

2. **UPDATE ON THE ECONOMIC DOWNTURN (A6604/JBD)**

**Proposal**

1 This report updates members on research into the economy of the National Park and the consequences of the economic downturn for the National Park. It seeks approval for a number of actions.

2 **RECOMMENDATION:**

**That**

1. **The East Midlands Development Agency is thanked for its work in funding and undertaking the study *The Contribution of the Peak District National Park to the Economy of the East Midlands* and that the study is launched alongside the new *Live and Work Rural* programme in April 2009**
2. **That Regional Development Agencies, local authorities and others are encouraged to do further research into the full economic contribution of the Peak District National Park to local, regional and national economies**
3. **The Chair of the Authority writes to the Leaders of Constituent Councils offering to support the framework of partnership-based activities at paragraph 15 (discussed at the Constituent Council's Conference in January 2009) as the basis of our joint work in 2009**
4. **Officers continue to develop detailed proposals with the regional bodies and partners for an enhanced capital programme of public works in the National Park that is in line with the Authority's asset management, business and capital plans**
5. **The outline priorities for public spending for the period covered by the Regional Funding Advice consultation (2011-15) are approved as set out in paragraph 19 and that these are relayed to regional bodies as the views of the Authority.**

**Policy Background**

3 The economy is one of the 3 principal dimensions of most definitions of sustainable development which is an overarching part of the National Park Management Plan. Whilst conservation, recreation and understanding outcomes are predominant in our work, the economy is also the basis of one of the 12 National Park Management Plan outcomes:

*By 2011 prosperity has been improved by businesses, social enterprises and the public sector:*

*working together  
raising productivity  
capitalising on the environment  
developing sustainably*

The National Park economy is distinctive but it is also closely inter-related to the economy of surrounding districts and their market towns and within the 4 regions that it falls in. Our interest in the economy therefore relates to the promotion of sustainable economic development in a rural setting and also within the region of major cities such

as Derby, Manchester and Sheffield. The work that we do towards our outcome is very much in partnership with others, particularly businesses and communities, other local authorities and the Regional Development Agencies. This report updates members on:

- Research on the contribution of the National Park to the economy
- Recent impacts of the economic downturn
- Actions to support the local economy
- Contributing to the Regional Economic Council and Regional Funding Advice
- Impacts of the Economic Downturn on the National Park Authority

#### **Research on the contribution of the National Park to the economy**

- 4 Recently completed work by the East Midland Development Agency (emda) on *The Contribution of the Peak District National Park to the Economy of the East Midlands* complements research published by a consortium led by the Council for National Parks in 2006 (see later in this section). The emda study:
  - Assessed the contribution of the National Park to the East Midlands economy
  - Considers its relationship with market towns and economic centres
  - Provides a baseline against which economic performance can be judged
  - Recommends how the National Park can make its contribution to the regional economy
  - Surveyed over 300 businesses in the National Park
- 5 The economy of the National Park can be summarised as follows:
  - 38 000 residents live in the National Park with slight growth of 1.4% since 2001
  - 14 000 people are employed, 18% in production and 15.4% in hospitality
  - Skills levels are higher than regional averages, with an older workforce
  - There are 2800 businesses, with many (75%) employing less than 5 people
  - A very entrepreneurial character, 45 new firms/10 000 compared to 35 for EM
  - The area has experienced low levels of growth 1996-2006 and rural areas have low productivity
- 6 The study interviewed 300 businesses in the National Park seeking their views on the impact that quality of the landscape and the environment had on business performance. Key results are:
  - 58% of businesses felt the landscape has a positive impact
  - 89% of catering and 69% retail businesses say landscape is positive
  - 64% of businesses directly or indirectly depend on environment
  - 40% of businesses seriously affected if landscape deteriorates
  - 48% said no negative impacts from locating in the National Park
  - 33% report planning or infrastructure development is a constraint
- 7 Overall, businesses in the National Park contribute £298M to the Gross Value Added in the East Midlands and a turnover close to £1BN. Visitor spend directly attributable to the National Park is £224M of which £115M is outside the National Park. Of the 120 (40%) of businesses who say they would be seriously adversely affected if the landscape deteriorates, their contribution to GVA is £155M on a turnover of £408M. These businesses alone support 7000 jobs.
- 8 In a larger study using comparable methodologies, published by the Council for National Parks as *Prosperity and Protection* in 2006 of the economic value of 3 National Parks in Yorkshire (including 15% of the Peak District) showed that all

businesses support sales of £1.8BN contributing £576M to GVA and contributing to 34 000 jobs. 65% of those businesses believed high landscape quality has positive influence on performance with 57% believing National Park designation to be neutral or positive and designation being important for 24% businesses, supporting 8 000 jobs.

- 9 The two studies reported above give very limited information on the benefit of the National Park to a wider area, focusing exclusively (in the emda study) and almost exclusively (in the CNP study) on businesses in the National Park. Anecdotal evidence suggests that access to the National Park has been a positive factor for investments at Astra-Zeneca in Macclesfield, Britannia Building Society in Leek, Toyota in Derbyshire and many businesses in Sheffield. There is a need to work with the Regional Development Agencies and local authorities to undertake more research to identify a more complete value for the National Park. Moreover, these studies pay little heed to a wider range of ecosystem services – supplies of water, carbon storage and health benefits to communities – such that a full valuation of the economic contribution of the National Park would undoubtedly be greater than even the figures calculated in the 2 research studies. In the medium term, we should seek to build up a research and evidence base to establish this.

