



The South West of England Economy
A joint response to changing economic circumstances
September 2008

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Foreword

The global economy is facing unprecedented challenges. Tighter credit conditions, rising input and commodity costs – particularly oil – mean challenging times ahead for the UK economy. This will affect different regions in different ways. The South West economy has made strong progress in the last decade, but the region's businesses and consumers now need to prepare for and adapt to a more difficult economic climate.

It is vital that national government and regional bodies listen to and work with businesses, councils and other economic partners to help steer our economy through these tougher times. Working in partnership with central government, this document has been drawn up by the South West of England Regional Development Agency (South West RDA) to stimulate discussion with all partners in the region on what kind of steps we can all take to help our households and businesses through the current period. It also sets out what sort of support is available to businesses and consumers.

The Government 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 for a range of public spending programmes in support of sustainable economic growth in their region. Regional partners are being asked to provide advice on regional funding allocations which could total more than £2.5bn over the next three years.

There is no doubt that the many strengths of the SW economy will help it through this difficult period. The Regional Economic Strategy already provides a clear sense of what is most important for the economy. It is important that we all continue to support those policies that will deliver a successful, low carbon economy into the future.

This document sets out how South West RDA, working with other local agencies and with Government, will continue to support the region's economy in the coming months and years. It also encourages local businesses and other voluntary groups to engage with regional bodies and central Government on how the economy is changing in their area.

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Minister for South West England

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Chief Secretary to the Treasury

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Coping with tougher economic conditions Implications for the South West

The SW economy has made strong progress in the last decade, with its relative position on productivity (GVA per hour) improving markedly, by over 3 percentage points relative to the UK average, a strong labour market (consistently the lowest unemployment rates in the country) and a vibrant business stock. In the period 1997 to 2006, the South West economy grew at an average of 5.7% per annum – higher than the national average. The RDA's latest projections, based on HM Treasury national forecasts, suggest that the region's economy would continue to grow faster than the UK average.

However, prospects for the global and UK economies have become markedly less favourable over the last twelve months especially in contrast to the long period of economic expansion to 2007. As signs of the global and UK slowdown become more significant, the question for South West England is whether the period of subdued real growth will be brief or long lasting and deep or shallow. These challenges are being reflected in an increased air of uncertainty in the SW economy, its markets and industries, and amongst its businesses and households.

The regional economy at mid-year

Different sectors, different places

The South West economy is being affected by the global and national downturn in different ways in different sectors and places.

Developments in the South West economy usually lag behind those in the UK economy by 9 – 18 months and this is true of the current slowdown, with some sectors and some places quickly affected by the international and national picture, and others yet to feel any significant impact. In essence, those sectors and places most closely linked to the turnaround in the fortunes of the financial service and housing markets, which tend to be more concentrated in the north and east of the SW region, are the first to

feel the impact though businesses further south and west along the regional peninsula are now also showing the strain. We can expect these lagged effects to become more evident as we move through the second half of 2008.

There are currently two broad elements to this process:

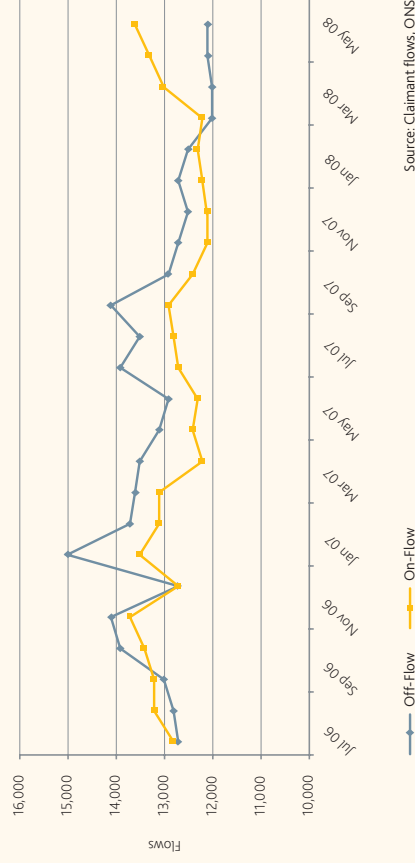
- i) Those businesses affected by the credit crunch **directly**, which tend to be in financial and property services and construction, and are concentrated more in the north and east of the region – adjacent to the South East of England.
- ii) Those businesses **indirectly** affected through supply chain linkages and changes to household and business spending patterns, such as in tourism and leisure – often further south and west down the peninsula.

