networking activity through the West of England Aerospace Forum (an affiliate of SBAC), lean manufacturing programmes (through WEAFF and more recently MAS), a supply chain initiative and established a skills forum which together amount to over £8 million.

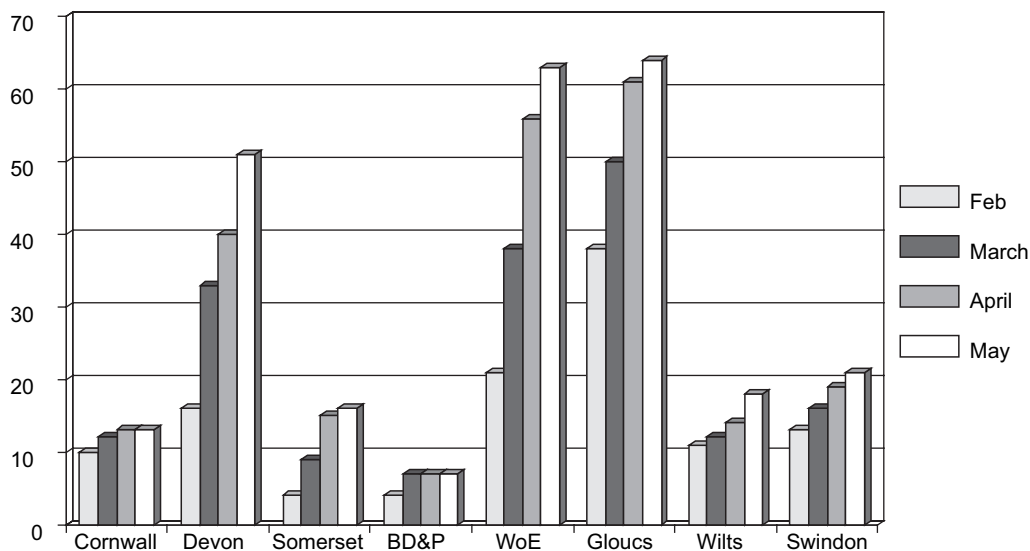
8.5 Currently the RDA is working closely with the UKTI overseas offices to promote this sector internationally. This activity will include imminent visits to the overseas HQs of:

- Parker Aerospace (US).

- Lockheed Martin (US).
- Moog (US).
- Honeywell.
- SKF Bearings (Sweden).
- General Atomics (US).

8.6 In addition to this, members of the International Business Team will be attending the Paris Air show in June along with the West of England Aerospace Forum (WEAF) and will be meeting with prospective investors. Later in the summer, the RDA will be hosting a visit from a delegation of Japanese aerospace and composites companies and academics.

Annex 1—Area Action Update



Memorandum from the Citizens Advice Bureau service (SW 12)

1. EXECUTIVE SUMMARY

Citizens Advice Bureaux in the SW are at the forefront of dealing with the impact of the economic downturn as it affects individuals and communities. Bureaux have experienced an increase in demand for their services due to the recession. Regional increases are slightly higher than national averages in some enquiry areas.

The service is actively engaged in partnership work to share good practice and campaign for change.

Our significant evidence base informs our comments on the effectiveness of the Government's response.

While some cabx have been able to increase their frontline service to meet demand, this has been piecemeal and is not part of a sustainable strategy. The Additional Hours programme has genuinely increased frontline provision.

Measures that could be taken to address the economic recession in the SW are:

- Commissioning a detailed mapping of financial inclusion services across the SW and examining gaps in provision and identifying those people, and geographical areas most at risk. In future funding could be targeted to meet greatest need.
- Collaborative work by all agencies, including SWRDA, to identify and remove barriers to employment for vulnerable workers.
- Funding schemes and outreach to ensure maximum benefit take up.
- Providing more enhanced¹¹ face to face support for people in debt, including improved debt recovery practices.

¹¹ There are many agencies providing some debt advice. Some of these are national telephone helplines and some are local agencies. Where there is a real shortage of services is in the number of advisers able to offer advocacy and longer term face to face support for complex cases with vulnerable clients. Bureaux are in the frontline of this work and most agencies refer such clients to our service. The Financial Inclusion Fund has assisted greatly—the Citizens Advice-led SW Regional Project has 11 Advisers across eight Participants (including two independent agencies), the Citizens Advice-led National Rural Project has eight Advisers across five Participants (note that three CABx have merged into one in Cornwall) and the Bristol Debt Advice Centre-led project has 14 advisers across eight Participants (including two CABx). Despite this new influx of advisers, outside of Bristol—advisers are spread very thinly.

- Improving access to free, independent and trustworthy advice and ensuring that agencies provide quality assured and holistic advice.
- Investment in preventative solutions such as financial capability/education.

Our evidence shows that interventions around supporting homeowners has had a limited impact and requires further investment in the provision of specialist casework.

2. INTRODUCTION

2.1 *About the Citizens Advice service*

The Citizens Advice Bureaux (CAB) network is the largest independent network of free advice centres in Europe, providing advice from over 3,200 outlets throughout England, Wales and Northern Ireland. In 2007–08 16,500 advisers—three quarters of whom were volunteers—provided advice from a range of outlets, including GPs’ surgeries, hospitals, community centres, county courts and magistrates’ courts, and mobile services both in rural areas and to serve particular dispersed groups.

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone, about their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. The service aims:

- to provide the advice people need for the problems they face; and
- to improve the policies and practices that affect people’s lives.

Citizens Advice, the national body, provides support and services for bureaux eg bureaux are audited and quality checked; volunteers are trained on a national training programme; statistics are recorded and collated on a national database system.

2.2 *Citizens Advice in the SW*

In the South West there are 47 bureaux operating from over 330 outlets. In 2008–09 these bureaux dealt with 565,664 client enquiries—an increase of 10% on the previous year. Many clients present with multiple issues when they approach a CAB.

- Debt 177,951 (an increase of 10%).
- Benefits and Tax Credits 161,937 (an increase of 18%).
- Employment 58,143 (an increase of 19%).
- Housing 39,757 (an increase in 4%).

Bureaux also provide advice on: family and relationships; legal matters; discrimination; health; immigration; tax; education; utilities; and financial services/products. Bureaux work closely with other local agencies to refer and signpost clients.

Many of these issues are linked and what makes the service so useful during the recession is the holistic nature of the advice with trained advisers able to link up information and advice on many issues. All bureaux are independent charities funded by their Local Authority, contracts, trusts, fundraising and project funding.

3. SUPPORT TO COMMUNITIES DURING THE ECONOMIC DOWNTURN

3.1 *Advice*

The CAB service in the South West is at the front line of support for individuals and communities through the current economic downturn. Our comprehensive coverage across the region and collection of data on a national system enables us to drill down into our regional data to show any local variation in the effects of the recession.¹²

Nationally and regionally during 2008–09 the CAB service saw an increase in people seeking advice.

