

The Northwest Economy

A Joint Response to Changing Economic Circumstances

September 2008

Contents

Foreword	3
Coping with Tougher Global Economic Conditions	4
Northwest England - Long Term Restructuring	6
Responding to Current Economic Challenges	7
Next Steps	14

Foreword

The global economy is facing significant challenges, driven by the impact of tighter credit conditions and increases in the costs of inputs and commodities, in particular, energy. As recent figures demonstrate, in the coming months we can expect difficult times for the UK economy as a whole and for businesses and the economy in the Northwest.

This will affect regions in different ways, as each regional economy is different. After a solid period of sustained growth, the Northwest will now need to prepare itself for tougher business conditions and a more challenging global market.

It is, therefore, important that national Government and regional bodies listen carefully to the experience of businesses and communities to ensure that we understand what is happening on the ground. We will also make sure that businesses are clear on what support is offered by Government to help them manage and adapt to more challenging business conditions.

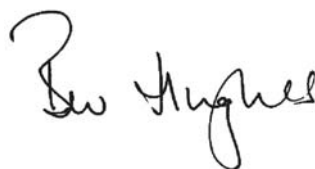
This document has been drawn up by the Government and the NWDA for discussion with business, local government, housing groups, communities and the third sector. We show how the Northwest economy has changed in recent years and the main challenges and opportunities it faces in the period ahead. It sets out how the Government and the NWDA will work with other agencies across the Northwest to continue to deliver the region's agreed long term economic goals and to help Northwest families and businesses through the tougher times ahead.

In addition to the actions set out in this document, local government and the third sector have an important role to play working on the economic development of local communities. The Northwest benefits from a strong partnership between local authorities and regional organisations, working together on long term priorities. This will also inform the Government's work in the run-up to the Pre-Budget Report.

This document encourages businesses, the voluntary sector and community groups to continue communicating to regional bodies and to central government how the economy is changing in their area, whether current policies are working, and what more needs to be done in specific places and business sectors.

In conjunction with this document, the Government has recently launched the second round of the Regional Funding Advice (RFA) exercise, which offers regional and local partners the opportunity to advise on their long-term priorities to support sustainable economic growth. The Northwest is being asked to provide advice on regional funding allocations of over £4.1bn in 2008-11, including priority transport schemes.

Whilst conditions may be harder over the coming months, there is no doubt that the Northwest has important strengths that can help it through this difficult period. This document sets out how the NWDA, working with other local agencies, together with national Government, will ensure that the region's economy performs well in the coming months and years.



Beverley Hughes
Minister for the North West



Yvette Cooper
Chief Secretary to the Treasury



Pat McFadden
Minister of State, Department for Business, Enterprise and Regulatory Reform



Bryan Gray
Chairman, Northwest Regional Development Agency

Coping with Tougher Global Economic Conditions

In the last 12 months, the twin shocks of the credit crunch and the surge in food and energy prices have hit all the world's economies, including here in the UK. It is now harder for business to raise capital to fund investment and operational costs, especially for energy, are rising. Costs of commodities like steel, wood and fertiliser are increasing, which squeezes profit margins and puts pressure on prices. These challenges also have an impact on the individual consumer, particularly in terms of higher prices at the petrol pump and a more expensive weekly shop.

We expect these tougher economic conditions to affect many businesses, with the precise impact varying across regions and sectors. Whilst the early impact of the reduced availability of finance was focussed on the financial centre of London and the greater South East it is clear that firms and households in the Northwest are now being affected.

The Northwest economy has grown continuously for the last 15 years. This growth has been underpinned by major restructuring in the economy and has enabled the renewal and regeneration of our communities. As a result of these years of growth and diversification, we are better placed to face the coming tougher times. But the impact on our economy of current global shocks poses challenges to the continued progress that all within the Northwest want to see.

In the Northwest, lending associated with both the housing market and investment in commercial property and business assets is being affected. Marked increases in input prices have also increased pressure on business costs, increasing the need to protect margins.

This has led to a reduction in business confidence about the economic outlook. This is evident from a number of surveys, including the latest Institute of Chartered Accountants Confidence Monitor and surveys by CBI/Experian, the Institute of Chartered Accountants, and by the British Chambers of Commerce.

Growth forecasts for the region, prepared for the NWDA by its independent Regional Economic Forecasting Panel (REFP), have been revised down in the short term¹. REFP projections suggest growth in the Northwest will slow, but it is unlikely to slow as much as the UK as a whole. However, REFP also expect that the region will begin its recovery later and more slowly than the UK as a whole, although still grow faster than it did over the course of the 1990s².