The downturn can be expected to ripple out across the region from its focus in the South East. As yet, however, there are activities that are still thriving, particularly knowledge or high tech based exporters and some utilities and energy related companies.

More uncertainty, less confidence

The overall economic situation for South West business was still broadly positive through the first half of the year, with areas of distress relatively concentrated in financial services and property related activities. Manufacturing and high value added services, especially exporters, recorded strong order books and outputs and were still looking to fill skills gaps in their workforce. The effects of the credit squeeze were limited.

Figure one Unemployment in South West England



Source: Claimant flows, ONS

By June and July, however, there was a noticeable increase in business and household uncertainty about the future that was starting to affect confidence with respect to employment, investment and consumer spending. The perception of downturn is now growing.

Recent **business and consumer surveys** show South West England in a deteriorating position compared with some other regions. For example, the latest Royal Bank of Scotland's Purchasing Managers' Index shows a marked shift for the South West in June and July to negative scores on output and employment. Similarly, the CBI/Experian Regional Trends Survey for August talks of a significant drop in confidence and low employment and investment intentions, although regional exporters remain relatively buoyant.

There has been a substantial vote of confidence in the region with the purchasing Airbus's wing component and assemblies manufacturing facilities at Filton. The acquisition, which will see an investment of £150 million in the site by GKN,

will secure the company's position as a strategic supplier to Airbus; create a composite wing centre of excellence at Filton; and further strengthen the UK's position as a world leader in wing design and manufacture. This builds on the considerable investment made by the South West RDA in the region's advanced manufacturing and aerospace sector, including the Environmentally Friendly Engine and composite material research facilities.

GKN's acquisition will be seen as a major boost for the region, securing up to 1500 jobs at Filton. It will also see GKN supply advanced composite wing components to Airbus for its latest aircraft – the A350XWB (Extra Wide Body). The Government has agreed, in principle, to support GKN with £60 million repayable launch investment for the development of the rear spar and trailing edge for the aircraft.

Jobs, investment, spending

Against this background, there have been instances of delayed investments and pauses in

hiring, and some redundancy announcements (8,000 in the second quarter of 2008 according to Jobcentre Plus). Although these may not appear in the official employment ratios until the autumn, there have been early signs of labour market deterioration in recent months, as **Figure one** shows. Indeed, the number of advertised vacancies has reduced more quickly than the UK average.

While employment rates have generally been high in the region, higher unemployment is now likely, which in turn will affect spending on discretionary items like tourism and leisure, and broader retailing.

A mixed picture

There have been some redundancy announcements in both manufacturing and services, though often as a result of ownership changes and resulting cost saving measures rather than any fundamental slowdown in demand. Nonetheless, there are specific signs that, amongst a number of business



services (a key area of South West growth in recent years) the housing recession is significantly affecting related firms across the region. Job losses have been announced

in aerospace, a vital sector for South West England, in response to lower than expected order books, the strong euro and global sector restructuring. Cuts in government spending, especially on military establishments and equipment, are expected to have negative impacts on some locations – offset to an extent by more Ministry of Defence jobs in Bristol. Areas that achieved a lot of their recent growth from the 'second-home' element of the housing 'boom' – often in the more rural towns and/or coastal areas of the peninsula – are also slowing down quickly. Finally, we are aware that food manufacturers and retailers are cutting back operations because of restructuring and cost pressures.

Overall, the economic picture is very mixed by business, by household and by place. In relative terms, knowledge-based suppliers are faring better, as are, generally speaking, exporters and agriculture and some high value services. Retail spending has surprisingly held up reasonably well, as underscored by the national figures for July.

Specific risks to the regional economy

The SW housing market is already significantly affected by current economic conditions. Following a decade of strong growth in which house prices in the South West have risen at 12.1% - faster than in England and Wales - the market is slowing up and redundancies are increasing in construction and related services, partly due to a slowdown in housing completions even before the cutbacks made by major house builders in the

last quarter. The risk is that the downturn spreads, affecting related goods, such as furnishings and durable goods, for both personal and commercial customers.

We have also seen a marked decline in commercial **property development** in the region. Developers/investors are facing rising construction costs, falling land values, reduced yields and difficulties accessing credit. There is a risk that some marginal and difficult sites will not get off the ground and valuable development skills will be lost.

We are aware of restructuring proposals in a number of our key **financial services** companies, especially in insurance. Although the region has strong players capable of weathering the storm better than most, some companies are at risk of further consolidation and redundancies.