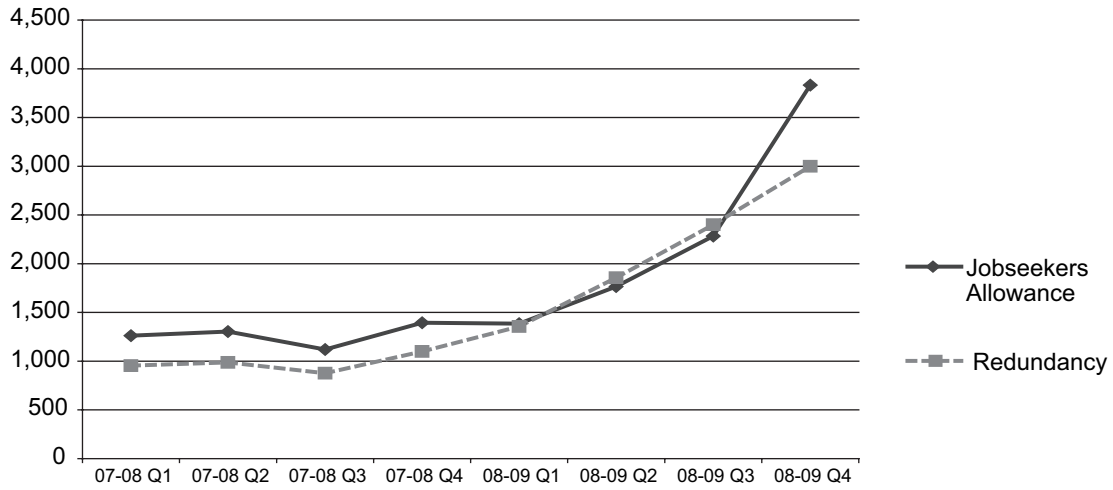
The overall number of benefit and debt advice issues reported by South West CABx increased significantly by 18% and 10% respectively. Housing enquiries increased by 4%. Employment advice issues increased the most—19%. [Nationally figures increased by 10% for Debt, 10% for Benefits, 13% for Employment, and 2% overall—indicating a sharper increase overall in enquiries in the SW—and in benefits and employment.]

Within the above overarching advice areas a number of significant increases were apparent. Most notably advice issues relating to Jobseekers Allowance rose 81% (9,266 enquiries) whilst issues relating to redundancy increased 118% rising to 8,605. The sharpest increases were in Q3 and Q4 of 2008–09. Figures for Q1 of 2009–2010 will be available in July 2009.

The SW figures are again greater than national figures which saw a rise of 61% in JSA enquiries and redundancy up by 114%. The East Midlands and the SW saw the largest JSA enquiry rise.

¹² Attached is a separate document with statistics on JSA and Redundancy bureau by bureau across the SW.

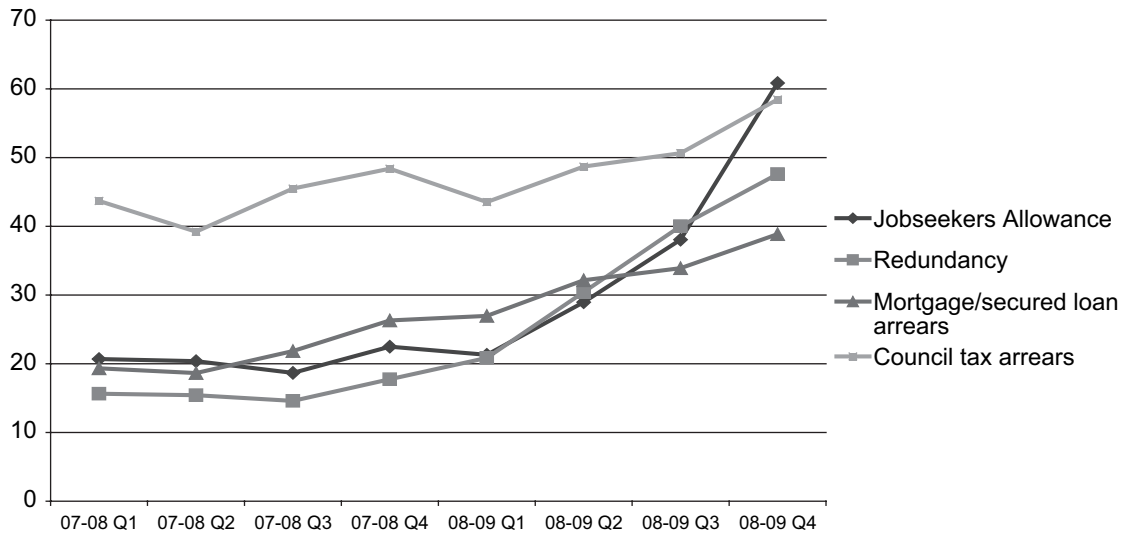
South West: quarterly unemployment issues 2007/08 to 2008/09

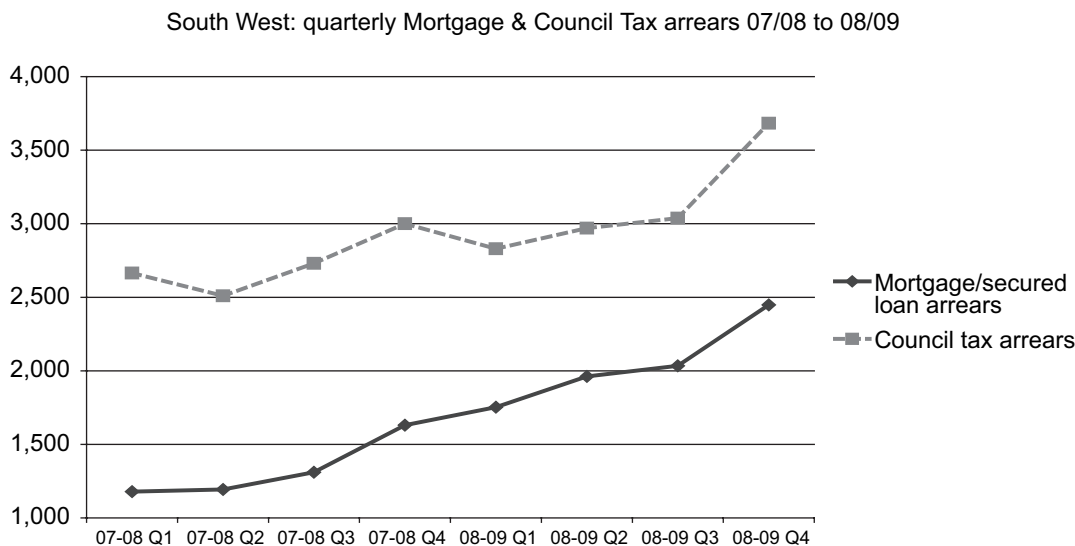


Further detail indicates that enquiries rose more sharply in the SW than nationally on the following issues (national rises are shown in brackets):

- Mortgage and secured loan arrears—up 54% (49%).
- Payment Protection Insurance—up 62% (37%).
- Fuel Debts/poverty—up 25% (19%).
- Crisis loans/social fund—up 25% (11%).

