

BACK TO BUSINESS: LOCAL SOLUTIONS

January 2009



British
Chambers of
Commerce
The Ultimate Business Network



Local Government Association

ABOUT US

The British Chambers of Commerce (BCC) is the national body for a powerful and influential network of Accredited Chambers of Commerce across the UK; a network that directly serves not only its member businesses, but the wider business community. Representing 100, 000 businesses who together employ more than 5 million employees, the BCC is the ultimate business network. Every Chamber sits at the heart of its local community working with businesses to grow and develop by sharing opportunities, knowledge and know-how.

The Local Government Association (LGA) is a voluntary lobbying organisation, acting as the voice of the local government sector, and an authoritative and effective advocate on its behalf. The 466 authorities who make up the Local Government Association cover every part of England and Wales. Together they represent over 50 million people and spend around £113 billion a year on local services. They include county councils, metropolitan district councils, English unitary authorities, London boroughs, shire district councils and Welsh unitary authorities, along with fire authorities, police authorities, national park authorities and passenger transport authorities.

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FOREWORD

It is critical for the future of our communities that business and councils work together to mitigate the effect of the economic downturn and prepare their local areas to be able to take advantage when conditions improve.

The LGA and BCC's joint report, *Back to Business: Local Solutions*, points towards the direction this activity should take. Our research shows significant variety in how different localities perform during times of economic downturn. While national policy-making has a key contribution to make in addressing the recession, so do the efforts of councils and businesses working at a more local level, reflecting what will be the functioning economic area. As a result, in a number of areas, policies will require flexibility at the regional, sub-regional and local tier to ensure that decisions and delivery are taken at the most appropriate level.

This will require an understanding of roles. Councils and Chambers of Commerce are in the frontline in dealing with the local economic effects of the recession. Businesses act to create wealth and employment opportunities in their communities and councils support local people in their homes and jobs. Together they can mitigate the worst impacts of the recession on local businesses and the jobs they create. For this reason, councils and businesses need to respond to the challenging economic climate and renew their efforts to work effectively together.

Our report sets out examples of excellent business and council engagement and principles that can underpin that relationship. It also identifies immediate measures that can support

the urgently needed flow of cash to business, particularly SMEs. It highlights the need for central government to work with councils and businesses to join up support to improve employment and skills levels in a way that focuses on the individual and the ultimate aim of a long-term job. It also calls for a new focus on export support to businesses to allow them to take advantage of the falling value of the pound and prepare strongly for the upturn.

We hope however that action during this recession will ensure that a stronger long-term relationship will be established between councils and their local business community.



E. Margaret Eaton

Cllr Margaret Eaton,
Chairman, LGA



David D. Frost

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Director General, BCC

EXECUTIVE SUMMARY

THE EFFECTS OF THE SLOWDOWN

- *National statistics indicate that we have entered a recession* – unemployment reached 1.86 million in the three months to October 2008 and GDP fell by 0.6 per cent in the third quarter of 2008. This supports the findings of the most recent BCC Quarterly Economic Survey (QES) of nearly 6,000 businesses. This showed several measures of business activity hitting record lows, including investment and sales.
- *National statistics mask significant statistical regional variation* – The QES also highlights significant differences between the manufacturing and service sectors of different regions and over time (looking at statistics from previous recessions).
- *Variation is even more marked at the level of functional economic areas below the level of the region ('sub-regions')* – recent research commissioned by the LGA, projecting the likely local distribution of the overall impact of a recession on employment, found that variation was marked within regions, with four out of nine regions containing both the most at risk and least at risk localities.
- During the economic downturn policies to prepare for the eventual recovery will therefore require that decisions and delivery are devolved to the most appropriate level.

PRINCIPAL FINDINGS

Local action to support businesses through the downturn should be prioritised with measures to increase local cashflow taken forward.

- In the current economic climate, managing cashflow is the most urgent concern for businesses, particularly smaller firms. Local action and support that will help firms maintain their order books and cashflows should therefore be prioritised, including bringing forward local projects, simpler local procurement, timely payments, tax payment flexibility and easing the restrictions on Small Business Rate Relief eligibility and access.

Principles and best practice for effective businesses and local government engagement

should be developed and spread throughout both sectors by the BCC and the LGA.

- Effective local interventions require a strong understanding of the respective roles of the public and private sector and close local authority and business partnerships.
- Local authorities can find it difficult to identify the right people to give effective local business representation, while businesses dislike talking shops or tick-box consultation. A combination of best practice examples and BCC research of local government/business views has identified principles for taking this work forward. This report highlights a number of case studies and LGA and BCC will work together to find further examples and disseminate these to councils and businesses.

Sub-regional approaches to tackling worklessness, skills and employment should be freed up from unnecessary restrictions and have a strong focus on delivery and the end goal of employment.

- Cyclical unemployment, long-term worklessness, and skills gaps need to be tackled but the current plethora of government initiatives has created a confusing landscape of City Strategy Pathfinders, Working Neighbourhoods Fund, Employment and Skills Board and Multi-Area Agreements (MAAs).
- Whatever label they may carry, we are still some way short of a system that gets the public sector to join itself up and give businesses and individuals a simple offer of help that responds to their demands and is free of bureaucracy.
- People need to be equipped to compete effectively in the labour market and employers want to be able to choose from a wide range of skilled applicants. Many of the barriers will require a local or sub-regional level and a multi-agency approach and in some cases people may need to travel further or re-locate to secure sustainable employment. Labour mobility should therefore be supported through public sector apprenticeships, enterprise apprenticeships

and enabling greater mobility for social housing tenants.

- These approaches could work more effectively if Learning and Skills Council (LSC) funding was not restricted to first qualifications, local/sub regional decision-making on targeting was allowed and greater data sharing enabled. However, business will want to see a focus on the delivery of skills programmes that can effectively achieve the ultimate end goal of employment.

The Chamber of Commerce network will work towards ensuring a platform for business seeking export advice across the country.

- While there has been a focus on securing inward investment from abroad, in an economic downturn, companies will

particularly be looking for opportunities to export in order to take advantage of the weakened pound in order to survive and should be supported. BCC research shows that the key concerns for companies are strategic marketing and practical issues. They want relevant, accessible information to develop a real understanding of the particular country they wish to trade with.

- At a local level Chambers of Commerce provide tailored export support and knowledge, based on private sector experience of specific foreign markets using the international Chamber of Commerce network. This can be developed as a locally based national network of advice with businesses being referred to other Chambers with relevant expertise.