South West **tourism and leisure** operators have commented that even where visitor numbers have held up well, visitor spend has not, although the quality end of the market is still strong. Cost pressures are hurting and the second consecutive wet summer has not helped.

The rapid **inflation in the price of fuels and foods** is affecting the region's businesses. Many more of input costs than they do about access to credit. Manufacturers are finding it difficult to pass on these costs and profit margins are under pressure.

Inward investors, both new and established, are expressing some concern about wage pressures. **Foreign exchange rates** are affecting cost structures too – some good and some bad – and there are particular issues with temporary supply restrictions from Chinese

factories. Finally, a growing number of businesses have been saying that it has become harder to get payments on time from customers. We expect more sectors and more places in the South West to be affected by the economic downturn in the second half of 2008 and over the coming winter. Cutbacks in investment and jobs are expected to increase and the prospects for profits, incomes and discretionary spending are relatively subdued.

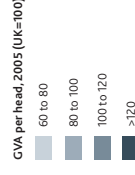
Clearly the effects of the two global shocks of the credit crunch and the surge in food and energy prices will continue to be felt in the region for some time, with impacts on investment, employment and other key variables. However, the fundamentals of the South West economy are still robust, indicating that many of our stronger, well managed businesses in the region will stay confident, keeping their attention on being able to compete when the recovery comes.

The changing South West economy

Diversity of performance

Although the short term outlook is less positive, the South West economy starts from a strong position. With a population of more than 5 million, a workforce of roughly half that and a business stock of at least 418,000 firms, the economy is expected to have reached an annual value of £95 billion in 2007. The regional economy has generated a lot of new businesses in the last decade, across an increasingly diversified range of sectors and, in the process, has added about 275,000 new jobs. The employment rate has been consistently higher than in most regions and close to 80% since 1999. Our workless and exclusion rates are generally low, although there are notable pockets of deprivation in some of the region's main urban areas and some of our more peripheral rural communities.

Figure two Productivity levels across the region relative to the UK average



Indeed, the **diversity of performance** within the region is a particularly striking feature of the economy in the South West. For example, on the GVA per head measure used to rank sub-regional performance by the UK government and the EU, South West England has one of the top five UK areas (Swindon) and yet others right at

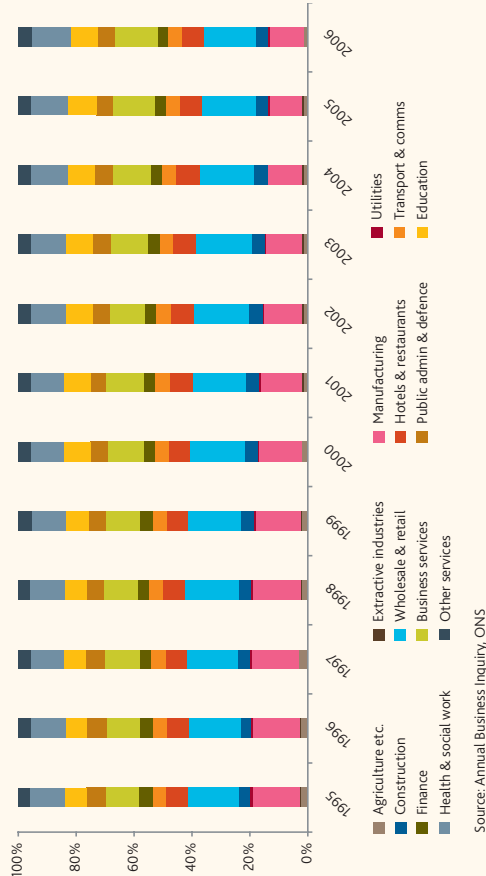
the other end of the scale (Torbay and Cornwall). **Figure two** shows productivity levels across the region relative to the UK average.

In line with the United Kingdom and developed countries on the whole, the South West has seen continued **restructuring of the industries** contributing to its economy over the

last decade. Broadly, this has meant reduction in and streamlining of SW manufacturing and a move towards a more services-based economy. **Figure three** illustrates the changes in the patterns of employment, by industry, in the South West.