South West region - average issues per working day by quarter 07/08 to 08/09





3.2 Influencing Policy

The Economic Taskforce

Citizens Advice in the SW is a member, with the South West Forum, on two sub groups of the RETG—the People, Employment and Skills Group (PESG) and the Public Resilience Group.

There are local cabx managers acting as members of Local Area Action Groups and briefings on the current economic situation are disseminated to all cabx regularly.

PESG have requested a report on the role of Financial Capability in mitigating effects of the recession. This report is in progress. One recommendation of this report will be that the SWRDA commission work on a much more detailed analysis of financial inclusion issues across the SW—an action the East Region's EEDA has already carried out.

While there is clear evidence that the SW GOSW and SWRDA and other agencies have tried to develop a multi-agency approach to the recession, the agencies have not facilitated active engagement and capacity building in the VCS to enable genuine participation. Verbal evidence on this matter will be given.

SW Advice Alliance (SWAA)

We have initiated the forming of SWAA which held its inaugural meeting in early May. SWAA aims to bring umbrella agencies supporting frontline advice providers together to give a regional voice to the advice sector, promote good practice and information sharing and improve collaboration. SWAA is being funded by NACVA to produce a brief report about the advice sector and the recession.

If SWAA is firmly established by the end of 2009–10 this will provide a real opportunity for better engagement with SW government agencies.

SWAP—The SW Action on Poverty Coalition

Citizens Advice with the South West Forum have set up this large not for profit coalition of over 30 agencies to campaign on specific issues relating to counteracting poverty in the SW. The first two campaigns concern promoting good practice concerning fuel poverty reduction initiatives and improving low pay and training for women including looking in more detail at how the gender duty could impact on this issue. SWAP is now seeking some funding to employ a part time co-ordinator.

The Recession and the Credit Crunch in England's rural economies—CRC

Citizens Advice has made a significant input into this report. We manage a national rural financial inclusion project (BERR funded FIF) from the SW.

Vulnerable workers

We are represented on a number of regional multi-agency groups that work to improve good practice concerning vulnerable workers—migrant workers, people with mental health difficulties, carers etc. The impact of the recession on these groups is likely to be severe and with other agencies we are monitoring the impact—including the impact on the equality strands.

4. THE EXTENT OF GOVERNMENT SUPPORT IN THE REGION

The CAB service is playing an active role in the delivery of two key Government initiatives:

- Additional Hours of Advice project—this project is the result of the additional funding the CAB service received in the pre-Budget report at the end of 2008. The objectives of the project include increasing access to CAB advice between February 2009 to March 2010.
- Mortgage Support Schemes that include the Mortgage Rescue Scheme and the Homeowner Mortgage Support Scheme.

In addition, some bureaux have had extremely positive responses from top tier Local Authorities who want to provide additional support to their communities.

4.1 *Additional Hours of Advice Project*

Citizens Advice received £10 million in additional funding to increase support for people affected by the current economic conditions. £9.16 million of this has been allocated to local CABs to increase their opening hours thereby helping more people.

In the SW 37 bureaux are sharing funding of £1 million and will open for over 21,000 additional hours this year.

Other outputs include recruiting and training new volunteers to deliver advice during these additional sessions.

4.2 *Mortgage support schemes*

Citizens Advice Bureaux have been involved in the delivery of the two main mortgage support schemes within the Region, these being:

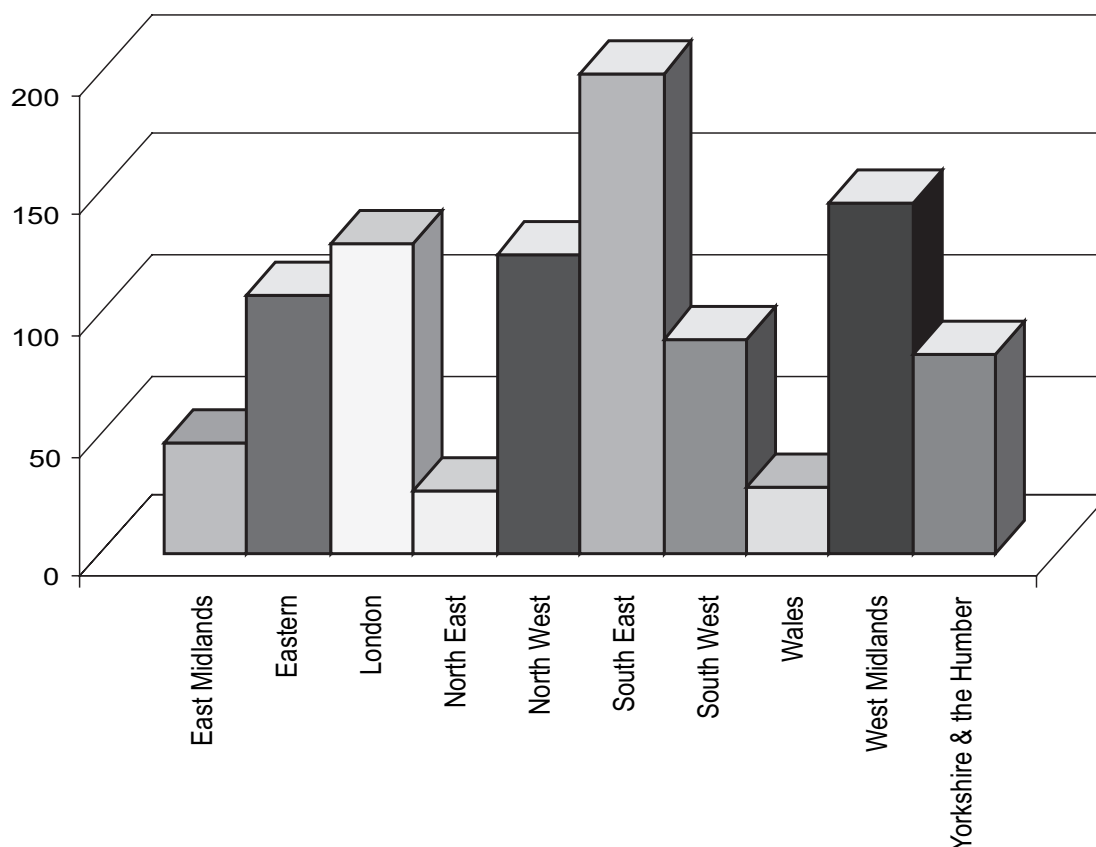
- Mortgage Rescue Scheme.
- Homeowner Mortgage Support Scheme.

The impact of these schemes at a Regional and National level has been limited. Both schemes though do provide further options for advisers to offer to clients and they have advice an integral part of their process.

4.2.1 *Mortgage Rescue Scheme*

This scheme began in January 2009 and it has been difficult to obtain an up to date picture of Local Authority participation. However, we do know that eight Local Authorities were involved in the pathfinder projects.