This overall trend is caused by the nature of the region's businesses and in particular how they differ from London and the greater South East. The impact on major Northwest sectors is analysed in more detail below.

All sectors in the Northwest are expected to experience slower growth in 2008 than in 2007 in the REFP forecasts. The sharpest slowdown is likely to be seen in **Financial & Business services**, although this is still likely to be the fastest growing sector in the region this year.

This sector has seen strong growth in recent years. Although this is likely to reduce, the impact will not be as great as in London, on the basis of the REFP projections due to the Northwest's lower exposure to high level banking, finance, and dependent services.

Manufacturing - Advanced Engineering and Materials. The sector has performed better than the UK average in recent years. The Northwest has particular strengths in advanced engineering and materials, including automotive, aerospace, chemicals and environmental technologies. Recent surveys show that demand, particularly in export markets, is still relatively strong and that forward order books are healthy. However, surveys also show that business confidence among Northwest manufacturers fell sharply at the beginning of 2008, more than in the UK as a whole.

Overall profitability is being affected by the cost of materials and energy and the availability of finance for investment has reduced. Manufacturing businesses are reporting relatively greater concerns about higher unit costs per output compared to a year ago – and these input cost rises are expected to continue³. Businesses are reporting that prices (rather than a shortage of capacity to meet demand) are becoming increasingly an issue in securing export orders. Therefore, the businesses that are most exposed are those who are less able to pass their prices on to their customers or those who are in particularly competitive markets.

Overall output growth is expected by REFP to be muted in manufacturing in 2008 and 2009, while businesses are still confident about the long term outlook

¹ Regional Economic Forecasting Panel – Short Term Forecasts, Spring 2008

² Regional Economic Forecasting Panel – Short Term Forecasts, Spring 2008

³ CBI/Experian Regional Trends Survey, May 2008

Retailing and Hotels & Catering will also see sharply reduced growth as consumers reduce spending according to REFP projections. Saving rates in the Northwest continue to lag below the UK and the region saw relatively large falls in house prices in the early part of 2008. The overall impact on consumer related sectors in the Northwest is likely to be in line with the sector nationally, with REFP projections suggesting growth slowing further throughout 2008 and 2009 before recovering in 2010.

Construction businesses, particularly in house building, have seen an adverse impact from both types of shock. The sector accounts for 6% of the Northwest economy and firms are reporting immediate impact on activity in both housing and commercial markets. This is particularly the case for large scale developments requiring funding from the financial markets, such as stadia, or developments where funding is provided through associated residential build or land value increases.

For example, major developments and some town centre regeneration based on new retail and commercial offers are being affected by reduced short term demand for retail and business space and corresponding reduction in rental prices. The overall reduction in return, combined with a reduction in available finance, has substantially reduced speculative investment.

We have not yet seen a major impact in the construction of education and transport infrastructure through the failure of a construction business or associated finance, but this cannot be ruled out. The NWDA and Government departments and agencies will therefore work closely with Local Authorities and developers to ensure that public sector investment in physical regeneration and infrastructure continues to be carefully targeted to maximise the benefits for wider regeneration and renewal.

Business Response

There are clear signs that businesses are switching investment away from increasing capacity into cost reduction and efficiencies. Surveys show that investment in capital infrastructure, plant, machinery, and training have been revised down since the same point last year.

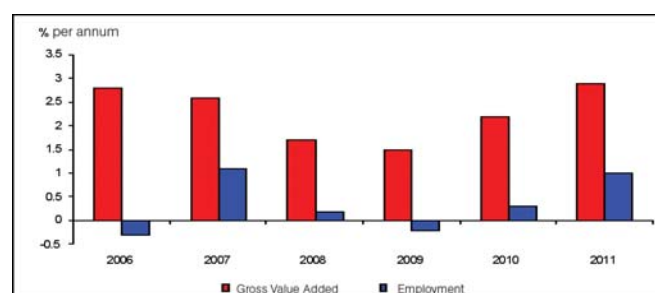
Table 1 - Reasons for capital expenditure⁴.