CHAPTER ONE:

THE EFFECTS OF THE SLOWDOWN

THE CURRENT NATIONAL ECONOMIC PICTURE

The most up to date national statistics show a deteriorating economic position. According to Office for National Statistics data, unemployment reached 1.86 million in the three months to October 2008 and GDP contracted by 0.6 per cent over the third economic quarter. The last time unemployment was higher was in the three months to December 1997. The extent of the economic downturn has also been confirmed by the Governor of the Bank of England's comment that "the combination of a squeeze on real take-home pay and a decline in the availability of credit poses the risk of a sharp and prolonged slowdown in domestic demand. It seems likely that the UK economy is entering a recession."¹

This picture is confirmed by the BCC's Quarterly Economic Survey (QES) of its member businesses, covering nearly 6,000 companies, employing over 680,000 people. For the fourth quarter of 2008, all key measures of business activity (from home orders and sales to cashflow and confidence) have worsened, and in the majority of cases reached record lows. Credit is becoming harder to access, house prices and consumer demand are both falling. Negative growth will also impact upon the UK's fiscal position in terms of falling tax revenues, increased benefits payments and increasing public sector debt.

THE REGIONAL PICTURE

As QES data is collected regionally, and broken down into service and manufacturing sectors, it is possible to compare the differing factors affecting the different regions in an economic downturn. What is evident from the regional breakdown is that national statistics mask significant regional variation. Looking at data for the third quarter of 2008, the home sales balances² for the North West and the North East, for example, vary from the national average in opposite directions, as do the home order balances for the North East and Yorkshire and the Humber.

Using historical data, comparing the third quarter of 2008 with QES results from the early 1990s (the last contraction of the economy), it is also

possible to see how factors differ between regions over time. Data from Quarters 3 and 4 in 1990 show the biggest negative growth within that recession and can be compared with Quarter 4 in 1989 as a comparative pre-slowdown example.

As well as dramatic changes over time, the data also shows where particular factors in regional performance have remained consistent and prominent. For example, as the chart on the next page shows, if we compare manufacturing sectors, home orders data for the North East and Yorkshire and the Humber, the North East consistently outperforms the national average and Yorkshire and the Humber performs below it, despite the latter having great strength in the services sector in terms of finance, legal and business support.

In contrast if we look at the service sector for an indicator such as employment expectations for example, we can see another pattern. The West Midlands and the Eastern Region show differing employment expectations in a growth contraction than the Eastern region (as shown in the graph on next page) if we isolate that specific indicator as an example.

THE SUB-REGIONAL PICTURE

Research for the LGA³ has shown that in a recession, significant local variations from the average national economic performance can be expected. These cannot be fully explained by local variations in the make-up of the economy, or by recent local economic performance. In many places, this local effect is bigger than the effect of economic structure or recent performance. These local variations are also strong within regions.

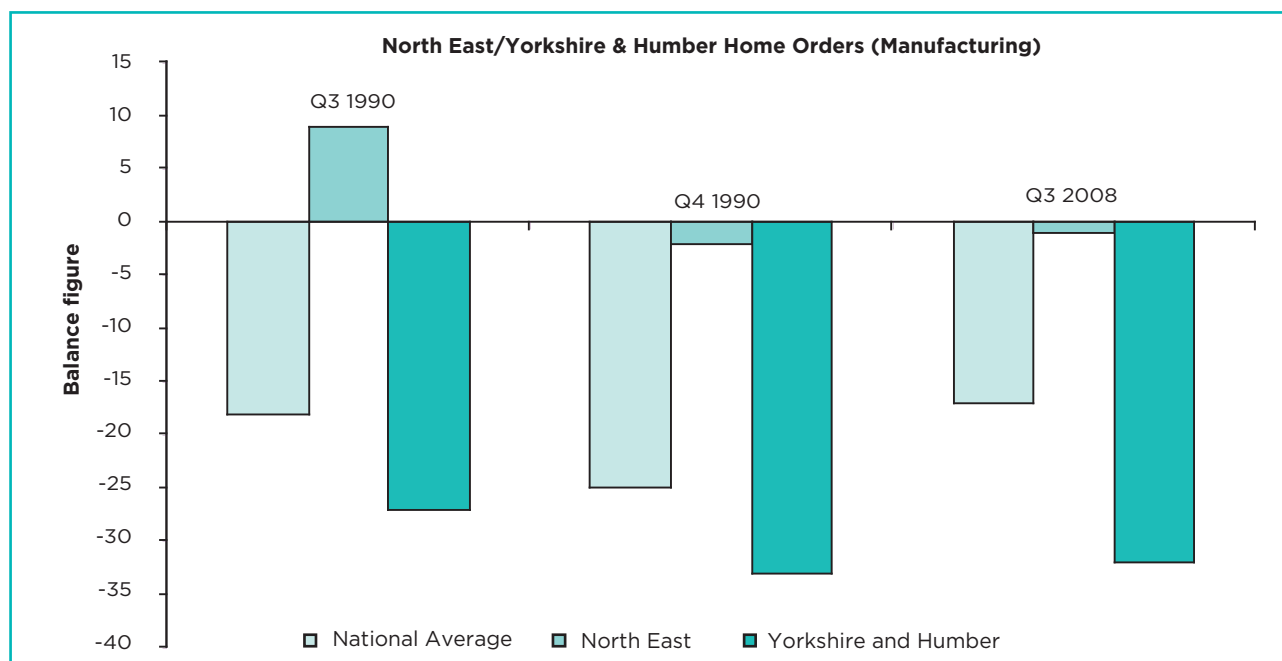
The analysis assumed that the economy will enter a recession that reduces GDP by 2.0% in 2009 and recovers by 0.75% in 2010, in line with recent Bank of England projections. This assumption was then used to generate an estimate of employment change over the period. Historic correlations between growth and employment suggest that employment might fall by 1.7 million.

The research then focused on projecting the likely local distribution of the overall impact of a recession. It built on the data for what took place in the recessions of 1979-82 and 1990-92. It also

¹ 26th November, Speech by Mervyn King, Governor of the Bank of England.

² Balance figures are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.