In the last quarter of 2008–09 (January to March) bureaux in the SW had advised 75 clients on the scheme. The table below shows these enquiries against other Regions and Wales.



A national survey¹³ of the advice sector involving 500 Debtline callers and over 380 advisers reported that:

- 73% of advisers that have tried to get clients accepted onto the scheme report problems.
- 59% report problems concerning property in negative equity.
- 46% report clients' homes being worth more than the limit for the scheme.
- 44% report that clients do not meet the priority need criteria.
- 33% report that clients are not eligible for homelessness assistance.
- 20% report that clients' lenders are unwilling to participate in the scheme.

4.2.2 Homeowner Mortgage Support Scheme

This scheme only came into operation on 21 April and very few clients had been advised nationally on the scheme.

4.3 Local initiatives

Some Local Authorities, recognising the key role that the CAB service has in supporting individuals and communities during the economic downturn, have provided additional funding to help residents through the recession. Bournemouth Cab, the four Cabx in Wiltshire, Dorset Cabx and Somerset Cabx have all obtained additional funding.

An extra 38k from Dorset County to be distributed equally among the rural bx to train 20 new advice volunteers across the county and in Somerset an additional payment to each bx of around 6k.

Partners and organisations from the Wiltshire Assembly have formed a group—Action for Wiltshire—which has agreed to allocate £340,000 to deliver three new schemes to tackle the effects of the economic downturn across the county.

The schemes will be funded using money Wiltshire Council has earned through a performance reward grant from the Government. The grant is being paid to the council over the next two years as a result of meeting service delivery targets previously agreed with the Government.

¹³ Mortgage and secured loan arrears: Adviser and Borrower Surveys April 2009. Advice UK, Citizens Advice, Money Advice Trust and Shelter. May 2009.

£290,000 will be given to Wiltshire's Citizen Advice Bureaus to help them deal with the increase in demand they have seen over the last year. The money will mainly be spent on improving the telephone advice service and will help pay for more advisors and the equipment and training for them to help efficiently with people's problems.

Business Link will receive an additional £50,000 of funds to help support small businesses in crisis and the third major scheme is aimed at ensuring young people leaving school and college in Wiltshire receive support and advice on completing CV's, attending job interviews and filling in job applications.

Sarah Cardy from the Citizens Advice Bureau said: "The credit crisis has meant we are getting many more enquiries from people worried about their finances and job security.

"Our staff have been working tirelessly in an effort to help as many as we can, but this extra help will make a great difference."

These local initiatives are likely to make a real difference to provision as they are allocated for additional resources for frontline/core service.

4.4 Preventative work through Financial Capability

The Citizens Advice Financial Capability initiative supports bureaux to deliver basic financial education in their local communities. This focuses on the skills and knowledge people need to make informed decisions about budgeting, borrowing and saving. An independent evaluation by the National Institute of Adult Continuing Education showed that learners' confidence in their financial skills increased by an average of 30% following training.¹⁴

The East of England Development Agency has invested in a detailed consultancy report on financial inclusion across the region. This report has led to some investment, through European Social Fund monies, in the provision of financial capability training and job search assistance for unemployed adults and frontline workers for the next two years and is targeted on the financial exclusion "hotspots" within the region—identified in the initial report with outputs that include providing training for 800 unemployed and economically inactive adults and 400 frontline workers who support them. We would endorse this model of ensuring investment is targeted at those most in need and commend the report to the SW RDA.

We are currently preparing a detailed report for PESG on this subject. Please see para 3.2.

5. OUR RECOMMENDATIONS

Based on our rising client numbers and our experience of existing support packages developed nationally and locally, we would make the following recommendations as to the additional measures needed to support individuals and communities thereby contributing to the sustainable growth in the region.

5.1 Putting more money in people's pockets

Too many people miss out on benefits and tax credits that could make a huge difference to their well-being. The Department for Work and Pensions estimates that unclaimed means tested benefits nationally stands at up to £10 billion. Take up figures for Housing Benefit are between 81% and 87% but only between 63% and 69% for Council Tax Benefit. A project led by Devon Welfare Rights, a Citizens Advice specialist advice project based in Exeter, found that families with disabled children were entitled on average to £4,000 pa in unclaimed benefit.

Even with the support of the Additional Hours fund and our own development of a national gateway scheme to ensure clients are seen quickly and by appointment if possible—the reality is that most bureaux cannot see all the clients that ask for help. Many Cabx have long waiting times and some are overwhelmed.

The Public Accounts Committee's recently published its latest report on tax credits and recommended that HMRC should set take-up targets for both child tax credit and working tax credit and establish clear action plans for increasing take-up amongst claimant groups and in regions where take-up is lower.

There is a wide range of National Indicators that give a wider scope for Local Authorities and their partners to improve services and the quality of life in their area.

Take-up activities can be undertaken, for example, as part of:

- NI 116: Proportion of children in poverty.
- NI 124: People with a long-term condition supported to be independent and in control of their condition.
- NI 139: The extent to which older people receive the support they need to live independently at home.
- NI 187: Tackling fuel poverty—people receiving income based benefits living in homes with a low energy efficiency rating.

¹⁴ See www.financialskillsforlife.org.uk

And directly contribute to other indicators such as:

- NII19: Self-reporting measure of peoples overall health and well-being.

We would recommend that activities to increase take-up of benefits and tax credits are undertaken by all Local Authorities in the Region in partnership with the voluntary and community sector.

5.2 Providing more support for people in debt

Citizens Advice believes that all creditors, not just the credit industry, but also central and local government and utility companies, should improve their debt collection and enforcement practices. Debtors who are paying what they can afford should not be subject to further collection and enforcement action by their creditors.

Vulnerable clients with multiple debts require the services of face to face specialist advice and advocacy. Many services are unable to meet this demand. Any extension of FIF, especially in the west of the South West would be welcomed.

5.3 Improving access to free, independent and trustworthy advice and support for people affected by the economic downturn in 2009 and beyond

The CAB service in the SW is already responding to the economic downturn through opening for more hours, helping more people and encouraging people to seek advice as early as possible.

Mortgage Support Schemes are complex solutions that require specialist money advice intervention. This creates a need for both investment into specialist advice but also investment into the recruitment, training and support of advisers to carry out this role.

Local initiatives, such as the proactive response from Wiltshire Unitary Council, are needed and we recommend that this good practice is replicated across the Region, to ensure that:

- It is much simpler and quicker for people to be put in touch with an advice service that can help them.
- There are adequate advice services in local communities able to advise people before they lose their jobs.
- Advice is given to the 82%¹⁵ of people that report they need debt advice following repossession.

5.4 Further investment in preventative solutions

Rebuilding public trust and consumer confidence in financial products, both for borrowing and saving, will require significant effort and evidence of stability and trustworthiness. In the next two years, consumers throughout the United Kingdom will face a lot of money questions, not just on how to deal with debts but how to save for the altered financial future and on making informed decisions when choosing financial products. Improving financial capability and providing advice which is “on their side” would be invaluable to boost public trust in financial services and consumer confidence and support re-engagement in the market. We will be recommending a series of actions concerning financial capability development in the multi-agency report to PESG.