	Northwest		Nationally	
	Apr 07	Apr 08	Apr 07	Apr 08
Expand capacity	51	30	34	30
Increase efficiency	58	68	68	66
Replacement	67	50	48	52
Other	1	3	4	8

Impact on employment

Employment in the Northwest rose by just over 1% in 2007, reversing the fall registered in 2006. These jobs were primarily created in financial and business services. The region has witnessed a number of recent firm closures which include financial as well as manufacturing businesses. However, the REFP expects to see jobs growth continue in 2008 but fall back in 2009 as the impact of business cost reductions are felt and more manufacturing businesses reduce their workforce. This is shown in figure 1 below. At the same time, skills required by the region's competitive sectors will continue to be in high demand.

Fig 1 - Output and employment growth prospects for the Northwest⁵.



This summary indicates the significant challenge for the economy ahead, both regionally and nationally. In the light of these conditions it will be important for the NWDA and Government to continue to listen closely to businesses, keep track of changing economic circumstances, and take steps to ensure that our actions are closely targeted at developments on the ground.

⁴ CBI/Experian Regional Trends Survey, May 2008

⁵ Regional Economic Forecasting Panel – Short Term Forecasts, Spring 2008

Northwest England – Long Term Restructuring

Following a long post war period of industrial decline and economic underperformance, the Northwest has undergone large scale restructuring and sustained economic success. Northwest economic output (measured as GVA in constant prices) has increased by nearly 40% since 1991, equivalent to 2.2% per annum. Regional and local partners have worked together, through the Regional Economic Strategy, City-Region Development Plans and Regional Funding Advice to target resources at delivering significant changes for business, employees, communities and places.

After a period of reducing population, net growth in the number of working age people in the region has been 0.4% since 2001. Jobs growth on average in the Northwest has been very close to the UK since 1994 and between 1998 and 2004 it was better. During this period total jobs increased by 9.1% in the Northwest compared to 6.7% in the UK.

Incapacity benefit claimants have fallen by 7.5% in the region since 2000 and economic inactivity has also fallen over the same period. The gap between employment rates in the Northwest and the average for England has also narrowed, from 2.5% in 1996/97 to 1.8% in 2006/07.

Skills levels have also increased in both absolute and relative terms. For those with no qualifications and those with level 4 qualifications the gap between the Northwest and the England and Wales average has narrowed.

In terms of enterprise generation, measured by VAT registrations per 10,000 head of population, over the same period, the gap with England and Wales has narrowed from 18.8% in 1996 to 14.9% in 2006. Survival rates for new businesses have also improved, with one-year survival rates now at the same level the UK as a whole, a 5.8% improvement on 1995 levels.

Over the past 15-20 years, the region's business base has undergone a significant structural shift. Employment has moved away from traditional manufacturing, but at the same time the region has retained and built on its strengths in industrial processes, defence, manufacturing, science exploitation, energy and environmental technologies. The region has the largest manufacturing sector in the UK, accounting for £20bn of GVA per annum, employing around 400,000 people, and with a productivity value of £48,500 per worker – higher than manufacturing in the UK overall. Liverpool has a significant

biomanufacturing cluster and East Lancashire is a globally competitive centre of advanced engineering. Like other regions, the service sector has also expanded significantly. Manchester is the UK's most important media cluster outside London.

The region has an important rural economy, contributing 23% of the Northwest's economic output and accounting for 40% of all firms in the region. Major improvements to high speed internet access in the region's rural areas have supported diversification and increased the ability of rural businesses to compete in wider markets.

This overall restructuring of our business base and the movement to higher value added businesses and a vibrant service sector means that the economy is very different than when the region faced the downturn of the early 1990's.

Long-term economic opportunities

This changed business base presents the region with real long term opportunities. The Northwest has relative strengths and greater than average concentrations in sectors which are likely to prove more resilient to current global conditions.

Increase in oil prices will lead to increased interest and investment in nuclear and renewable energy technologies, along with greater use of the Northwest's nuclear and renewable energy assets, such as wind and tidal power. Businesses will want to use energy more efficiently, and this should increase demand in the energy and environmental technologies sector, where the Northwest also has strengths. The region also has a successful and competitive defence sector, with strong current orders for BAE at both Salmesbury and Barrow.

Responding to Current Economic Challenges

There have been fundamental improvements in recent years, but the challenges of current economic conditions will require a coherent and comprehensive response. Whilst it is not possible to alter global economic conditions, it is possible to mitigate their impact on individuals and businesses and to better equip them to respond. All agencies, from local groups to national Government, have already begun working closely together to ensure that the Northwest is as well placed as possible to respond to changing economic conditions.