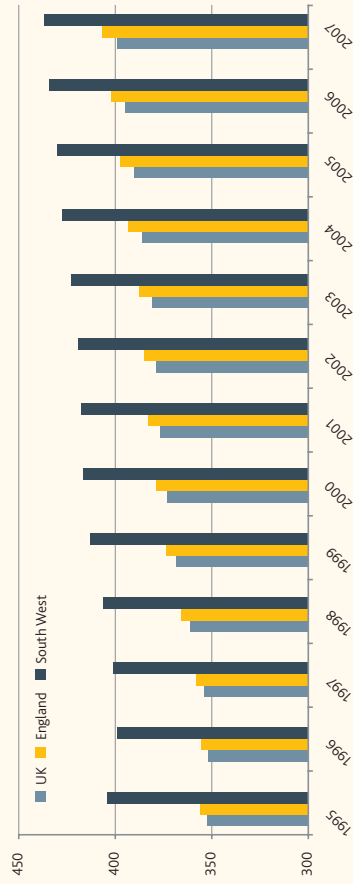


Figure three South West patterns of employment by industry



Source: Annual Business Inquiry, ONS

Figure four South West business stock – number of vat registered businesses per 10,000 population



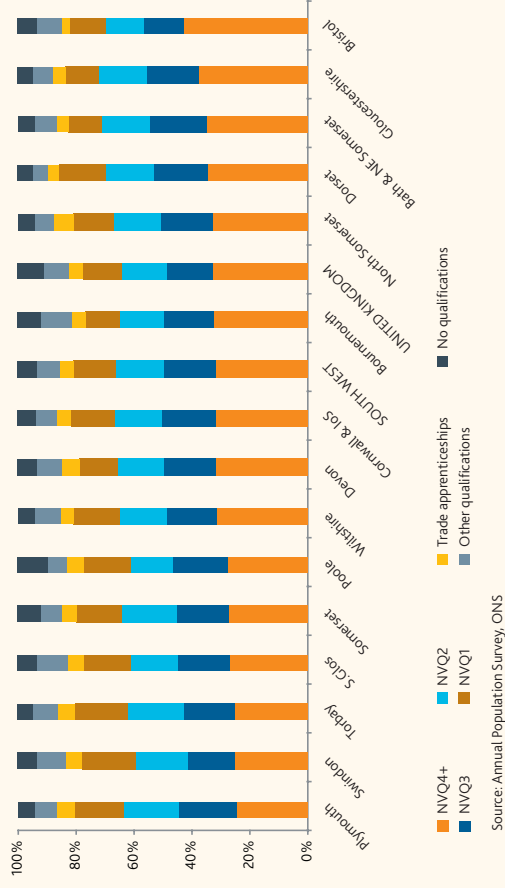
Source: Business Start ups and Closures: VAT registrations and de-registrations

The 'new' SW economy has a **higher value added content** than before in services, manufacturing and, indeed, the public sector. There is a strong entrepreneurial tide (reflected by high business start up rates). Our universities have developed strong expertise in a range of business-focused areas, including environmental systems and technologies, creative industries and specialised aerospace and marine technologies.

In contrast, despite achieving good foreign direct investment over the years, particularly in advanced engineering (including aerospace),

the region has a relatively low international engagement overall. This is a key area for future development. More generally, research has shown that the region's remaining productivity gap relates to skills deficiencies, investment shortfalls and access to markets.

Figure five South West workforce qualifications



Source: Annual Population Survey, ONS

South West England also has a relatively **high ratio of SME businesses** (see **Figure four**) compared with most other parts of the United Kingdom. This high business population gives the region both stability and flexibility but, in the face of changing economic conditions, may create its own stresses around sharing information, spreading best practice and creating integrated networks. Addressing these issues can help our businesses co-operate in order to compete in less buoyant times.

Availability of an appropriately **skilled workforce** is a key driver of productivity. South West England has a relatively well-qualified workforce, with the highest proportion in England of those qualified to NVQ4 level or higher (i.e. degree level) outside of London and the South East. It is possible, however, that in some sectors or areas these skills are being under utilised. **Figure five** shows the qualifications of the SW workforce and also illustrates the variation across the region.

Response to the current challenges Working together

While regional decisions are unlikely to shift global economic conditions, it is possible to mitigate some of the impact on individuals and businesses and help them to respond. Working together, our goal is to make sure the South West of England is as well-placed as possible to overcome the current economic downturn and respond quickly to the upturn when it arrives.

