

Report to the Gosport Partnership Board 3rd June 2009

Economic Impact of the Recession

1. Introduction

This report provides a brief overview of the Gosport economy; reflecting in particular on the changes that have occurred over the last 12 months as the downturn in the economy has turned to recession. Impacts on the property market, business activity, employment rate and household debt are considered; and a number of recession indicators identified. The latter have been agreed as County-wide measures to enable partners to compare and monitor trends on a quarterly basis.

2. Property Market

Indicator	Data at March/April 2009	Comparison data
No. of vacancies <i>(industrial and office on business parks and industrial estates, excludes managed business space)</i>	66 vacant units as at end of April 2009	61 vacant units as at June 2008
No. of vacant retail units <i>(primary and secondary retail areas)</i>	45 vacant units as at end of April 2009	36 vacant units as at September 2008
Total No. of all Planning Applications received per quarter	96 applications for quarter ending 31 March 2009	139 applications for quarter ending 31 March 2008

2.1 Industrial and Office

Although there appears to be little change in the number of vacant industrial/office units over the last 10 months, this aggregated figure masks some notable changes.

Analysis reveals that there has been an increase in occupancy levels on new developments at Regents Trade Park and Gosport Business Park (with a total of 10 new units now occupied). However, overall 25% of units remain vacant.

Brockhurst, Quay Lane, Mumby Road and Cranbourne Industrial estates, together with Heritage Business Park have continued to maintain reasonable occupancy levels over the past 10 months and the vacancy rate is currently 13%.

In contrast, Forton industrial estate and Cooperage Green have seen a significant increase in vacancies. Forton's vacancy rate has risen from 8% to 25%, primarily as the result of the demise of three companies who occupied multiple units. The vacancy rate at Cooperage Green has risen from 16% to 48%, largely as a result of the relocation of some firms to Endeavour Quay and retrenchment. There is also evidence of new business activity on these sites, with six firms taking space in recent months.

It is also worth noting that approximately 110 VAT registered businesses fail each year in Gosport and that a number of very small firms who have previously taken space in small units are either now operating from home or have opted to relocate to cheaper premises.

2.2 Retail

The rise in vacant retail units in the primary and secondary retail areas has increased steadily over the past six months. As with industrial and office, however, the picture varies by location.

Lee-on-the-Solent continues to perform well with only a vacancy rate of only 1%. Stoke Road and the Town Centre have not fared so well, with vacancy rates increasing from 18% to 21% in Stoke Road and 9% to 13% in the Town Centre. The Town Centre has been particularly affected by the withdrawal/demise of national chains, including Woolworths, Klick and Currys. In Stoke Road there are a range of factors, including competition from high street chains, falling consumer footfall and decline in business trade.

2.3 Planning Applications

The decline in number of planning applications received reflects the difficulties being reported by local construction firms and self-employed trades. On a positive note, continuing public sector investment in development schemes at Rowner, Priddy's Hard, the Bus Rapid Transit scheme and Holbrook, offer potential benefit in the short to medium term. Action is needed, however, to ensure that local firms and people benefit from the supply chain and employment opportunities these schemes provide.

3. Business Activity

Indicator	Data at March/April 2009
No. of Business Rate defaults	108 summonses issued 114 reminders sent (Jan-April 2009)

The number of summonses issued for non-payment of business rates has remained stable, in comparison to previous years. There is anecdotal evidence that, whilst many small businesses are continuing to trade, they are finding conditions tough. Small Business Rate Relief is possible for businesses with a rateable value below £15K per annum and a new government scheme is due to be available shortly; allowing up to 60% of business rate increases to be deferred for two years. The Council also operates a hardship relief scheme, which is providing some assistance to a small number of firms on Daedalus.

A range of business support services are available and actively promoted, giving owners and managers the opportunity to review and/or improve their business practices. A series of workshops has been provided to assist with cashflow management, marketing,

customer service, online trading and supplier networking. Approximately 100 businesses have benefited from the three sessions held so far.