The current Regional Economic Strategy sets out the region's vision and priorities agreed by a wide range of partners. Businesses, regional and local partners work closely together in the Regional Strategy Group to regularly review and report on progress. The challenge all partners now face is to ensure that action reflects the changing circumstances we find ourselves in. This document sets out how we intend to do so, including new measures from Government, the NWDA and other local partners specifically in response to these changing circumstances. Going forward, it will be crucial that support for businesses and households reflects the changing position on the ground in the Northwest.

The Government is acting to address current economic conditions at both the national and international level.

International Action

No government can stop the global economic slowdown, or solve the challenges of high prices immediately, but the Government is working closely with other countries to face up to the international causes of the problems. It has recently discussed with Saudi Arabia and other oil producers how the world might be able to increase oil production in the short term, and is simultaneously working with European and other countries to cut the world's dependency on oil in the medium term. The Government has also worked closely with the IMF to support financial stability and take steps to get global credit markets moving again.

National Action to Support Stability

Nationally, it is essential that we avoid a temporary international inflation shock being transferred into domestic inflation, leading to a return to the price-wage spirals of the 1970s and 1980s. The Government has made clear the need for responsible wage setting in both the public and private sector, from the boardroom to the shop floor. The independent Bank of England has a responsibility to set interest rates so that inflation is kept under control. The Bank has an agent in all regions, including the Northwest, to

ensure that the Bank's decisions on rates are informed by conditions on the ground.

To address the blockages in mortgage markets, the Treasury is facilitating the Bank of England's Special Liquidity Scheme. By providing increased liquidity to the banking system this will help take pressure off the banks and building societies, many of which are based in the Northwest region, during the present period of uncertainty, maintaining the stability of financial markets. It will create the right conditions to ensure banks will be able to lend to each other, and to others, which will in turn support the provision of new mortgage lending to households.

The Government has also taken steps to directly support households, with tax changes that will put £4bn into people's pockets in 2008/9. These include the freezing of fuel duty and the increase of £600 in personal allowances for 2008/9.

Investment in the Northwest

It will be crucial for a wide range of partners in the Northwest to work together to inform Government about regional priorities in the short, medium and long-term. Alongside this document, the Government has asked regional and local partners to take part in the Regional Funding Advice exercise, which set out investment in the Northwest's housing and regeneration, transport and economic development of over £4.1bn between 2008 and 2011. This opportunity will help ensure that investment in our region is focused on the right developments, at the right time and in the right place.

SUPPORT FOR BUSINESS

The Regional Economic Strategy identified those actions which the region agreed were required to improve productivity. The NWDA is able to use its funding flexibly to address short term priorities within the context of Business Support Simplification – the Government's programme aimed at improving and simplifying access to business support. We are also working with Local Authorities to ensure that funding through the Local Enterprise Growth Initiative is targeted on appropriate priorities.

The NWDA reviews its strategic investment programme annually to take account of progress in delivering priorities and changing economic conditions. The Regional Strategy Team (GONW, the Regional Leaders Forum - 4NW - and the NWDA) reviews progress on priority projects to enable changes to be made to reflect new conditions. The Northwest has agreed to be the first region to develop a regional strategy to integrate economic, spatial and

environmental priorities and will use 2008 and 2009 to ensure that its long-term investment plans across a wide range of local, regional and national agencies are fit for the long-term.

The following paragraphs set out the major current programmes and new actions we are putting in place in 2008/09 to support business in meeting the challenges ahead.

Access to Business Support

The Government is making its support to business simpler, so it is easier to access the £2.5bn-worth of tools and techniques available, through Business Link and other routes.

In 2007 the NWDA launched Business Link Northwest, specifically designed to become the primary access channel for business support. The service supports business with a range of issues that might impact on their performance and survival, especially in more difficult operating environments. They are expected to handle around 90,000 business customers this year.

Business Link Northwest now has around 50% more brokers on the ground compared with 2006, dealing on a 1:1 basis with businesses and aiming to improve GVA in the region by over £400m in 2008-09. They are now supporting their customers by:

- Specific credit-crunch e-shots and bulletins, setting out the package of financial products and support available
- Upskilling all brokers on business financial performance issues; and
- Introducing a specialist service to help businesses become ready for finance, and to help them access it.

Business Link Northwest can be contacted via their website at www.businesslink.gov.uk/northwest.

New Business Creation

By increasing new businesses in the Northwest, the region can help mitigate the impact of external shocks.