¹⁵ Mortgage and secured loan arrears: Adviser and Borrower Surveys April 2009. Advice UK, Citizens Advice, Money Advice Trust and Shelter. May 2009.

South West bureaux—Redundancy and JSA issues 2008–09

	<i>No of issues</i>		<i>As % of all issues</i>		<i>Ratio</i>
	<i>Jobseekers Allowance</i>	<i>Redundancy</i>	<i>All issues</i>	<i>Redundancy</i>	
<i>Redundancy higher than JSA</i>					
<i>JSA much higher than redundancy</i>					
Total South West	9,266	8,605	565,664	1.64%	1.08
Exeter	150	80	12,387	1.21%	1.88
North East Somerset	173	100	8,062	2.15%	1.73
Bristol	493	286	22,729	2.17%	1.72
Swindon	400	235	14,322	2.79%	1.70
North Wiltshire	499	294	21,051	2.37%	1.70
Plymouth and Devonport	333	219	20,188	1.65%	1.52
Stroud and District	230	159	9,422	2.44%	1.45
West Wilts Wide	317	229	15,365	2.06%	1.38
Kerrier	85	62	10,818	0.79%	1.37
Mid Somerset	513	381	24,056	2.13%	1.35
Caradon	112	85	7,700	1.45%	1.32
Gloucester	170	130	8,337	2.04%	1.31
Forest of Dean	224	177	10,297	2.18%	1.27
North Somerset	440	353	28,285	1.56%	1.25
West Devon	90	73	4,961	1.81%	1.23
Kennet	126	103	7,087	1.78%	1.22
Weymouth and Portland	114	94	11,650	0.98%	1.21
Bath	209	182	19,255	1.09%	1.15
Exmouth	107	95	6,510	1.64%	1.13
Bude Holsworthy and District	97	91	4,592	2.11%	1.07
Bridport and District	153	144	10,582	1.45%	1.06
Torbay	344	331	20,712	1.66%	1.04
Liskeard	187	180	9,896	1.89%	1.04
Mid Devon District	123	120	6,239	1.97%	1.03
Carrick	197	193	12,128	1.62%	1.02
Purbeck	84	84	4,072	2.06%	1.00
North Devon	198	201	15,665	1.26%	0.99
Dorchester and District	165	169	10,361	1.59%	0.98
Salisbury and District	139	144	11,198	1.24%	0.97
Bideford	100	104	6,744	1.48%	0.96
Restormel	91	95	6,664	1.37%	0.96

<i>Redundancy higher than JSA JSA much higher than redundancy</i>	<i>No of issues</i>		<i>As % of all issues</i>		<i>Ratio</i>	
	<i>Jobseekers Allowance</i>	<i>Redundancy</i>	<i>All issues</i>	<i>Jobseekers Allowance</i>		<i>Redundancy</i>
Honiton East Devon	71	75	4,070	1.74%	1.84%	0.95
Sherborne	85	92	5,772	1.47%	1.59%	0.92
Teignbridge	178	199	14,072	1.26%	1.41%	0.89
South Hams	153	173	9,859	1.55%	1.75%	0.88
South Gloucestershire	188	214	13,786	1.36%	1.55%	0.88
Bournemouth	238	276	18,422	1.29%	1.50%	0.86
Penwith	56	65	7,702	0.73%	0.84%	0.86
Taunton and District	290	346	19,120	1.52%	1.81%	0.84
Sedgemoor	143	182	10,050	1.42%	1.81%	0.79
Poole	76	100	7,628	1.00%	1.31%	0.76
Christchurch	89	119	9,607	0.93%	1.24%	0.75
Cheltenham Cirencester and Tewkesbury	389	554	21,968	1.77%	2.52%	0.70
North Dorset	95	136	7,833	1.21%	1.74%	0.70
South Somerset	215	339	14,666	1.47%	2.31%	0.63
North Cornwall	160	257	7,462	2.14%	3.44%	0.62
East Dorset	177	285	11,068	1.60%	2.57%	0.62
Glomas			1,244	0.00%	0.00%	n/a

Memorandum from Shelter and the National Housing Federation—South-West (SW 13)

BACKGROUND ON SHELTER

Shelter is a national campaigning charity that provides practical advice, support and innovative services to over 170,000 homeless or badly housed people every year. This work gives us direct experience of the various problems caused by the shortage of affordable housing across all tenures.

We also campaign for new laws and policies—as well as more investment—to improve the lives of homeless and badly housed people, now and in the future.

BACKGROUND ON THE NATIONAL HOUSING FEDERATION

The National Housing Federation represents 1,200 independent, not-for-profit housing associations in England and is the voice of affordable housing. Our members provide two million affordable homes for five million people. 183 Housing Associations provide and manage housing for 440,000 tenants in the South West.

INTRODUCTION

This briefing demonstrates the extent to which the current economic situation has impacted on housing in the South West. It highlights:

- The severe consequences of the region's high housing costs, including financial instability, mortgage arrears, the threat of repossession and the risk of homelessness.
- The increased pressure that the current economic situation is placing on an already strained social housing sector.
- The risk to levels of affordable housing supply created by the drastic reduction in levels of house building by the construction industry.

It also examines the measures put in place to respond to these impacts, both nationally and regionally, to determine the value of these measures and to highlight where they are limited in practice.

1. *The cost of housing*

1.1 Research by Shelter¹⁶ in March 2008 showed that across the South West over 170,000 households were struggling to pay their mortgage or rent. 15,000 households were falling behind on their rent or mortgage payments. In 2008–09, 9,524 possession orders were made in the region,¹⁷ an increase of 12% on 2007–08 (please note that not all possession orders end in repossession and these figures are used to give an indication of repossession activity at a regional level).

1.2 The extremely wide affordability gap in the South West caused by low incomes and high house prices makes it likely that a significant number of households in the region have taken on significant financial burdens to buy their own home. In 2007 homes in the South West cost 12.5 times average incomes that has fuelled high levels of household indebtedness.¹⁸ House prices would need to fall an astonishing 76% from 2007 levels to bring them within reach of the average family.

1.3 The high cost of homeownership and market rented housing in the South West also impacts significantly on household's disposable income. 200,000 people in the South West are living in poverty because of the high costs of their housing relative to their income.¹⁹

1.4 Retaining existing housing can be a real struggle for these households and some are at severe risk of homelessness as a result. Across the region as a whole, 5,340 households were found to be homeless by local authorities in 2008.²⁰ Appendix one details the trends that Shelter projects, such as housing advice centres, have recently been experiencing.

1.5 As the recession continues and unemployment increases these housing affordability pressures are likely to increase, putting mounting pressure on the region's already strained social housing stock.