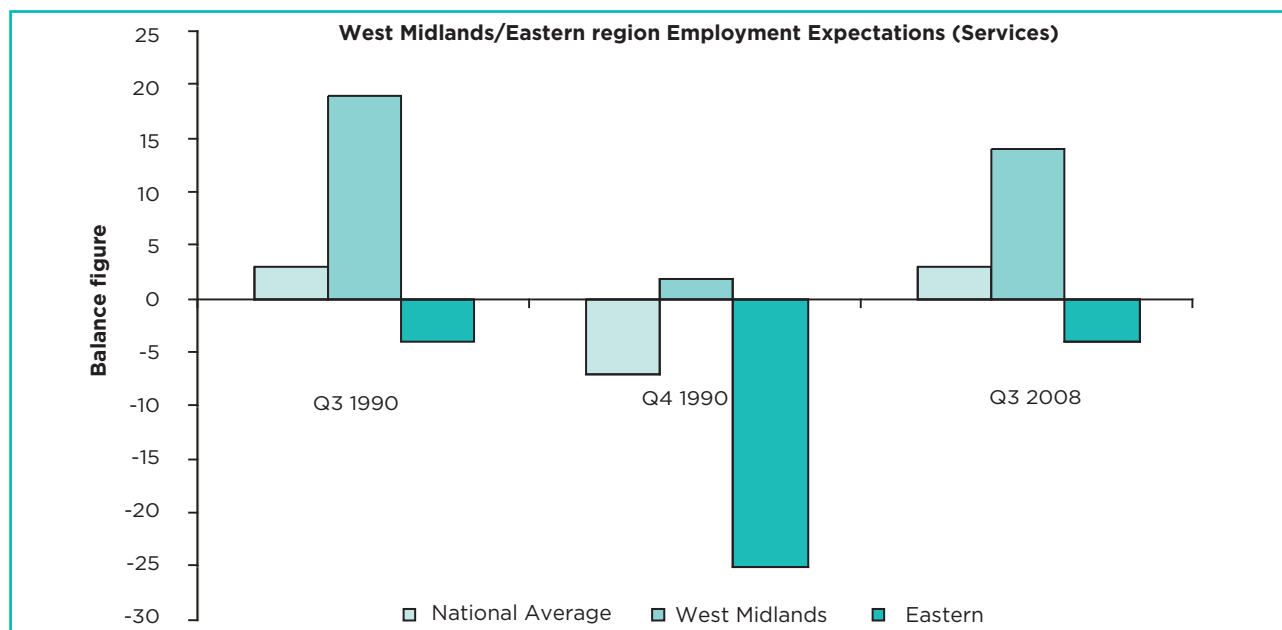
³ From recession to recovery : the local dimension LGA November 2008 <http://www.lga.gov.uk/lga/aio/1215871>



used the 50 functional economic areas of England which we mapped in earlier LGA research published as *Prosperous Communities*⁴.

The map on page 9 shows the employment estimates generated by the research, with the boundaries of England's Government Office Regions (GORs) overlaid. The functional economic

areas 'most at risk' of employment rates losses above what would be expected on the basis of uniform -6% are shown in red, those least at risk are shown in green. With the exception of London (a functional economic area which, due to its extreme concentration of employment and attractiveness as a commuting destination, has boundaries extending beyond its "parent" GOR), it



⁴ Prosperous Communities: vive la devolution!, LGA February 2007 <http://www.lga.gov.uk/lga/aio/21918>

is clear that there are widely varying levels of projected employment change within each GOR.

Indeed, four of the nine GORs contain areas in both the “most at risk” and “least at risk” categories. This strongly suggests that national and regional policy interventions alone will not be sufficient to mitigate the effects of an economic slowdown.

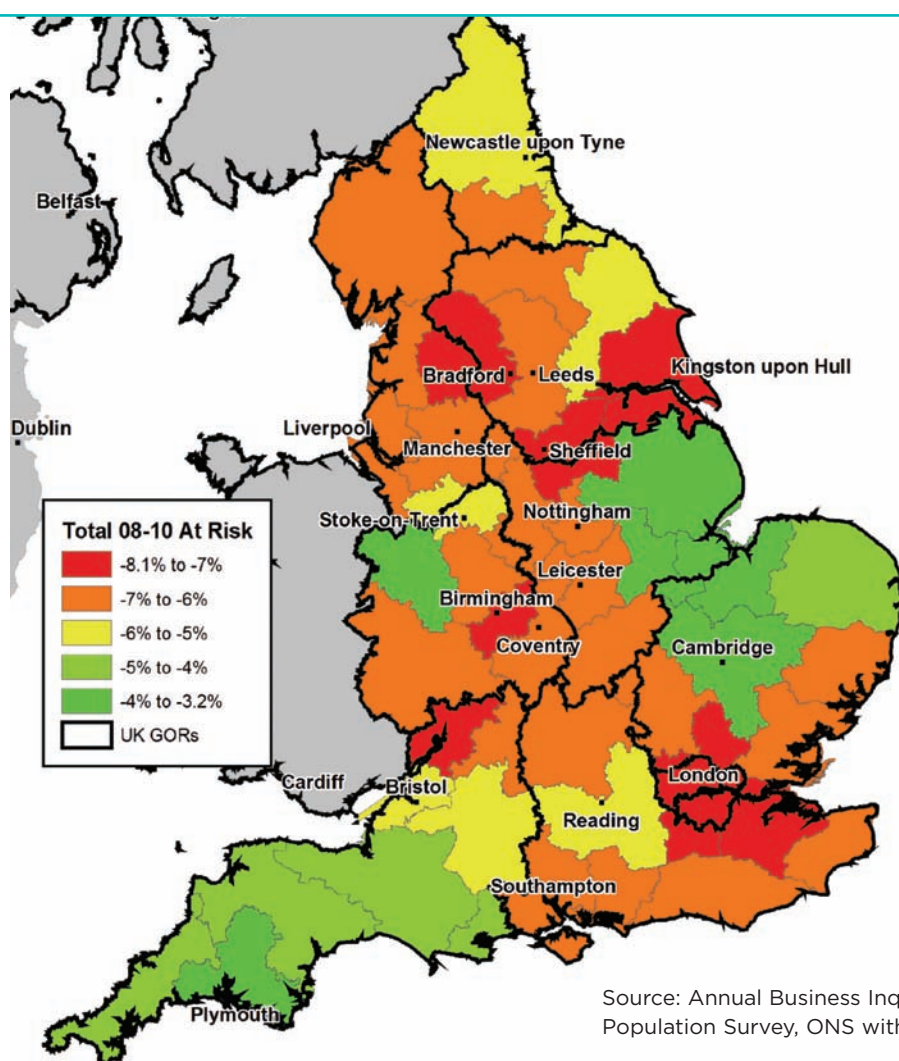
POLICY IMPLICATIONS

As the UK economy faces a recession, there are some economic issues that need to be tackled at the national or even the international level e.g. trade, interest rates and taxation. However, BCC and LGA research provides evidence that different regions and localities perform very differently in times of an economic contraction over a range of factors. This evidence leads to the conclusion that during the

economic downturn policies to prepare for the eventual recovery will require that decisions and delivery be devolved to the most appropriate level.