The NWDA is currently developing a **new start-up programme for the region to run for the next 5 years and to deliver 11,700 new businesses and over 22,000 new jobs**. This aims to use ERDF co-funding, and will equate to a total investment of £35m. It will be targeted at groups and communities where enterprise levels continue to be lower than they could be.

The new programme is being **co-designed with other partners, especially Local Authorities**, as part of our plan to simplify business support. This could lead to their co-investment in priority places to deliver further increases in support.

High Growth Support

The Agency, with the support of ERDF investment, plans to deliver a **£10m programme of dedicated support to help 1,000 high growth new and established businesses in the Northwest**, supporting their growth and development irrespective of, but with awareness of, the current economic climate. The intention is to provide intense coaching and support to businesses in the Northwest that demonstrate particular growth potential.

Business Finance

The NWDA delivers a range of financial products to business in response to regionally specific market failures and needs. In the current climate there is a heightened focus in supporting business, and this has led to:

- Enhancing the Business Link service as previously described in providing targeted information, and services to improve businesses financial management.
- An increased interest from businesses in our financial products, with applications trebling in some cases;
- Increasing the Agency's own efficiency in processing grant applications; and
- Increasing the financial limit from £30k to £50k for CDFI loans.

The NWDA also plans to launch a Venture Capital Loan Fund in early 2009, putting in place £140m (utilising £70m of ERDF) to support businesses that are unable to access large amounts of finance (up to c. £3m) from other sources. This project is a priority in the new Northwest European Regional Development Fund programme.

Improved cashflow management can also help businesses. Research commissioned by BERR found that over 80% of business to business transactions are on a trade credit basis. The Government recognises that late payment and uncertainty on payment times cause difficulties for small businesses. NWDA and BERR are working across government and public sector partners in the **Northwest to encourage prompt payment**. BERR is exploring non-legislative approaches to tackling late payment issues.

Providing assistance to firms which are struggling with debt

Businesses which are finding it difficult to balance their books can access one of 500 debt advice advisors employed by the Citizens Advice Bureau and Advice UK network. The National Debtline on 0808 808 400 also provides free confidential advice on how to deal with debt problems.

Skills for Business

A dynamic, flexible and skilled workforce is crucial to businesses remaining competitive and profitable, even more important during an economic downturn. The Government is committed to putting employers at the centre of the skills delivery system, through employer-led Sector Skills Councils and free, employer-specific skills brokerage services in Train To Gain. The NWDA, in recognising the importance of high level skills, is helping businesses access training opportunities through the Northwest Train to Gain brokerage service. To contact a skills broker call 0800 015 5545 or visit the Train to Gain website at www.traintogain.gov.uk.

The NWDA is preparing a £40m package of support to stimulate investment in priority skills development. We are working with and enhancing the skills offer to business, especially within Train to Gain, in a number of key areas. This will:

- Extend existing higher level skills provision to a further three key sectors (Environmental Technologies, Biomedical, and Food and Drink) working with the relevant Sector Skills Councils to ensure that the demands of business for higher level skilled staff are met.
- Develop a Leadership and Management Programme for the Northwest including:
 - Rolling out the Leading Enterprise and Development (LEAD) pilot.
 - **Extending the LSC Train to Gain Leadership and Management programme to more Northwest businesses.**

Work-based training for adults and young people delivered through Apprenticeships is important for the future skills needs of business. The Government has doubled numbers starting Apprenticeships to 180,000 in the last decade and raised completion rates to an all-time high of 63% in 2006/07. The LSC is leading the drive to increase Apprenticeship take up in the Northwest.

Support for Manufacturing

A strong manufacturing sector will help to insulate the region from the worst excesses of a less benign economy especially as export demand remains high from emergent economies. The NWDA has supported the Manufacturing Advisory Service for a number of years, going well beyond the national MAS offer in delivering a regionally specific Agenda for Change Programme. Its investment here has been around £10m over the past 3 years; delivering £43m of GVA improvement in the region and supporting over 1,200 businesses improve their efficiency resulting in over £120m of additional turnover.

MAS helps businesses to improve performance and become more efficient, areas where business surveys show that business wants to see improvement in more difficult financial times. MAS associates who visit businesses cover such topics as waste management and process efficiency, which can include efforts to reduce the demand on input goods that are currently witnessing considerable cost increases.