The South West RDA – with other regional and local partners – is helping businesses across the region prepare for the challenges ahead. The Regional Economic Strategy (RES), which provides our shared vision for the development of the region's economy, emerged from a consultation process involving more than 400 organisations in the region. The strategic objectives identified for South West England were to create successful and competitive businesses; strong and inclusive communities and an effective and confident region – and to do this within environmental limits. Although the South West is a relatively productive and wealthy region and has performed well in recent years, continuous work is needed to ensure the region remains at least as competitive as it is today.

International action

No single national government can stop this global economic slowdown, or solve the challenges of high inflation on its own. The

Government is working closely with other countries to face up to the international causes of the problems. It has recently discussed with major oil producing countries how we might 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 stressed 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 both south west and south central England covering our area), 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

West RDA and is the first fund of its kind in the country. It will provide seed investment much earlier than it might otherwise be available, ensuring major infrastructure projects in South West England are delivered in a timely manner to help unlock the region's business potential.

To date, the South West RDA Board has sanctioned the use of over £12m on schemes that will:

- improve junctions 29 and 30 of the M5, near Exeter, benefiting the new community at Cranbrook, the proposed SkyPark business park and science park in East Devon and other new housing in Exeter;
- provide a new rail station to serve Cranbrook, and
- combat flooding risks in Taunton Deane.

01.

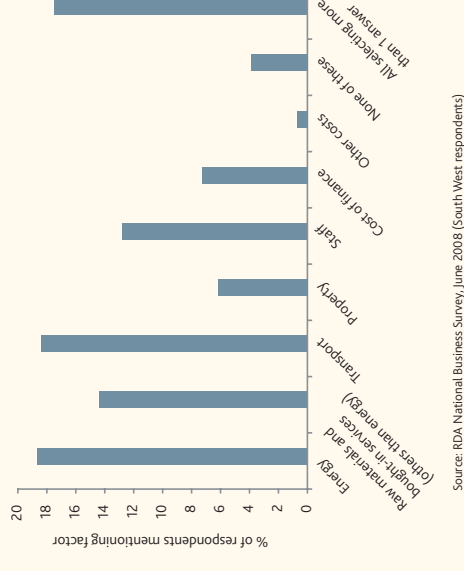
Supporting business

South West RDA has a key role in co-ordinating and managing a diverse range of support for the more than 418,000 businesses in the region. Important work is now under way to develop closer interaction between the Agency, key partners (such as Business Links, Job Centre Plus, and the Learning and Skills Council) and businesses to ensure this important work continues to reflect private sector needs going forward. South West RDA's priorities are focussed on three essential areas of support: for business, for employment and for prime actions under these headlines are outlined below.

Rising input prices

Many South West businesses are saying that cost pressures are the major cause of concern for their operations at this time. As **Figure six** shows, using the RDAs' new

Figure six Sources of current upward pressure on the costs of SW businesses



Source: RDA National Business Survey, June 2008 (South West respondents)

National Business Survey of current conditions, this relates significantly to energy, transport and raw materials, in turn reflecting the commodity price surge of the last year or so.

South West RDA has worked with the South West Manufacturing Advisory Service (SWMAS) since 2002 to improve the efficiency of manufacturing business across the region, providing £6 million of funding to this process.

Since April 2008, SWMAS has increased the number of advisors employed in the region and has developed a Strategic Management Programme (SMP). This programme encourages a culture of enterprise, helping manufacturing to search for new markets and customers by exploiting networks of intellectual capital and technology and by promoting the creation of new and innovative products and services.

Commenting on this Programme Jason Rigby, Managing Director, Taunton Fabrications said, "We were introduced to the SMP at a time when we were looking at potential paths for future growth. The external impetus and specialist knowledge provided helped us to clarify the right direction for the business in terms of markets to be exploited, areas which required attention to enable growth, and the aspects of our offering which make us competitive."



Cutting energy costs

Reducing energy, waste and water costs is both an immediate and a longer term operational priority for many businesses. Advice to businesses on resource efficiency can be accessed through the regional Business Link service. The Agency is also commissioning a 'development voucher' scheme that will enable businesses to buy specialist resource efficiency support from commercial providers on a subsidised basis. Nationally, support organisations, including Envirowise and the Carbon Trust, also provide vital advice and guidance through Business Link. This all contributes to the RDA's stated ambition to make its annual investment portfolio 'net zero carbon' within 5 years.

Sharing best practice

In 2004, South West RDA established the Beacon network which now has over 200 high performing businesses. By developing such networks across the region, South West RDA is building the foundations for businesses to continue to prosper through most trading conditions.