On a positive note, firms operating in the aerospace, defence and security sectors (critical to the health of the Gosport economy) are reporting growth in earnings and appear to be maintaining, or increasing, local employment opportunities. Similarly, a number of firms in the marine sector have recently secured new contracts that will help sustain and/or provide new jobs.

4. Unemployment and Vacancies

Indicator	Data at March/April 2009	Comparison data
No. claiming Job Seekers Allowance	1539 (3.2%) (April 2009)	734 (1.5%) (April 2008)
Vacancies notified to JobCentrePlus	135 unfilled vacancies (April 2009)	198 unfilled vacancies (April 2008)

4.1 Unemployment

During 2008 there were significant redundancies at Huhtamaki and Covidien (formerly known as Tyco); the Borough's two largest private sector employers. The combined loss of approximately 450-500 jobs (the majority of which will have been filled by local people), coupled with the demise of Woolworths have made a significant contribution to the increase in unemployment figures. Firm closures and redundancies outside of the Borough will also have contributed to the rise.

Figures have stabilised over the last couple of months, although with the pending closure of Haslar Hospital it is estimated that over 300 local residents will either need to travel outside of the Borough to work at other health facilities or lose their job. The latter scenario is more likely to be relevant for those currently contracted to provide catering, cleaning and other facility management services.

Whilst the number of job seekers has increased in all Wards in the Borough, it is notable that the Wards most affected are Town, Grange and Bridgemary North; followed closely by Leesland, Forton, Bridgemary South and Rowner & Holbrook. Unemployment has continued to rise amongst all age groups; with the increase in the 18-24 year age group perhaps most worrying. The majority of unemployed are male and the number out of work for more than 6 months is beginning to rise.

There are a number of initiatives available to support people in finding and sustaining work; including established programmes such as Next Step and Reach Out. As from this week, Gosport residents and employees can benefit from the PUSH Advancement Network Prototype pilot (branded 'Fast Forward') which provides access to a range of advice, skills development, CV writing and job search via a central hub at the Old Chapel and outreach services into communities most in need.

There is currently an opportunity for the Council and other public sector and community/voluntary sector employers to participate in a PUSH bid to the recently

announced Future Jobs Fund. This provides employers with a contribution of £6,500 towards the employment of job-seeking 18-24 year olds, other unemployed people who have been out of work for more than six months and those living in deprived neighbourhoods.

4.2 Vacancies

The number of unfilled vacancies reported via JobCentrePlus shows little change and remains relatively low. What is more significant is the number of JSA claimants per unfilled JobCentre vacancy. In April 2008 this was 3.7, rising to 11.4 at April 2009 (compared to the south east average of 6.1 and national average of 7.1).

5. Poverty and Debt

Indicator	Data at March/April 2009
No. enquiries received by the Citizens Advice Bureau	CAB negotiated on behalf of 50 people with a total of £908,642.93 debts (Jan-Mar 2009)
No. of households presenting as homeless	133 applications for assistance received 40 homeless applications decided (March 2009)
No. of housing benefit claimants	Total number of claims received was 1466 (Jan-March 2009) <i>Total number of claims at 31 March 2009 was 6861</i>

The above figures provide baseline measures for assessing the impact that redundancy and unemployment is having on households in the Borough. The Council has increased its grant to the Citizens Advice Bureau to £31K for the current financial year. This enables the CAB to provide support to, and negotiate on behalf of, people in debt and facing re-possession of their home.

6. Summary

The current economic picture in Gosport is one of mixed fortunes. There are signs of new business growth and evidence that established larger firms in the Borough's key sectors are continuing to prosper. However, a number of sectors and smaller firms are suffering; particularly retail, construction and business services.

Rising unemployment, particularly in areas of deprivation and amongst young males is a cause for concern and efforts will need to be focused on realising the potential opportunities arising from the Borough's development sites; making best use of existing

resources and maximising additional benefits that are arising from national initiatives such as the ANP pilot and Future Jobs Fund.

The apparent buoyancy of Gosport's key sectors suggests that there are opportunities to encourage new investment into the Borough. A determination to plan for recovery and growth is needed to make sure that the negative impacts of the recession are shortlived.

prepared by:
Lynda Dine
Head of Economic Prosperity
Gosport Borough Council