As a result, in a number of other areas, policies will require flexibility at the regional, sub-regional and local level in order to address these issues at the level of the functional economic area. The question is now, how to use this knowledge to implement policy that can help a region or sub-region to respond to the particular needs of its area.

The following chapters therefore look at how local authorities should work with the private sector to tailor local solutions to cashflow and finance issues, ensure effective engagement arrangements and achieve solutions to worklessness, skills and employment and export support issues.



Source: Annual Business Inquiry, Annual Population Survey, ONS with PACEC analysis

CHAPTER TWO:

LOCAL FINANCE ISSUES

THE IMPORTANCE OF CASHFLOW

Businesses are reporting a much more difficult lending relationship with their banks as a result of the financial crisis and the economic downturn. As a result, managing cashflow is the most urgent concern for businesses, particularly smaller firms. How well companies can manage their incoming and outgoing payments to fund to the day-to-day running of the business is likely to determine whether they will be able to survive the recessionary conditions.

There is however much activity that can and should be done now to support the private sector by councils. Prioritising prompt payment on local authority contracts, particularly for SMEs, revisiting their rents, fees and charges policies, offering businesses greater flexibility to stagger their business rate or rent payments over the year can all have a significant impact on cashflow for smaller businesses. The following examples of prompt payment and specialist advice illustrate what can be achieved.

CASE STUDY:

EAST SUSSEX – SPECIALIST ADVICE ON HOW TO SURVIVE AN ECONOMIC DOWNTURN

East Sussex County Council has teamed up with Business Link Sussex (BLS), working with the local Chamber of Commerce, Sussex Enterprise, to develop an intensive programme aimed at supporting up to 300 local businesses.

Support will be free for businesses based in the county that have up to 250 employees.

The council has allocated £100,000 to the project. Council leader Peter Jones said: “The current turmoil in the financial markets will affect the country as a whole. Our businesses need all the support they can get to help them survive, and that’s why we’ve joined with BLS to provide this additional help.”

The programme consists of three elements: a face-to-face review of the business and an action plan based on its specific needs; ongoing telephone support; and assistance in finding any further specialist help needed.

“During difficult economic times it’s more important than ever to evaluate the health of a business,” said Fiona Malcolm of BLS. “Healthy businesses are more likely to survive challenging times. Our business advisers have a specialist understanding of all areas of running a small firm and offer practical advice as well as personal support.”⁵

CASE STUDY:

LOCAL AUTHORITY ACTION ON PROMPT PAYMENT

Local authorities across the country have been seeking to respond to the economic downturn by reducing the time they take to pay invoices. Payment terms vary between different councils, with some having special conditions for local or small businesses, and others ensuring all suppliers receive prompt payment.

Specifically:

- *Tamworth Borough Council is aiming to pay all invoices within seven days wherever possible. From 1 December 2008 all suppliers, whatever the size, are sent an acknowledgement that they are being paid with payment to follow within days. While the process takes slightly longer for new suppliers or where extra checks are needed, the system will ensure up to 2,000 companies are paid much more quickly. Tony Goodwin, Tamworth’s Corporate Director and Deputy Chief Executive, said any risk to the council from introducing the new system would be negligible.*
- *Birmingham City Council and Slough Borough Council have also both committed to paying non-limited companies within 10 days.*
- *Castle Point Borough Council pledged to pay local companies within 20 days back in October 2008. £2.3m, one eighth of its total revenue budget, is spent with local firms. Council Leader Cllr Pam Challis said: “We recognise the current strain on the small business economy.”*

⁵ For this and other case studies see global slowdown: local solutions LGA November 2008 <http://www.lga.gov.uk/lga/publications/publication-display.do?id=1191945>

Within the private sector, the financial relationships between contractors and suppliers are also critical to how effectively money can flow through the local economy. Larger businesses that hold on to funds rather than paying promptly are restricting urgently needed income for smaller businesses at a crucially important economic time. Equally businesses that alter credit arrangements with suppliers as a result of the worsening economic conditions risk damaging the financial health of these local firms. While companies may want to keep these relationships private for understandable reasons, some will want to make their concerns public or at least have the issue raised locally. Where this is the case, councils can and should have a role in highlighting these issues, giving voice to these concerns and the impact they could have on the local economy.

At a national level, government could also assist small businesses by looking into improving the support offered by the Small Business Rate Relief Scheme (SBRR). Introduced in 2005, SBRR is a self-financing scheme where non-qualifying businesses pay a supplement to fund relief on business rate payments for eligible small businesses which local authorities promote. While it is difficult to measure i.e. assessing whether non-applicants would have been eligible, the government's original forecast for take-up was only 50%. The requirement for SMEs to have to register for the relief and the local restrictions on applicability clearly currently hamper take-up. Government should increase the take-up of these funds by changing the regulations to ensure that the relief becomes automatic with the restrictions on which businesses are applicable and eligible eased.

SUPPORTING PRIVATE SECTOR DELIVERY

Equally local authorities could bring forward planned local projects which do not require additional planning permission. In addition to the potential contracts these projects would offer, investing in local infrastructure projects would also ensure more long-lasting economic benefits for the area. Simplifying procurement procedures and support for local SMEs to tender for contracts could also offer local businesses greater opportunities as Derbyshire's example demonstrates.

CASE STUDY:

DERBYSHIRE - HELPING LOCAL BUSINESSES TO TENDER FOR COUNCIL CONTRACTS

Derbyshire County Council has pioneered an internet database designed to help strengthen the local economy. 'Source Derbyshire' advertises the council's contracts and encourages local companies to tender for them. As well as listing new opportunities, it also highlights recurring contracts which firms could bid for in the future. Derby City Council and the eight district and borough councils within the county support the website, and details of their contracts can also be found. The initiative was set up in partnership with Northcliffe Electronic Publishing, which manages the site. Other East Midlands authorities have followed Derbyshire's lead. A grant of £38,000 from the East Midlands Centre of Excellence helped five counties - Nottinghamshire, Leicestershire, Rutland, Lincolnshire and Northamptonshire, in partnership with their city, borough and district councils - to launch their own 'Source' websites.

The 'Source' websites enable companies to see which firms have won contracts, helping them to identify sub-contracting opportunities. Derbyshire also promotes local food and drink companies, holding three major events each year to boost tourism and the local economy.

In more difficult economic times, it will be even more important that where capacity exists in the business community this is utilised rather than the public sector duplicating or crowding out existing private sector providers. In order to prevent this happening, councils will need to have honest conversations with their local business community to understand the extent of public sector support needed.