The NWDA plans to **extend its support for the service.** Nationally, MAS has incorporated many of the attributes we have already been delivering in the Northwest and will in future include assistance in sourcing supplies and supply chain benefits. It recognises that in our region, manufacturers have some particular concerns and will design the regional offer to ensure such needs are met.

Resource Efficiency

There is a clear business case to reduce costs through better use of resources, especially as the costs of energy and input goods are increasing in the current climate. The NWDA:

- Has conducted 1,400 efficiency audits with businesses in the region in 2007-08 (the second highest of any region) - this meets the Chancellor's commitment of 1,000 additional audits per region and enables businesses to understand where there is scope for them to more efficiently use their resources.
- Has a £5m environmental business support project that will work with 5,000 businesses over 3 years to reduce resource use, divert waste from landfill, create or safeguard over 5,000 jobs and support £80m of sales.
- Is working to develop other business solutions to increase resource efficiency at the same time contributing to the region's Climate Change Action Plan.

Innovation Collaboration

The Northwest was the home of the first industrial revolution and our capacity for ongoing innovation will provide positive market opportunities to assist mitigation and recovery from any economic downturn. The NWDA supports innovation in business in a variety of ways, including:

- The £50m Daresbury Science & Innovation Campus, where 77 companies are now operating - www.daresburysic.co.uk.
- **A forthcoming £4m Innovation Voucher Scheme** that will help over 1,000 businesses to work with the Knowledge Base on collaborative projects.
- The EU Frameworks Northwest programme, which assists businesses in accessing R&D/Innovation funding and collaborative arrangements with businesses or consortia across the EU and beyond - www.frameworksnw.co.uk.
- Grants ranging from micro projects of £20,000 up to £500,000 are available through the Government's Grant for Research and Development - www.nwda.co.uk/finance.

Over the last 3 years the NWDA has invested, on average per year, around £60m in Science & Innovation and over £90m in Enterprise support schemes. This level of investment will continue to ensure that the Northwest businesses receive the necessary support to take advantage of market opportunities.

Overseas Trade

The UKTI service in the region is critical in providing business with encouragement and support on trading internationally. Recent research for the NWDA has shown that regional exports in 2006 stood at around £30bn with exports having grown over recent years in response to increasing global demand. The NWDA is enhancing and **extending the UKTI offer to business with funding of £5m** that will deliver an additional £137m of international sales, as well as supporting around 1,000 jobs.

This activity will help to mitigate the exposure of Northwest businesses to downturns in domestic markets (for manufacturers, there remain signs that overseas demand remains buoyant despite domestic UK concerns) as the latest survey data from business organisations (CBI, EEF etc.) show that export prospects remain good, perhaps driven by emergent economies and hence, continuing our promotional activity is key.

Foreign Direct Investment (FDI)

In addition to helping our existing businesses to grow, the NWDA works with UKTI and our sub-regions to attract international investment in the region, both through complementing UKTI's approaches to potential investors overseas and then working very closely with Local Authorities and other agencies to ensure a co-ordinated approach on the ground. Research shows FDI businesses operate at the higher value end of the economy and we work closely with the region's science and innovation locations to meet the needs of incoming investors and to develop opportunities through collaborative R&D investment and activity.

In 2007/08 the region has witnessed record levels of inward investment and there are clear indications that the Northwest's competitiveness assets (such as HEIs and the region's skill-set) are increasingly important relative to cost in encouraging investment.

Matching people to job vacancies and getting people back into work

The Regional Economic Strategy identifies those parts of the Northwest where long term worklessness continues to be a challenge. Local Authorities, Jobcentre Plus, the Learning and Skills Council and the NWDA have put in place innovative local schemes to help get people back into sustainable employment.

The NWDA and Jobcentre Plus are experienced at getting people back into work after major redundancies and demand for skills in the region's manufacturing and service sector still outstrips the number of people claiming Job Seekers' Allowance that are seeking work. The NWDA is working with Jobcentre Plus and the region's Employment and Skills Board to ensure that the needs of the region's sectors are understood and that new inward investment creating opportunities is linked to local people seeking work wherever possible.

Government is also working to ensure that the right advice is available to employers who may seek to increase short-time working or make redundancies. Business Link offers practical advice for businesses to follow and how to keep employees and their representatives informed. Jobcentre Plus provides a service for employees facing redundancy working with

the Learning and Skills Council, the NWDA and others to identify sustainable alternative employment opportunities and to support employees in gaining the skills they need to succeed in new roles. The NWDA will continue to work closely with business, Local Authorities, Jobcentre Plus and the Learning and Skills Council to ensure that any major announcements of job losses have a rapid cross agency response in place.