2. *Housing supply and demand*

2.1 At the beginning of April 2008, there were 161,353 households on council housing waiting lists in the South West.²¹ This represents a rise of 46% in five years. Affordable housing supply has not kept pace with this demand. During 2007–08, the region only delivered 5,570 affordable homes. This represents a shortfall of 4,430 on the draft regional spatial strategy target of 10,000 affordable homes a year and is over 600 fewer affordable homes than the Government's recommended annual average level of supply for the region.²²

¹⁶ Breaking Point: How unaffordable housing is pushing us to the limit, Shelter, London 2008.

¹⁷ Ministry of Justice, May 2009.

¹⁸ South West Regional Funding Advice 2009–19.

¹⁹ This figure is the difference between the number of people in poverty before they pay their housing costs and the number in poverty after they pay their housing costs. Poverty is defined as having a household income which is 60% of the median household income or less. Figures from Households Below Average Income (DWP, 2009).

²⁰ Statutory Homelessness Statistics, Communities and Local Government 2009.

²¹ Housing Strategy Statistical Appendix Data 2007–08, Communities and Local Government, 2009.

²² Housing Investment in the regions: Regional Housing Pot 2008–11—Proposal for Regional Allocations, 16 October 2007, CLG. Average annual outputs recommended for the South West: 4,300 social rented homes, 1,900 low cost home ownership homes.

2.2 With the recession having a dramatic effect on the level of private house building, it is likely that this will impact negatively on affordable housing completions, especially as many local authorities in the region have been successful in leveraging finance for affordable housing through developer contributions. Market housing starts in the region fell to nearly 9,500 homes in 2008–09, a drop of 44% on the previous year, and one which significantly limits this affordable housing finance mechanism.

2.3 At the same time, low levels of low cost home ownership sale plus the disappearance of opportunities offered by open market sale have restricted the ability of housing associations to use cross subsidy to fund social rented housing. As such, affordable housing delivery has become dependent upon recent grant flexibility. This has clearly been responsible for the current increase in new build social sector completions, however, if grant flexibility is constrained in the future, there will be fewer affordable homes delivered in 2010–11 in the region.

3. *The longer term*

3.1 The region's falling house prices are having limited impact on housing accessibility for many. The average house price is still more than eight times the average income, and first time buyers are experiencing tightened lending criteria. And while the National Housing and Planning Advice Unit expect affordability to improve in the immediate future in England, they predict that house price increases will be back to their long term trend by 2017 due to the continued shortfall in housing supply.

3.2 Looking ahead, there is a need to evaluate how new housing delivered should be split between tenures, in order to ensure that need is met and to avoid future problems with households stretching themselves in order to access homeownership. Research for Shelter by the Cambridge Centre for Housing and Planning Research shows that, while the Government's national target for 240,000 new homes per year is about the right level to meet newly arising need and demand, a higher proportion of new homes built must be for social housing and low cost home ownership than at present.

4. *The effectiveness of Government's response*

4.1 The measures announced by Government in the budget to stimulate the housing market and housing delivery are welcomed. In the run-up to the Budget, our organisations, the Local Government Association and the Trades Union Congress called on the government to invest £6.35 billion which could have delivered 100,000 additional social homes over the next two years and provided homes for 250,000 people on social housing waiting lists. The £900 million additional investment in housing did not meet our aspirations but we recognise that this is a significant investment during difficult times for public finances. Clearly it is too early to assess the impact that this additional investment will have in the South West.

4.2 The Government has taken swift and decisive action in relation to rising repossessions and we welcome many of the initiatives that have resulted. In particular, the £200 million Mortgage Scheme was fast tracked in five local authorities in the South West and has now been rolled out across England.

4.3 The mortgage rescue scheme was, by necessity, targeted at those families who are most in need. Figures provided to CLG by Local Authorities show that in the South West 348 households have approached local authorities with mortgage difficulties since the scheme's launch in January. Of these 348, 36 households have applied for the scheme. So far no households have accepted an offer through the scheme, however, the April figures show that nine cases have been referred to a designated RSL and it is expected that, due to the time it takes to process claims and make offers, the numbers of households being offered mortgage rescue may increase in the coming months.

4.4 The fact that no household in the South West has yet taken up the mortgage rescue scheme is due to a number of factors. Only a small proportion of those households approaching local authorities were at risk of repossession and fell into a priority need category. In other cases households have been signposted by the local authority to other more appropriate sources of advice and assistance which has reduced the need for mortgage rescue.

4.5 In addition, while we strongly welcome the pre-action protocol it would be useful if the region could monitor the implementation of the protocol so that data can be gathered on its use and impact. This is because the protocol cannot require lenders to consider alternatives to possession action and it offers no sanctions for non-compliance.

5. *Further action required*

5.1 The Homes and Communities Agency (HCA) needs to continue to operate grant flexibility to enable social housing development to continue. This flexibility alongside a willingness to convert Low Cost Shared Ownership homes into social rented homes through provision of grant has been very much welcomed by housing associations. It is also vital that the HCA continues to show flexibility at a time when its budget for 2010–11 will be reduced due to spending being brought forward. The HCA in the South West under the leadership of Colin Molton has so far shown itself to be pro-active, flexible and willing to engage.

5.2 The Government needs to make more strenuous efforts to encourage the disposal of public sector land at below market levels for affordable housing development, for instance by promoting a better understanding of the best value rules among local authorities.²³ This is especially important if local authorities are to be able to benefit from the funding made available in the budget to build their own affordable housing stock.

5.3 The Government and the HCA need to continue to work together with housing associations to ensure that they continue to be able to access private borrowing at affordable prices to fund new development. The lending environment and behaviour of lenders continues to cause problems for housing associations. In terms of availability and cost of finance, the experience of housing associations is common with other corporate sectors. Availability of debt finance has improved slightly over the last quarter but there have been significant price shocks.

6. *The effectiveness of regional action and Government Agencies*

6.1 Shelter and the National Housing Federation are both members of the South West Housing Initiative (SWHI), a grouping of key housing stakeholders including the Home Builders Federation, the Confederation of British Industry, the Chartered Institute of Housing and the Royal Town and Planning Institute. The South West Housing Initiative has been working with Colin Molton of the HCA as part of the Housing and Regeneration Sub-Group of the Regional Economic Task Group.

6.2 The existence of the SWHI and the willingness of Government office and the HCA to engage with key stakeholders has meant that there has been a unique opportunity in the South West for joined up thinking around regional action in the housing sector.

6.3 The Regional Minister, Ben Bradshaw has been supportive of this co-ordinated activity and has met with the SWHI to discuss proposals to tackle “barriers to delivery” and to discuss issues with lenders about their attitudes to Low Cost Home Ownership on a Chatham House basis.

6.4 Recent changes to regional architecture and the abolition of the Regional Assembly post, the sub national review have perhaps come at an unfortunate time in terms of continuity and effective co-ordination of regional response to the economic downturn. There is a clear link between continued investment in housing and economic stimulus, including the possible use of procurement to support regional businesses, including those associated with green technologies. As housing stakeholders we would be keen to engage in some more “joined up” discussions on these issues at regional level.