LONGER TERM ISSUES

While in the current climate there is a need to focus on immediate action to increase local cashflow and support private sector delivery, in the longer term the business community and local authorities should continue to work towards solutions for creating better arrangements for supporting economic growth at the local level.

Both sectors agree on the principle of the need for closer working together at the local level to support business growth and for councils to be given strong incentives to promote the right conditions for economic growth in their locality. However, there is not widespread agreement on mechanisms for achieving this. There are a number of existing and planned government initiatives for taking forward these objectives, including Business Improvement Districts, the Local Authority Business Growth Incentive scheme, Business Rate Supplements and an appetite from the business community for

reducing business rates in targeted areas. These mechanisms will however need to offer substantial rewards for local authorities and have widespread support for, and accountability to, the private sector if they are to be taken forward.

Recommendation: Local action to support businesses through the downturn should be prioritised, supporting cashflow by bringing forward local projects, simpler local procurement, timely payments, tax payment flexibility and accessibility to SBRR.

CHAPTER THREE:

THE ROLE OF BUSINESS AND COUNCILS

THE RESPECTIVE ROLES OF THE PUBLIC AND PRIVATE SECTOR

While national interventions will be needed to help steer the UK economy through recession, there is an important role to be played at the local level to ensure that interventions meet local needs. To achieve this, local councils and the private sector will need to better understand the respective roles they can both play in ensuring continued economic growth. Local authorities must ensure the right conditions are in place to support economic growth, take effective decisions on issues like transport, planning, skills and regeneration and fulfil their forthcoming new duty to conduct local economic assessments (as set out in the government's Review of Sub-National Economic Development and Regeneration (SNR)). In contrast, the private sector's primary role is to create wealth and employment in the locality. As the SNR says "We need a system of national, regional, sub-regional and local government which allows British business to invest, innovate and make profits, and at the same time creates opportunities for all."⁶

THE CHALLENGE OF BUSINESS ENGAGEMENT

The local approaches to economic development that will make a real economic difference, drawn up and delivered in close partnership with local business, require the development of effective local authority and business engagement models. Research by the BCC in 2007 highlighted the role that the private sector has played in the recent regeneration of cities across the country⁷.

Engagement does however present real challenges to both local councils and businesses. Councils can find difficulty in identifying effective local business representation. Equally the business sector is concerned that councils seeking business input into local policy making will result in time-consuming meetings, which will turn out to be examples of talking shops or tick-box consultations.

These challenges are not insurmountable.

Recent research conducted by the Centre for Enterprise (CfE) report⁸ with the BCC indicates a growing recognition from both councils and Chambers of Commerce that:

- Economic development needs to be seen as a priority at the sub-regional and local level and effective engagement with business is crucial to this;
- A wide range of policy interventions to facilitate this partnership already exist but what is more important for effective long-standing local economic partnerships is trust and motivation; and,
- The key factors for achieving trust and motivation are:
 - Realistic expectations of each partner (in terms of public sector speed of decision-making, private sector capacity, and differing priorities and attitudes to boundaries); and,
 - A willingness to avoid jargon, demonstrate the benefits of engagement, create informal communication channels and manage meetings effectively.

STRUCTURING EFFECTIVE BUSINESS ENGAGEMENT

Part of this challenge lies in councils structuring business engagement in ways that are accessible and effective for the private sector. The business community and local councils should have the freedom to structure their representation and business engagement processes in the way that best suits their needs. Any kind of central prescription of a one-size-fits-all process for business engagement would be counterproductive and unlikely to reflect local economic realities. However, with the development of MAAs and possible statutory sub-regional partnerships, there are real opportunities to develop effective new models. The example of Greater Manchester demonstrates one successful model as does the working with business example in Brighton.

⁶ Sub-National Economic Development and Regeneration review, HM Treasury, Department for Business, Enterprise and Regulatory Reform, Communities and Local Government, July 2007, p.1.

⁷ A Tale of the Cities: The Best of Times? British Chambers of Commerce, September 2007.

⁸ Raising the Bar: Driving Local Authority and Private Sector Engagement, CfE and BCC, December 2008.

CASE STUDY:

GREATER MANCHESTER – CITY REGION BUSINESS ENGAGEMENT

The 10 councils in Greater Manchester work together under the Association of Greater Manchester Authorities (AGMA), and have numerous links with the business community. They work closely with the Greater Manchester Chamber of Commerce (GMCC), who are also represented on all Local Strategic Partnerships (LSPs) and local economic partnerships. This has helped close partnership working between the private and public sector to become second nature within Greater Manchester and ingrained within peoples' mindsets.

The Business Leadership Council was established this year and ensures that business can shape policies to bring greater prosperity to the city region. Made up of 15 leading members of the business community, they advise the AGMA executive board on key economic issues. They also conduct their own reviews of issues they feel are key to the economic well-being of the region, the results of which feed back into the working of the AGMA.

The economic, transport and cultural priorities of the City region are set out in the Community Strategy, and the in the relevant Local Area Agreement targets. The Economic Development Board has been set up to drive the delivery of these targets, and brings together representatives of GMCC, Manchester Solutions (who offer business support and training), Business Link, as well as Job Centre Plus; Learning and Skills Council and Manchester City Council officers and members. The involvement of both the private and public sector, and the council, means that the City's priorities are addressed through united action and a shared understanding of the issues involved.

The Greater Manchester Chamber of Commerce also facilitates a link between the City Council and local businesses through the Manchester Business Group, which is made up of around 20 companies. The group offers the opportunity for Manchester City Council to

raise issues with local businesses, and to gain a shared understanding of priorities and explore new ways of working. To date they have considered a wide range of issues such as congestion charging, fear of crime, business continuity, and public realm improvements.

CASE STUDY:

BRIGHTON & HOVE CITY COUNCIL: WORKING WITH THE LOCAL BUSINESS COMMUNITY

Brighton & Hove benefits from a unique business base, ranging from diverse independent retailers to high-growth digital companies, in addition to a number of major financial companies that are located in the city. The individual needs of each sector vary drastically, and therefore Brighton & Hove City Council has adopted a flexible approach when it comes to building links with the business community.

From a business support perspective, council has worked with the Brighton & Hove Chamber of Commerce to bring together all local support organisations (such as Business Link and traders associations) for regular meetings to share knowledge and work collaboratively. The meetings act as a valuable tool in listening to and acting on the needs of local businesses, then making sure actions are relayed to the business community either directly or via the support organisations. A recent example of this work in action is the council's recession relief package, providing responsive business support that is tailored to suit key sectors that are under threat.