Ensuring continuity of regeneration programmes

The NWDA is working closely with developers, investors, local authorities and the emerging Homes and Communities Agency (following the merger between English Partnerships and the Housing Corporation) to ensure that regeneration schemes in towns and cities across the region are better able to respond to the changed market conditions.

The NWDA is focusing on understanding and monitoring the risk to sites, including liquidity and access to cash flow, longer term security of investors and occupants and access to services. This is with the intention of flexing delivery by taking schemes to market at a later date or staged releasing. English Partnerships is working alongside the NWDA and local authorities to mitigate against the impact of the economic downturn.

SUPPORT FOR HOUSING

The property sector is at greatest risk by the slowing economy. Across the Northwest – as nationally – house building is slowing rapidly whilst first time buyers and others are finding it harder to get mortgages, despite falling prices. Action is underway to tackle the various challenges in the housing market and the repercussions of reduced investment within the commercial property market.

The current economic circumstances mean that many households, including those within the Northwest, face a more challenging housing situation. In order to respond to this, the Government announced a comprehensive £1bn Support Package on 2nd September 2008 to help households in difficulty, to support the housebuilding industry and to help first-time buyers get onto the housing ladder.

These measures include:

Help for homeowners in difficulty

- Supporting thousands of vulnerable homeowners facing repossession to remain in their home through a new mortgage rescue scheme.
- Reforming the Support for Mortgage Interest scheme to increase help for some of the most vulnerable homeowners on very low, or no, incomes.

Support for social rented homes

- Bringing forward £400m of Government spending to deliver up to 5,500 new social rented homes, at good price over the next eighteen months while the private sector market remains weak.

Help for first-time buyers

- Offering 10,000 more first-time buyers currently frozen out of the mortgage market the chance to get onto the property ladder through HomeBuy Direct, a new shared equity scheme in a new partnership with housing developers.
- A one-year Stamp Duty holiday (from 3rd September 2008) for all houses costing up to £175,000, increased from £125,000.

Support for the mortgage market

The Government is committed to action to strengthen mortgage markets and, as well as facilitating the Bank of England's Special Liquidity Scheme, recently published analysis by Sir James Crosby on improving mortgage finance.

Housing Growth Fund

The Government recently announced a package of measures and reforms designed to alleviate the current challenges in the housing market and to support the delivery of more homes over the long-term. This included the announcement of six New Growth Points in the Northwest. These areas have pledged to increase the number of homes in their local areas up by to 20% by 2016. These will now be eligible for a share of the £100 million Growth Fund and to bid for funding from the £200m Community Infrastructure Fund.

The Government has also established a set of new partnerships between the public and private sector that will put councils back at the centre stage of providing homes – with Manchester agreed as one of the first 4 Local Housing Companies.

Regional Housing Pot

The Government will be providing £10.4bn from the Regional Housing Pot in England over the 2008-11 period, of which £8.4bn is being invested in affordable housing; it has recently introduced flexibilities into the National Affordable Housing Programme including the new Rent to HomeBuy scheme to help prospective first-time buyers.

Spending has been agreed for the Northwest totalling £831m; £526m from the National Affordable Housing Programme, £12.4m for making local authority homes decent and £292.6m to help bring private sector homes up to a decent standard.

Funding will also be channelled towards priority regeneration areas to ensure that the region's existing housing stock, particularly in the HMR Pathfinder areas, Elevate, NewHeartlands, Manchester/Salford and Oldham and Rochdale, is contributing effectively to the need to provide additional affordable housing.

Advice on housing

The Government is directing £500,000 of funding to support the development of 5 Sub-Regional Choice Based Lettings schemes in the Northwest. These cross authority partnerships will recognise that housing markets do not follow local authority boundaries.

These arrangements have been complemented by the announcement of the Enhanced Housing Options trailblazer programme. The twelve national trailblazers, including Blackpool in the Northwest, will offer a greater range of advice to people looking for housing, with some moving towards a 'one stop shop' approach of personalised advice and links to employment opportunities and training.