APPENDIX ONE

TRENDS SEEN BY SHELTER ADVICE SERVICES

<i>Shelter Service</i>	<i>Main issues</i>
Shelter Somerset Advice Centre, Taunton	<p>Notable increase in negative equity mortgage cases in County Court. Judges are trying to be more proactive and sympathetic when dealing with mortgage possession cases, however listings have increased to 70–80 hearings per month.</p> <p>Increase in clients trying to bid on Homefinder with some being blocked if they have rent arrears.</p>
Hereford Housing Support Services	Continuing to see high levels of debt and rent arrears.
Shelter Gloucestershire	<p>The Mortgage Rescue Scheme is not easily accessible.</p> <p>There are more mortgage cases presenting and at the same time, a fall in number of repossessions in court as lenders seem to not be bringing cases to court as often as they were previously.</p> <p>Clients losing temporary and/or casual work and levels of non-secure debt increasing.</p>
Bristol Advice Centre	<p>In 2007–08 the centre had 26 cases relating to mortgage arrears but in 2008–09 this went up to 99. Social housing possession proceedings and evictions appear to have come down slightly, tallying with data from our local courts. Lots of mortgage arrears relating to properties in negative equity with sub-prime lenders, so few falling under the help of new Government schemes.</p> <p>Bristol City Council have taken on additional staff to deal with a significant increase in new Local Housing Allowance claims in recent months—volume up by 20%.</p> <p>Some anecdotal evidence of relationship breakdowns in where for example, one adult (usually male) abandons the family home after losing job/reduction of income.</p>

²³ CLG, Circular 06/03: Local Government Act 1972 General Disposal Consent (England) 2003.

<i>Shelter Service</i>	<i>Main issues</i>
	Bristol City Council “inundated” with private landlords looking to rent their property with support from the council. Council has taken on a third deposit bond scheme worker to deal with the demand.
Bristol Children’s Service	In the last two quarters, Debt Advice & Information agencies have seen a 70% increase in people seeking their services, presenting debt problems included rent and mortgage arrears.
Devon and Cornwall Advice Centre	Increase in negative equity in repossession cases (Plymouth & Exeter court desk experience). Increase in tenants of borrowers being evicted by the lender due to mortgage arrears (despite the tenants paying the rent in full). Plymouth City Council has indicated an increase in Housing Benefit claimants. Judges are being more pro-active in looking at more creative solutions in mortgage possession actions eg mortgage rescue HMS.

Memorandum from AdviceUK (SW 14)

The contents of this briefing paper are based on information received from the following AdviceUK (AUK) members:

- Bristol Debt Advice Centre (based in Bristol, BDAC).
- Money Advice South West (based in Plymouth, MASW).
- Community Money Advice (nationwide network affiliated with AdviceUK, six members in the South West out of nationwide membership of 75).

SUMMARY OF KEY MESSAGES

- All AUK members contacted are reporting an increase in the number of debt cases over the last 12 months.
- The rate of increase ranges from 33.9% to 300%.
- Client profile is changing, with more redundant homeowners seeking advice.
- However, the majority of clients seen by AUK members are from lower income, financially excluded households.
- One member reports that at least 89% tick two or more of BERR’s financial exclusion indicators and another reports that 97% tick three or more.
- There is evidence that the recession has resulted in more aggressive debt collection practices and that members are finding it more difficult to negotiate with creditors.
- Debt problems are becoming more complex.
- AUK members are struggling to cope with the increased demand.
- There is clear evidence of unmet demand, with increases in waiting times for debt appointments, more client referrals and some members closing their doors to new clients.
- Members are trying to cope with increased demand by working more closely with other advice providers, by being proactive, and by developing new delivery methods.
- AUK members expect that the demand will remain high at current levels for the next 6–12 months.
- The surge in debt problems caused by the economic downturn is only beginning to be felt now and there is approximately a 6 month time lag between being made redundant and seeking debt advice.
- Many AUK members serve communities that don’t choose to access high street based services.
- Most clients helped by AUK members are from lower income households and are often financially excluded.
- The diversity of the AUK membership means that it can respond speedily to localised demand.
- AUK members need more funding, especially through efficient and established routes, eg FIF, and using full cost recovery principles.
- A relatively small amount of funding will have a significant impact on ability to meet increased demand.

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- Members concerned that low income/financially excluded clients may suffer as a result of increased competition for advice services
 - Members concerned about funding uncertainty and risk of funding cuts, especially by local authorities.

How many debt cases do AUK Agencies deal with each year?

- Detailed figures are unfortunately not available. However, AUK currently has 735 members nationwide and 62 members in the South West. Nationally, 381 provide money advice (51.8%), with a similar ratio of members providing money advice in the South West region (32 members).
- Total number of clients seen by AUK agencies is estimated to be in the region of 2 million per year.

Have AUK Agencies seen a growth in demand for money advice?

Key messages:

- All AUK agencies contacted have reported a rise in the number of clients seen over the last 12 months.
- The rate of increase ranges from 33.9% to 300%.

Examples:

- 154% increase in new clients being helped in 2008; 90% increase in new clients between January and March 2009 (CMA across the country, applies to subsequent stats and examples).
- Number of calls received on telephone advice line in the first week of March 2009 was only one less than for the whole of February (BDAC).

What trends have been observed?

Key messages:

- Client profile is changing, with more redundant homeowners and more clients seeking insolvency solutions.
- However, the majority of clients seen by AUK agencies come from lower income, financially excluded households:
 - One member reports that at least 89% tick two or more of BERR's financial exclusion indicators and another reports that 97% tick three or more.
- Debt cases are becoming more complex.
- There is evidence that the recession has resulted in more aggressive debt collection practices and that members are finding it more difficult to negotiate with creditors.

Examples:

- More middle class redundancies with homes under threat (CMA).
- Debt management plans that can't be maintained due to redundancy (CMA).
- Increasing number of homeowners in negative equity (BDAC).
- More clients who want to petition for bankruptcy (BDAC).
- More clients requiring insolvency solutions (CMA).
- Increase in clients who owe money to sub-prime lenders (BDAC).
- Debt management departments at mainstream creditors are swamped and have become very inefficient and prone to errors (CMA).
- It has become increasingly difficult to set up debt management plans as creditors are much more aggressive and ruthless when dealing with our centres and their clients (CMA).
- More aggressive pursuit of catalogue debts—a reflection of the financial difficulties catalogue companies are experiencing themselves (BDAC).
- More clients with mental health issues (BDAC).
- Many clients paying higher than average prices for financial services, insurances and utility supplies (BDAC).
- A rise in mortgage repossessions, with mortgage companies not following the Mortgage Pre-action Protocol (BDAC).