Other links are built through council-funded activities, such as Town Centre Managers and the Brighton & Hove Business Forum, providing face-to-face support, news and providing an additional SME voice. The council also employs dedicated staff offering services to new and existing businesses including tailored property searches and planning advice. The Council believes that the key to building links and trust amongst the businesses community is to provide a consistent and high-quality service based on professional experience and knowledge.

The other part of the challenge is for the business community to organise itself to be able to provide strong local economic leadership and be in a position to advise councils on the needs of local businesses in an informed fashion. The national network of local Chambers of Commerce is well placed to provide input into working with their local and regional partners to support economic growth, but the entire business community in an area will need to create the most effective mechanisms for inputting into local decision-making structures.

CASE STUDY:

HULL AND HUMBER CHAMBER OF COMMERCE - HULL BUSINESS FORUM

Hull Business Forum Hull Business Forum (HBF) was established in 2004 to provide strong and strategic business involvement in Hull's LSP (ONE HULL). It brings together the Chamber of Commerce with local representatives from other national business organisations and local businesses to collate and articulate their views to the LSP. While HBF manages the economic partnership, Hull City Council has the lead economic strategy role.

With a membership of 650 local businesses and hosted by the local chamber, HBF elects or selects private sector members to all LSP partnerships, organises quarterly open forums local businesses, and runs focus groups, committees, and surveys to collate business views. The unprecedented business involvement in the development and delivery of local economic plans has resulted in Hull City Council giving HBF an embedded role and funding from the LSP for further research work. Cllr Minns, leader of the council says "The Hull business forum is an invaluable organisation that really helps the public sector understand the needs of local businesses".

HBF's success in providing wider and deeper involvement than engaging individual business organisations has been based on a number of

different factors. Importantly, it provides different levels of involvement for businesses from passive recipients of information to full and active participants in LSP Boards or Forum committees, communicates complex LSP issues in clear and business friendly way, and is run by an independent business organisation that works in a complimentary way with other business groups.

These are just three examples, but the BCC and LGA will work together to identify further examples and disseminate them to councils and business.

PRINCIPLES FOR BETTER BUSINESS ENGAGEMENT

To assist with the drawing up of local economic strategies, LGA and BCC have agreed the following criteria of local agreements to engage effectively with business, to be developed:

1. Public bodies need to engage with business in a way that recognises their importance to the local economy (and at an early stage of any decision-making process).
2. Public bodies need to conduct business engagement in a business-friendly manner (including running of meetings with reduced jargon).
3. Business groups must be able to offer business representatives policy support.
4. Business needs to ensure high-quality business representation.
5. Business representation can be effectively supported by an independent body (such as Chambers of Commerce, or local, sub-regional or regionally-based business forums).

Recommendation: LGA and BCC will work together to identify other examples of effective business engagement, develop our joint principles to be used as a basis for economic strategies going forward, and disseminate these to councils and businesses within our network.

CHAPTER FOUR:

WORKLESSNESS, SKILLS AND EMPLOYMENT

There is a very real danger that at a time of sharply increasing cyclical unemployment, the focus on tackling the long-term structural weaknesses in the labour market will be lost. However, this will mean that those left behind in previous downturns will continue to be left behind and the recovery in local labour markets will be hampered by continued underlying structural weaknesses. To ensure that the economy is well placed when the recovery comes, measures to tackle both cyclical and structural unemployment and support people into work are needed.

PROPOSALS TO DEAL WITH THE IMMEDIATE IMPACTS OF THE RECESSION

There are measures that could be adopted relatively quickly that will help deal with the immediate employment impacts of the recession. Currently, funding for retraining given by the LSC is restricted to first qualifications. This restriction should be removed so that funding is available to people who have already received LSC funding but need retraining as a result of becoming unemployed.

Another measure that would help people to move quickly back into work would be to allow public sector agencies operating at a local level to share data about clients of publicly-funded employment and training support and benefits. This would help agencies to act in a co-ordinated way to support unemployed people back into work.

STRUCTURAL ISSUES – THE CHALLENGE OF WORKLESSNESS

There are currently 2.6 million people on Incapacity Benefit, many of whom have been out of the labour market for more than two years and particular social groups with much lower than average employment rates. There are also significant skills gaps with employers struggling to identify suitably qualified local people. Employers are also concerned with the number of people continually going through cycles of support that do not result in the clear end of long-term employment. These problems are strongly related to issues of place, with particular areas having high concentrations of

both worklessness and low skills and local variations in employment rates, vacancy levels and skills requirements.

Many of the people seeking to move into the labour market after a long period of absence have complex needs and need support from a range of different agencies. Individuals need to be equipped to compete effectively in the labour market and employers want to be able to choose from a wide range of skilled applicants. Often the barriers that hold people back in the labour market cannot be addressed simply through employment support programmes or skills training. Other barriers often need to be tackled such as lack of affordable childcare, a shortage of suitable transport, or poor health or housing. A 'whole public service' approach to employment and skills can ensure that people with multiple barriers to employment receive multi-agency support – this can be effectively co-ordinated through local and sub-regional partnerships. In some cases people may also need to travel further or re-locate to secure sustainable employment. Recent research commissioned by the government⁹ shows that social housing tenants have lower levels of labour mobility.

While there is no short term fix to this issue a suite of approaches that encourages labour market mobility are needed including:

- Developing apprenticeships in the public sector that offer young people the opportunity to progress in their career by moving between organisations in the same way as young people on graduate training programmes progress;
- Enterprise Apprenticeships through creating an additional unit for 16 -18 year olds to give young people the opportunity to develop those skills and attributes that are essential to being successful in business (whether one is employed or is self employed) with advanced levels for budding entrepreneurs or business leaders; and
- Enabling greater mobility for social housing tenants.

⁹ Ends and Means: The future roles of social housing in England, John Hills, February 2007



THE FRAGMENTATION OF PUBLIC SECTOR INTERVENTIONS

Another key issue is the fragmented nature of employment and skills provision, as set out in the diagram above.

Recent policy announcements have recognised the spatial dimension of labour markets and government has proposed a number of devolutionary steps, giving sub-regional and local partners, including councils and employers, more responsibility to tackle worklessness.

These include:

- City Strategy Pathfinders -city region partnerships tackling spatial concentrations of worklessness;

- The Working Neighbourhoods Fund, a £1.5 billion fund for local solutions to worklessness and low skills; and
- Employment and Skills Board and MAAs bringing together sub-regional partners to tackle economic issues.