As Stuart Baikie, Managing Director of Total Ltd said:
"We are really pleased to have been awarded Beacon status at this point in our company's evolution. We are seeking professional advice to steer us through the flotation on AIM but there is nothing like being able to ask business peers about their real life experience of the process. Beacon South West is all about learning from the best companies in the region."

In the light of changing business conditions, Beacon will re-examine the service it provides for members. With its members and South West RDA, it is looking closely at how lessons from successful businesses can be shared across the wider business community.

Simplifying support for business

Through the region's Business Links, South West RDA makes a broad range of support available for the region's firms. Since January 2008, they have focussed on specific access to finance programmes. Providing news, information, advice and key events, they aim to assist businesses in securing funding through the credit crunch. In addition, Business Links have been providing support to those businesses which have been forced to make redundancies so that they, in turn, can offer the best support and advice to affected employees. South West RDA is working with the Government and local authorities to simplify and rationalise our region's nationally on support for business. By streamlining delivery we can meet the needs of businesses in the region more effectively.

Access to finance

A range of new forms of finance are available to businesses in the South West. The 'financial escalator' includes some localised loan funds, venture capital funds, investor readiness programmes. Selective Finance for Investment in England, and what is probably the most active business angels network in the country. More than £63 million of risk and loan capital is available through these schemes.

High technology & innovation

South West RDA is developing major science parks in Bristol and Plymouth to attract high technology, high skill businesses to these areas. The Agency is heavily involved in a range of specific technological developments, such as energy through wave power, and 'clean engine' technology in which we have invested £2.5 million. The Agency has invested in world-class facilities in composite materials research and has leveraged in a total of £78 million of private and public sector R&D funding. This has cemented South West England's position as one of the most research intensive regions in the United Kingdom.

South West RDA has acquired a strategic site and acquired planning permission for S-Parc, a £300m science park for Bristol and Bath, enabling our private sector to start on site shortly with site infrastructure and the first science park innovation centre. It was only Agency intervention that got this project, which had not moved for years, off the ground.

Many of the innovative companies in the SW which are making considerable investment in R&D say that they are 'in it for the long term' and that they have no choice - they have to innovate to stay in business.

South West RDA have been working in a more targeted way to increase business take up of the national Grant for Research and Development scheme and have seen a real increase in applications to the scheme as

a result. It shows the need for a sustained commitment by the businesses as well as sustained support, with a long term perspective on outputs and outcomes from the public sector, whether the economic cycle is favourable or not.

The higher education sector and South West RDA are working to refine further their approach to building business collaborations, which has developed over a sustained period of South West RDA funding. We expect to be launching a new programme in this area in September, and we are proposing a series of further education Pathfinder projects, alongside the DIUS work in this area.

In the coming months, South West RDA will focus on the recommendations in 'Innovation Nation' (DIUS White Paper). South West RDA has asked the SW Science and Industry Council to assist in setting the strategic direction of its science and innovation investments over the next three years.

Construction and other physical development

Through very strong involvement in redevelopment work across the region, South West RDA is continuing to support regeneration projects over the next three years with an investment in excess of £200 million. Redevelopment is progressing in the key areas, including Gloucester, Swindon, Bristol, Exeter, Plymouth and St Austell.

The Agency is working with local authorities and English Partnerships to ensure momentum is maintained on a series of strategic regeneration projects despite tougher market conditions. We are sharing the risk with the private sector by funding master planning to secure planning permissions, funding site preparation

and infrastructure supporting developers with skills programmes and business support to make developments more valuable to occupiers and, thereby, to the economy.

Attracting investment

The region attracted a record number of foreign direct investment projects in 2007-8, the result of the work of UK Trade and Investment, the Agency and other regional partners. The region continues to explore opportunities to leverage resources wherever possible, recently joining forces with the South East RDA and UKTI to provide a high quality service in India. As well as seeing the first investments from India, we have assisted companies from across the globe to build and preserve South West jobs, including Boeing and EADS.

With partners, South West RDA are bringing forward the East of Exeter Growth Area as the major housing and business expansion area for Exeter, adjacent to the M5. It will contain 7,000 homes and community facilities, a £120 million science park and business parks, developing Exeter Airport and a multi-modal freight terminal. The Agency is providing forward funding of about £40 million (through the Regional Infrastructure Fund) to build the strategic infrastructure.

Other sector activity

South West RDA continues to make interventions in its priority sectors that are having a significant impact on the regional economy.