- Increases in the last year in:
 - Couples needing debt advice.
 - More people who are working taking out high interest credit (less available lower interest credit?).
 - 4% increase in last year of debts being passed to debt collection agencies.
 - 20% less debt being written off (creditors being tougher?).
- An indication of financial exclusion will be someone who ticks two or more of the financial exclusion indicators as defined by BERR):
 - A. No bank account.
 - B. No savings held.
 - C. User of high interest credit.
 - D. Priority debts owed.
 - E. Individual income < £14,500.
 - F. Individual income < £15,600.
 - G. No home contents insurance.
- In the 4th quarter of 2008, 93% of clients seen scored 3+ on the FIF financial exclusion indicators (MASW).
- This quarter (data only for January to February 2009 available at present) financial exclusion indicators are higher with 97% presently 3+ FIF indicators and some others scoring as high as 7 out of seven. (MASW).
- The type of client centres are seeing has changed radically, often more complex and seemingly hopeless situations (CMA).

What impact is this increased demand having on AUK Agencies?

Key message:

- AUK members are struggling to cope with the increased demand.

Examples:

- “As an organisation we are drowning under the demand, not only from clients needing help but also from community groups wanting to start up centres . . .” (CMA).
- Money Advice South West is very busy, but we can to a degree manage the work through careful case management and marketing. MASW uses PG Debt to increase the efficiency of its work: just upgraded to PG Debt 9. It has access to CDRM based information (Adviser Net) as well as a full range of CPAG books. We have developed our own databases to access grants, etc for other wider money advice needs of our clients (MASW).

Is there any evidence of unmet demand?

Key messages:

- There is clear evidence of unmet demand:
 - Waiting times have increased.
 - Some centres are closing their doors to new clients.
 - Increasing referrals from other advice organisations that are at capacity.

Examples:

- 21.8% of clients attending morning drop-in sessions were turned away in February 2009—this has been attributed to decreasing capacity in other local agencies (BDAC).
- Several centres despite working over their allotted hours are looking at having waiting lists or even closing their doors to new clients (CMA).
- Of 10 centres surveyed recently, only one had a waiting list six months ago. Now, nine have waiting lists and two are shut to new cases, one for at least two months. Waiting lists vary from one to two weeks to over six weeks (CMA).
- Staff are extremely busy and we have closed off new appointments for 2008–09 due to already having exceeded annual targets. We could meet a quota of another FIF worker if one was available on existing client numbers in the last two quarters (MASW).
- Presently we are holding appointments until April where possible or giving people other choices (eg National Debtline) where the need is more urgent (MASW).

What measures are AUK Agencies taking to deal with this increased demand?

Key message:

- Centres are trying to deal with increased demand by:
 - Working more closely with other local advice providers.
 - Being proactive.
 - Developing other methods of delivery.

Examples:

- Co-operation over drop-in sessions and complex case referrals (BDAC).
- Proactive meetings with local authority to discuss council tax arrears and the use of bailiffs—as a result opening a council tax debt only clinic on Monday AMs (BDAC).
- Introducing a self help room, providing free access to IT, phones and stationery with the support of a money mentor. This has funding for a limited number of months (BDAC).
- Re-distributing staff resources to begin training a new adviser to pre-empt any new funding streams that may come through as we are aware that it takes time to develop extra capacity (BDAC).

What predictions are AUK Agencies making about future demand?

Key messages:

- AUK members expect that the demand will remain high at current levels for the next 6–12 months
- The surge in debt problems caused by the economic downturn is only beginning to be felt now:
 - There is approximately a six month time lag between being made redundant and seeking debt advice.
- We envisage that demand for debt advice will continue to remain high at current levels or above over the next 6–12 months dependent upon the future economic situation. We believe we are only now feeling the surge in debt problems caused by the economic downturn. (BDAC)
- We are only now seeing clients with debt problems caused by job losses in October so, extrapolating that we imagine seeing clients who are losing jobs today in approximately 6 months time. This is down to clients trying to manage their finances by themselves and through credit or burying their head in the sand, only exaggerating the problem. (BDAC)

Are there any factors that differentiate AUK Members from other advice providers?

Key messages:

- Many AUK members serve communities that don't choose to access high street based services.
- Most clients helped by AUK members are from lower income households and are often financially excluded.
- The diversity of the AUK membership means that it can respond speedily to localised demand.

Examples:

- MASW is based in deprived neighbourhoods: hence we serve communities that often do not choose to access city centre based services. 99% of our advice is in people's homes or community settings within their locality (within a mile) (MASW).
- In the last full quarter (October to December 2008), MASW's two FIF workers alone dealt with £1,003,350 of new presenting debt (on top of open cases) of which less than 16% of this was secured. Hence focus on lower income households. This is reflected in that 93% of this debt total was unsecured whereas we know that 80% of all consumer borrowing (debt) is secured (MASW).
- Any further funding as directed by Central Government could assist with meeting unmet needs from a client perspective (where current services are extremely busy or reaching into new pockets where no services exist at present), assist with financial stability to Advice UK members and allow for careful targeting by Central Government in order to meet their objectives (MASW).

What are AUK Agencies asking for?

Key messages:

- More funding is needed, especially through established and efficient routes, eg FIF (money for CABx was not available to independent advice organisations such as AdviceUK members).

- Full cost recovery principles should be used.
- AUK as a network and some of its members do not receive any central or local government funding:
 - A relatively small amount of funding will have a significant impact on ability to meet increased demand.

Examples:

- Our request would be that more funds are directed via established and efficient routes such as the Financial Inclusion Fund on a full cost recovery basis (£56,000 p/a). As an independent advice agency we cannot access the extra funding that went to CABx and are reluctant to draw down more matter starts under LSC contracts (BDAC).
- MASW needs more advisers, but crucially is also struggling with full cost recovery. For example, even under the more generous FIF model, one full time supervisor would need ten debt advisers and one full time Project Manager would need 20 debt advisers. This places a strain on the Management Team, particularly when staff are sick and gaps need to be filled. This limits the ability to plan and develop services strategically with other agencies where better working relationships could lead to further economies of scale in locally configured services as well as regionally/nationally where more social policy work needs to be done. Hence projects are run on part time hours and finding people with the appropriate skills is even more difficult when there is not a full time or even decent hours for a part time post (MASW).
- CMA currently has 75 centres across England and Wales. It currently receives no funding from central or local government. CMA's working model is remarkably cost-effective. With a current annual budget of £75,000 raised from a mix of revenues from activities and additional fundraising this equates to under £1,000 per centre. To sustain current growth CMA's budget is too small and under its three year plan needs an additional £450,000 to grow to a size allowing full sustainability of its everyday activities (CMA).

Have AUK Agencies raised any other issues?

Key messages:

- Members concerned that low income/financially excluded clients may suffer as a result of increased competition for advice services.
- Members concerned about funding uncertainty and risk of funding cuts, especially by local authorities.

Examples:

- There is a concern that as clients from a more affluent background join the pool demanding services, those on low incomes and traditionally at risk of debt problems due to financial exclusion may suffer indirectly through increased competition for advice services. The level of demand from our traditional client base is undiminished so the added client demand only adds stress to the already stretched services (BDAC).
-