These initiatives are aimed at bringing coherence to the fragmented local employment and skills landscape. Whatever label they may carry, we are still some way short of a system that gets the public sector to join itself up and give businesses and individuals a simple offer of help that responds to their demands and is free of bureaucracy.

There are several funding streams including Job Centre Plus, Department for Work and Pension's commissioning, Learning and Skills including Train to Gain, Regional Development Agency (RDA), European Social Fund, Working Neighbourhoods Fund and local authority discretionary funding. The pooling and alignment of these funding streams would help remove inefficiencies and multiple targets and ensures that both citizens and businesses receive a simple and integrated offer. A simpler and more coherent skills and worklessness framework would be supported by the business and local government sectors.

BUSINESS INVOLVEMENT

For the business community, they want to see skills and worklessness interventions that are employer led and focus on delivering greater levels of work readiness that will lead to long-term employment.

CASE STUDY:

WEST LONDON WORKING CITY STRATEGY PATHFINDER

West London Working was set up as one of the first City Strategy Pathfinders and is employer led, ensuring that the design and implementation of the project is driven by the demand for labour and skills. The governing board includes members from major local employers as well as key delivery partners from local authorities, Job Centre Plus, the LSC, and the London Development Agency. This set up challenges the status quo in the structure of unemployment services, and encourages coherence and effective partner working between the public and private sector. West London Working hopes to reduce the number of people on benefits by 3,386 by May 2009.

One initiative that West London Working is supporting in Hillingdon is 'Workmates', which is led by the Borough and delivered by a local housing company, A2Dominion. It offers support to parents on a low income who are entering work, and perhaps finding it difficult

to manage childcare or maintain a work/life balance. The Workmates Employment Advisors can provide information about all the services available to help parents in the area, such as child care facilities or in-work benefits and also provides support to their employers. This help aims to raise the rate of parents remaining in work by focusing on in-work coping strategies, making the transition into work easier, and the benefits of staying in work greater. The scheme has so far seen a good uptake and successes in helping people stay in employment beyond 26 weeks.

CASE STUDY:

HERTFORDSHIRE CHAMBER OF COMMERCE AND INDUSTRY - RE-TRAINING AND UP-SKILLING

Following the Buncefield Oil Depot explosion on the 11th December 2005, Hertfordshire Chamber of Commerce and Industry (HCCI) was commissioned by the Hertfordshire Learning and Skills Council and the East of England Development Agency to deliver a programme of re-training and skills provision to employees and employers affected by the disaster.

HCCI initially pooled funding with Hertfordshire Careers Service, with HCCI's Adult Learning Partnership leading on the procurement and management of training. HCCI leveraged in five additional existing local, regional and sub-regional funding streams, increasing the funds available from £400,000 to in excess of £1,000,000.

All beneficiaries were entitled to one hour of tailored information, advice and guidance, employability workshops, job focused learning, learning and development delivered either in the workplace or the community, at a time to suit individuals need.

Training varied from short job focused training to longer-term up-skilling, employers were regularly consulted on their needs and HCCI funds only used where existing funding streams were not. As a result by 31st March 2007, 671 individuals had been in training or

re-training support, exceeding the set target of 600.

While it was a one-off project in response to a major disaster, the credibility of the Chamber in the locality was a key factor in bringing in partners and leveraging additional funding. The Chamber's relationship with local employers also allowed the support to be delivered in a coherent and co-ordinated way that met the needs of employers and employees.

CASE STUDY:

NORTH EAST CHAMBER OF COMMERCE – WORKFORCE TRAINING

North East Chamber of Commerce's (NECC) training company was set up in 1987 but had been delivering training since the early 1980s. Working closely with local businesses, NECC have already delivered training for over 14,000 learners.

CreateCity Ltd owners of Frank's Factory Flooring, famous for its "I love carpets, me" slogan and operating from a number of warehousing and retail outlets throughout the North East, was one such example. NECC has provided and overseen the training of dozens of CreateCity staff in NVQs at Levels 2 and 3 in warehousing, customer service and business administration since 2000, specifically:

- *Having come to NECC's Darlington training centre through Connexions, 20 year-old Richard Moore studied his accounts technician apprenticeship with NECC who arranged the initial placement with Create City that has now resulted in a full-time position with the company.*
- *Financial Director and Company Secretary David Stubbs completed his NVQ Level 5 in management qualification alongside his own staff who were taking courses in different subjects, to demonstrate to staff how important the company views the training and development for new and existing staff.*

As a result, CreateCity attained the Investors in People Status in 2002, and the Best Practice in HR award from the Chartered Institute of Personnel and Development in 2001.

Recommendation: Sub-regional approaches to tackling worklessness, skills and employment should be freed up from unnecessary restrictions, allowing public and private sector interventions to be joined up. They also need to be targeted on the specific needs of the client and focused on delivering the end goal of getting people back into employment.

CHAPTER FIVE:

EXPORT SUPPORT

THE IMPORTANCE OF EXPORT

The current weakening of the pound in relation to other currencies also presents an opportunity for British business to export and survive the recession. At a local level, in addition to securing inward investment, the ability of companies to make the most of potential export opportunities will be a crucial factor in terms of their ability to survive the downturn and then thrive in the eventual recovery.

Exporters are particularly critical to the local economy because their ability to operate in diverse markets and broader customer base means they are uniquely equipped to ride out difficulties in domestic markets and identify and exploit opportunities in emerging markets. In this sense they are likely to better bear the strains of economic difficulties and to be able to grow and expand as conditions improve. Recent BCC QES results have demonstrated the differing impact of exports, with these figures consistently outperforming other declining indicators nationally (taking advantage of the weaker pound) and some regional export figures also bucking the trend of other indicators in their localities.

THE NEED FOR LOCAL TAILORED EXPORT SUPPORT

While UK businesses can benefit from the advantages offered by the global reach of the English language and the use of intermediaries to enter new markets, to identify real growth opportunities businesses will need to overcome language and cultural barriers.

THE EXPORT SUPPORT POTENTIAL OF THE CHAMBER OF COMMERCE NETWORK

While United Kingdom Trade and Investment (UKTI) plays an important national role in co-ordinating international trade activity, it is at the local level where Chambers of Commerce are actively providing tailored support and knowledge to enable local businesses to export. Utilising their International Chamber of Commerce Network and their experience of businesses operating in specific

foreign markets, Chambers provide advice, services and information for businesses seeking to export and develop trade links through collaboration across the international network of Chambers. As the case studies below demonstrate there is considerable knowledge of specific global regions within the UK Chamber of Commerce network. This has the potential to work as a network of national export advice, where any business can contact their local Chamber and be instantly referred to another Chamber that has that understanding of the particular country they are looking to export to. There is also the potential in corporations to support export-led growth.