In the creative economy, various initiatives have contributed to the region becoming one of the leading providers of television content and establishing creative networks which have built up a membership of over 4,000 organisations, firms and individuals in just three years. We have also established three marine skills centres, providing over 14,000 training courses and facilitating a significant increase in employment and exports from the region's luxury yacht sector.

Tourism and the wider visitor economy are vital sectors for South West England. The Agency is funding South West Tourism to be a centre of expertise on evidence, strategy and policy, sustainability and quality whilst devolving all commercial and product development activity to specific regional destinations. The Agency also supports the Tourism Skills Network to increase skills in, and the productivity of, the regional tourism industry. South West RDA is the national lead on this sector, working closely with all RDAs and DCMS.

02.

Supporting jobs Addressing skills gaps

Skills are a development priority for the South West region and vital to its future competitive advantage. One of the main priorities is business leadership and management skills development, which is essential if businesses are to improve performance and survive. Recent investment in developing these capabilities, and on-going support for the new Management and Leadership Service within 'Train to Gain' (£9m invested over 3 years), will be increasingly important as we move



forward through the slowdown, as will having efficient skills brokerage into training that has the potential to reduce costs and time spent away from core business.

Investment in upskilling remains a priority for both the short term and the long term. Also important is the ability to respond rapidly to redundancy situations in order to get individuals back to work.

The South West RDA's taskforce approach ensures that all resources are brought into play, both for workers and for businesses. The TUC led 'Learning Works for All programme', which has received £2.3m of funding from the RDA, has also supported 1400 employees engaged on 13 different projects over the past 5 years.

The Regional Skills Partnership is bringing together skills funding, delivery organisations and business to ensure that SW companies have access to the right training provision for their current and projected skills needs. This includes actively engaging partners on regional skills priorities, aligning activities, and changes to current provision. The strong partnership working and joined up approach on sectors in the South West highlights the business voice in key skills areas.

Looking beyond the current economic situation, continued investment in Enterprise Skills, and Science, Technology, Engineering and Maths (STEM) subjects (£1.1m investment) and vocational higher education will help to foster skills

development and progression in those areas where businesses advise that support is needed in order to promote future growth.

Response to economic shocks

Joining forces with a number of regional and local organisations, the South West RDA looks to move quickly when sudden economic shocks threaten to throw the economy off course in particular parts of the region. The Business Link network, local authorities and Job Centre Plus clearly have important roles to play here, although more strategic organisations such as the Learning and Skills Council, the RDA and other government bodies look to ensure a balanced and comprehensive package of support can be put in place.

Earlier in 2008, Cadbury Schweppes moved to close its factory in Keynsham, near Bristol. The South West RDA helped mobilise a 'task force' of public sector agencies to minimise the impact of the decision on the town.

Following the extensive flooding which descended upon Gloucestershire in the summer of 2007, the South West RDA announced a £2 million emergency support package to provide support to small and medium sized enterprises to implement business recovery plans, developed in conjunction with Gloucestershire First and its local partners. The fund also backed an autumn tourism and retail campaign aimed at boosting trade following the floods, and sponsored such one-off events as the Tall Ships festival in Gloucester Docks.

When Imerys announced the downsizing of china clay production in and around St Austell in Cornwall some years ago, this produced an intense period of multi-agency activity which has now resulted in the area becoming a possible location for one of the country's new 'Eco-towns'.

03. Supporting areas of particular need

Cornwall and the Isles of Scilly are the only English areas receiving Convergence funding under current EU programmes to help relatively low productivity areas to improve their comparative position. The programme is worth several hundred million pounds over seven years (about €610 million) and is particularly aimed at helping local businesses raise their competitiveness.

This will be delivered through an emphasis on research and development in higher education and business, (with focus on the development of marine renewable energy), innovation and incubation centres, targeted business support, better premises for business, improved transport and digital infrastructure (NGA Broadband) and an emphasis on the regeneration of seven urban parts of Cornwall.

04. Support for housing

The South West property and regeneration sector is being hit particularly hard by the slowing economy. Across the region – as nationally – house building is slowing rapidly whilst first time buyers and others are finding it

harder to get mortgages, despite falling prices. The region's acute housing affordability problems, amongst the worst in the country, are not helped by the market freeze.

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.

The mortgage market and affordable housing

The Government is committed to action in mortgage markets. To ensure continued investment, the Government will be providing over £10 billion nationally from the Regional Housing Pot in England over the 2008-11 period, of which over £8 billion is being invested in affordable housing. Government has also recently introduced the Rent to HomeBuy scheme to help prospective first-time buyers.