SUPPORT FOR CONSUMERS

Helping family finances

It is important for the success of local businesses that consumer demand holds up through more challenging times. The Government is committed to achieving this through reforms to the tax system. Most families across the Northwest with children should be getting extra cash this year already as tax credits have gone up, and basic rate taxpayers can expect an extra £120 from this autumn

due to the changes in tax allowances too. The Chancellor of the Exchequer also announced on 16th July 2008 that he was postponing the 2p per litre increase in fuel duty that was expected to take place on 1st October 2008. As a result of this decision fuel duty rates paid by households will be 17% lower in real terms than in 1999.

Advice and guidance for families to pay their mortgage or rent

Families struggling to pay their mortgage should talk to their lender as soon as they start to experience difficulties. Those out of work or getting Pension Credit may also be able to get support with paying their mortgage interest through the Support for Mortgage Interest Scheme. Details can be found at www.thepensionsservice.gov.uk. The Financial Services Authority (FSA) has a detailed website which provides advice for those worried about increases in mortgage payments or coming to the end of their fixed rate mortgage. The website www.moneymadeclear.fsa.gov.uk/mortgages contains impartial advice and practical tools for the people of the Northwest to help people make informed decisions. The Community Legal Advice helpline on 0845 345 4345 also provides independent advice about debt, benefits and tax credits, employment and housing problems, and will call back for free.

Supporting families in meeting fuel and other bills

Rising fuel bills are causing stress to many families, but there are initiatives that can help. The energy companies have pledged an extra £225m over three years to help support vulnerable consumers.

Energy Watch - www.energywatch.org.uk - can help families reduce their bill by switching supplier or getting a better deal. Switching to a water meter could also help save money. Certain groups can get a Government grant to pay for insulation and heating improvements and pensioners on low incomes can receive free central heating or other fuel discounts. Information can be found at www.warmfront.co.uk or www.energysavingtrust.org.uk.

The Government's Winter Fuel Payments give help of at least £200 to pensioners, and more to the over-80s, including extra money for this winter.

Assistance for those in debt or struggling to make ends meet

Families in debt may be able to manage their payments better following Government reforms to provide access to affordable credit. The Government has proposed changes which will make it easier to access responsible credit provided by local credit unions. The Government has also expanded access to free legal representation at county courts throughout England for households at risk of repossession.

Those struggling with debt can also access one of the many debt advisors employed by the Citizens Advice Bureau and Advice UK network throughout the Northwest, or phone the National Debtline, which provides free confidential and independent advice on how to deal with debt problems, on 0808 808 4000.

Those worried about making ends meet and payment of regular bills may be able to access a range of benefits and support from the state depending on their circumstances. Some may be entitled to tax credits and help with childcare costs. Jobcentre Plus across the region will be able to advise on what they might be entitled to.

People who cannot afford to pay their Council Tax may be able to get help by way of Council Tax Benefit. This can provide a full or partial rebate, depending on a household's council tax liability, income and savings, and there are more generous rules for pensioners. Advice is available from the local authority. The local authority also manages housing benefit, which may help those who cannot afford to pay their rent.

Next Steps

This document sets out an initial framework for discussion with stakeholders across the region. The NWDA and the Government will be working closely with a whole range of local and regional partners over the coming months to address the challenges described at the start of this document, and to build on the support and initiatives described above.

We will be asking councils, regional agencies and third sector organisations to add to this framework and to work with us on how best we support businesses and households in the region. We expect this to feed into a comprehensive programme of work across a range of different organisations across the Northwest. Looking ahead, the Northwest will be refining its spending plans through the preparation of Regional Funding Advice and the Government will set out further steps to support the economy in the Pre Budget Report.

The NWDA will continue to use its strong links to individual businesses, developers and the CBI, IOD, Chambers of Commerce, FSB and EEF to provide in-depth and timely intelligence and analysis to ensure that Government, including the Regional Minister, understand the challenges that businesses in the region are facing.

The NWDA, which produced the regional analysis in this document, would welcome views from local businesses, third sector organisations and business groups on any of the issues contained within it.

For further information, please contact:

Business Link Northwest

City Office Park

Bluebell Way

Preston

Lancashire

PR2 5PZ

Tel: 0845 00 66 888

Website: www.businesslink.gov.uk/northwest

Email: info@businesslinknw.co.uk

Citizen's Advice Bureau

There are a number of Citizen's Advice Bureau across the Northwest.

For details of the nearest branch, visit:

www.citizensadvice.org.uk

Northwest Regional Development Agency

PO Box 37

Renaissance House

Centre Park

Warrington

Cheshire

WA1 1XB

Tel: 01925 400 100

Website: www.nwda.co.uk

Email: information@nwda.co.uk