CASE STUDY:

SHEFFIELD CHAMBER OF COMMERCE – INTERNATIONAL TRADE SUPPORT

Sheffield Chamber of Commerce has developed considerable exposure in the Asian trade network and many more local companies starting to trade internationally, including through the South Yorkshire International Trade Centre (SYITC).

SYITC is a partnership of Barnsley and Rotherham, Doncaster and Sheffield Chambers of Commerce. The centre's services include technical import and export advice, credit checking services, languages, HMRC briefings, EU legislation advice and updates, market information and research. Specifically, SYITC has increased knowledge, sales and relationships with the Asian export market.

Specific achievements include:

- *Delivering the contract from the Thai Board of Investment to be UK national counsellor for the EU Thailand Partenariat in 2005, involving more than 500 companies and running alongside a SYITC Trade Mission to Thailand for engineering companies and the Thai Metalex exhibition.*
- *UK National Counsellor for the EU-China Partenariat in 2006. Following a UK launch (as part of the European Commission's strategy for economic co-operation with China) the two-day event saw around 5,000 meetings with Chinese businesses*

and was attended by the European Trade Commissioner.

- The first 'Organisational Development' workshop to Cambodian delegates in 2006 with the Cambodian Chamber Federation of Employers and Business Organisations, the Garment Manufacturer's Association and the Phnom Penh Chamber of Commerce. Covered organisational efficiency, partnership opportunities, financial and strategic business planning, leadership and management issues.

As a result of many collaborative projects, businesses in Sheffield and the surrounding region have reported an increase in export enquiries for exporting to the Asian sub-continent and an increased potential for increased sales on trade missions.

CASE STUDY:

INTERNATIONAL TRADE SUPPORT – THE CHAMBER OF COMMERCE NETWORK

The UK Chamber of Commerce network provides extensive support for hundreds of companies, providing value for money consultancy through linking into the best market support available in overseas countries through the international Chamber of Commerce network. Their work demonstrates that there are British companies facing closure which could escape this fate if they have taken appropriate strategies towards the process of globalisation.

Specifically:

- A textile company who faced downward pricing pressure because competition established a joint manufacturing venture in China with Chamber support in 2004. By 2006 their factory capacity in China had grown to over 200,000 square feet, they had set up a second company, were exporting over 22 countries and had a turnover of over £20 Million.
- TEI Green, a 160 year-old family-owned British engineering firm, was being wound up by its owner in 2004, due to competitive pressures and falling profits. Following a chamber consultation and analysis of opportunities, one of the firm's managers bought out the company and set up a joint venture in China. By 2007, the firm had doubled its UK workforce, was supplying orders in the US and Europe and had a turnover in excess of £60 Million.

As Dr. Kegang Wu, CEO of ChinaDirect UK, a Liverpool-based China specialist active in the Chamber network, says "The closures of many British companies in the last two decades could have been avoided if they had been able to fully understand the global marketplace and develop appropriate strategy. Globalisation can safeguard an existing UK business facing difficult economic times. With the right in-market support, a company internationalising their operations can not only improve their profitability but also strengthen their UK operations and workforce".

Recommendation: The Chamber of Commerce network will work towards ensuring a platform for business seeking export advice across the country.

CONCLUSION:

RECOMMENDATIONS AND PLANS FOR THE FUTURE

CONCLUSION

As national statistics demonstrate the UK is in recession, there will need to be national and international interventions to ensure that the UK best survives the economic downturn in order to be prepared for when the economy recovers. However, BCC and LGA research provides evidence that different regions and localities perform very differently in times of an economic contraction over a range of factors. This evidence leads to the conclusion that during the economic downturn policies to prepare for the eventual recovery will require that decisions and delivery be devolved to the most appropriate level.

In a number of areas, policies will therefore require flexibility at the regional, sub-regional and local level in order to address these issues at the level of the functional economic area. This will however need to be done through close partnerships between councils and their local business community. This report therefore identifies how councils should work with the private sector to tailor local solutions to the key cashflow and finance issues, ensure effective engagement arrangements and achieve solutions to worklessness, skills and employment and export support issues.

SUMMARY OF KEY RECOMMENDATIONS

- **Local action to support businesses through the downturn should therefore be prioritised with measures to increase local cashflow taken forward.**

Because cashflow is the most urgent concern for businesses in the current economic climate, local projects should be brought forward, local procurement made simpler, payments made more timely, greater flexibility over tax payment offered, and the restrictions on Small Business Rate Relief eligibility and access eased.

- **Principles and best practice for effective businesses and local government engagement should be developed and spread throughout both sectors by the BCC and the LGA.**

Because effective local interventions require a strong understanding of the respective roles of the public and private sector and close local authority and business partnerships. A combination of best practice examples and BCC research of local government/business views has identified principles for taking this work forward. This report highlights a number of case studies of current best practice and LGA and BCC will work together to find further examples and disseminate these to councils and businesses.

- **Sub-regional approaches to tackling worklessness, skills and employment should be freed up from unnecessary restrictions and have a strong focus on delivery and the end goal of employment.**

The need to tackle cyclical unemployment, long-term worklessness and skills gaps in the downturn is critical. Labour mobility should be supported through public sector apprenticeships, enterprise apprenticeships and enabling greater mobility for social housing tenants. The current confusing plethora of government initiatives also needs to be joined-up at the sub-regional level and focused on delivering more people into long-term employment. Measures to assist this include removing the restriction on LSC funding to first qualifications only and enabling greater data sharing.

- **The Chamber of Commerce network will work towards ensuring a platform for business seeking export advice across the country.**

Particularly with the falling value of the pound, companies will be looking to expand their export activity and need to be supported. The Chambers of Commerce structure provides local tailored private sector help and advice, based upon the international Chamber of Commerce network. This should be developed into a locally based national network of advice with businesses being referred to other Chambers with expertise across the country.

PLANS FOR FUTURE WORK

While this report identifies a number of steps national and local government and the business community can and should take to tackle the economic downturn, this work needs to be only the beginning of a process. We want to see a step-change in the relationship between local government and business engagement to help to get the economy through the recession which will last for the long-term.

The BCC and the LGA will therefore be taking forward further work to support solutions within the local government and business community. We will be seeking to promote and assist the development of local solutions to economic problems throughout the UK. As the economic downturn develops, we will also be looking at whether other solutions may be needed e.g. more radical ideas to support business credit or business recovery, lifting planning or tax rate contributions for specific areas or targeting funding to support our economy's future.