Spending has been agreed for South West England to provide a total of £826 million in capital investment for housing between 2008-11, including funds from the National Affordable Housing Programme to make local authority homes decent and to help bring private sector homes up to standard. It includes an extra £23 million that was awarded following successful lobbying by the South West Regional Assembly, using evidence provided by local authorities, to ensure that some of the region's housing priorities were met.

05.

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. Many families across the region with children will get extra cash this year from higher tax credits, and basic rate taxpayers can expect an extra £120 from this autumn due to the changes in tax allowances too.

Helping 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.thepensionservice.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.money.madeclear.fsa.gov.uk/mortgages contains impartial advice and practical tools for the people of the South West on the web 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 bills

The Government recently announced a new £1 billion package of measures to help families on middle and modest incomes permanently cut their energy bills. Alongside targeted extra help for the vulnerable this winter, and with new funding of £910 million from energy suppliers and electricity generators, this will support the widest programme of energy improvement to British homes since the conversion to North Sea Gas in the 1960s. The announcement includes:

Next steps

Building support

This document sets out an initial framework for discussion with stakeholders across the region. The South West RDA 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 look to local authorities, regional bodies and voluntary sector organisations to add to this framework and to work with us on how best to support businesses and households in the region. We expect this to feed into a comprehensive programme of work over the next six months to promote on-going economic prosperity in the SW region, including the update of the RES delivery plan, revisions to the Regional Spatial Strategy, the Regional Funding Allocations advice, as well as informing the Government's work in the run-up to the Pre-Budget Report.

The South West RDA will continue to use its 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 SW Regional Minister, understand the challenges that businesses in the region are facing. The Agency, which produced the regional analysis in this document, would welcome views from local businesses and business groups, councils and third sector organisations on any of the issues outlined in this document.

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 about 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.

- We will work with energy companies and banks to increase the number of people on direct debits, saving an average of £100-150 a year per household on bills.
- We will consult on legislation if, having considered the evidence, we consider that this is necessary to ensure that those using pre-payment meters do not face unjustifiably higher tariffs than other customers using other payment methods.
- Cold weather payments for the most vulnerable will be tripled from £8.50 to £25 a week for this year.

Energy Watch www.energywatch.org.uk can help families reduce their bill by switching supplier or getting a better deal. Further information can also be found at www.warmfront.co.uk or www.energysavingtrust.org.uk.

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 for 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 Citizens Advice Bureau and Advice UK network throughout the South West, or phone the National Debtline, which provides free confidential and independent advice on how to deal with debt problems, on **0808 808 4000**.

1. A new £1 billion package of energy efficiency measures

- Help is now available for households to make savings of up to £300 a year (around a quarter) on their energy bills. Every household qualifies for at least 50% off loft and cavity wall insulation and a range of other energy saving device; 11 million lower income and pensioner households qualify for these free of charge.
- A new £350 million Community Energy Saving Programme will be launched in around 100 fuel-poor areas to go street-by-street through communities offering free and discounted central heating, energy efficiency measures and benefit checks.
- A £74 million increase in funding for the Government's Warm Front programme, offering free central heating and energy efficiency measures.

2. £600 million of help for the vulnerable this winter

- This winter, the Government is providing an additional £50 alongside the winter fuel payment to all pensioner households (£100 for the over 80s) – total spending £575 million – as announced at Budget.
- Around 600,000 customers are expected to benefit from discounted bills by the end of the year, as a result of the agreement between the Government and the companies for an additional £225 million spending on reduced tariffs and other social programmes over three years. Around three quarters of these bills will be guaranteed not to have price increases this winter.



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Citizen's Advice Bureau

There are Citizen's Advice Bureaus across SWE.
For details of the nearest branch, go to:
www.citizensadvice.org.uk

Government Office for The South West

2, Rivergate, Temple Quay
Bristol BS1 6EH
Telephone: 0117 900 1700
swcontactus@gosw.gsi.gov.uk

South West Manufacturing Advisory Service

www.swmas.co.uk

Job Centre Plus

www.jobcentreplus.gov.uk

Learning and Skills Council

www.lsc.gov.uk/regions/SouthWest

Carbon Trust

www.carbontrust.co.uk

Envirowise

www.envirowise.gov.uk/southwest

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Train to Gain

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