#### **Recent impacts of the economic downturn**

- 10 It is very difficult to predict the nature of the economic downturn and its impacts as the UK has only recently formally entered a recession which is expected to last at least a year and maybe longer. There is evidence over the last 12 months in the Peak District of a very slight downturn in some categories of planning applications and a slowdown in the housing market reflecting national trends. A number of rural businesses have been hard hit by high fuel prices - farmers, manufacturing, services, and distribution - but this is easing now. High food prices have hit the catering and leisure sector. The tourism industry, despite a very wet summer in 2008, fared well with visitor numbers to major attractions and our visitor facilities generally good. Whilst general visitor numbers appear stable, this does not mean individual businesses are necessarily stable. Retail businesses are clearly struggling in market towns such as Bakewell with several closures, but several new businesses starting up and evidence of demand for more retail space.
- 11 It is quite clear that, overall, the construction industry faces the most difficult time, with many small to medium sized construction firms and those reliant on construction feeling the effects of the slowdown in house building and construction nationally. Many businesses active in the Peak District have very close connections with neighbouring urban areas – Sheffield, Matlock, Chesterfield, Derby, and South Manchester – where there is evidence of a more marked reduction in construction.
- 12 There are long-term structural problems with many parts of our economy. Much of the Peak District is still in the lowest quartile of all rural areas in terms of economic productivity defined by Defra as a result of the small size of farms and other businesses and also the decline in traditional industries such as mining and forestry. The Peak District is one of the least productive of the East Midlands rural areas in economic terms, reflected by initiatives such as the emda-funded LEADER programme which has just been launched for the next 5 year period.
- 13 Many other factors are affecting our economy. International competitiveness drives many changes, such as the continuing UK and EU consolidation in the cement industry. Hope is, at 1.4 Million tonnes/year production the UK's largest cement manufacturer and the proposed Tunstead extension will take production there to 2 Million tonnes/year, much the largest UK cement plant. Manufacturing is important in

rural areas, and the picture is very mixed, with some businesses expanding and leaving the Peak District for larger modern sites such as Newburgh in Bradwell (which is the subject of a planning application); some businesses contracting, eg Hartington Creamery (whose takeover by Long Clawson Dairies has now been cleared by the Competition Commission); and some making considerable investments, such as DSF Refractories and Minerals at Friden who announced 19<sup>th</sup> January 2009 investment in capacity at their specialist manufacturing unit to meet global demand. Access to credit remains a problem for many businesses in line with this national problem.

- 14 Farming in the Peak District has suffered badly from high fuel and feed prices (albeit lower now) and the very unfair subsidy regime which makes Single Farm Payment lower in the uplands and also the extremely complex Entry/Higher Level Schemes that favour larger lowland farms. We look forward to the more positive impacts of Upland Entry Level Scheme which was launched recently. However, Bakewell Market recorded the highest volume and prices over the 6 months to December since opening. A strong Euro is advantageous for farmers as it increases the costs of exports and also subsidies are paid in Euros.

### **Actions to support the local economy**

- 15 Whilst our conservation and recreation purposes must be our priority, actions in support of our duty to be concerned with the economy must also be considered, especially alongside our partners. Our corporate actions are:

*A.2 Promoting the importance of the landscape as assets for the economy, the environment and local communities. (level 2 priority)*

*J.1 Nurturing business development that supports and contributes to the environmental economy (level 2 priority)*

*J.2 Working with partners, Government agencies and funding bodies to improve the economic performance of local firms and to influence appropriate economic investment in the area (level 2 priority)*

*J.3 Supporting land managers to manage the landscape sustainably whilst creating economic benefits for the wider community (level 1 priority)*

Ideas considered at the 2009 Constituent Council's day included:

- Better networking and support for businesses, especially small and micro-businesses in market towns and where there are clear 'clusters' of business such as tourism, food and drink, heritage, construction, retail and land managers. More support to cooperative business ventures, social enterprises and market towns are needed, especially focusing on quality and distinctive experiences.
- Reviewing and developing capital programmes, public/private partnerships and inward investment, and especially bringing forward capital programmes such that work can be offered to contractors in the next 2 years. Projects that could benefit from investment would be: tourism, leisure, affordable housing, environmental infrastructure projects, market and National Park 'gateway' town regeneration such as street scene, shop-front improvements, infrastructure for manufacturing and sustainable transport, such as cycleways.

- Councils could work together to think strategically about supporting business, for example by credit unions or even providing loans, offering local authority land, facilities and expertise
- Councils can work together to ensure procurement does not prevent local firms from securing business, reduce large projects to those that small businesses can benefit from and also ensure prompt payment
- Councils will need to work together on local economic assessments and these should be used to develop long term economic strategies. These strategies will need to engage the RDAs and ensure that sustainability is a major part of them. The strategies will also need to be the basis of positive communications with communities and businesses.

Whilst many of these ideas are the proper responsibility of other councils, this list makes a sensible framework for our joint work with them and it is proposed that the Chair of the Authority writes to these councils on that basis

16 Some of the specific actions that the National Park Authority has already done or that are in progress in line with these areas include:

- A commitment to invest £145 000 per year for 3 years in the *Live and Work Rural* programme which will offer in total £1.24M of support to Peak District businesses and communities over the next 3 years.
- Our commitment to supporting – primarily through in kind support but also through a modest financial contribution – the Derby and Derbyshire Economic Partnership and especially its Rural Action Zone and the Peak District LEADER project (and also other LEADER projects in the National Park).
- Support to the Peak District and Derbyshire Destination Management Partnership which provides direct support to tourism businesses.
- A leading partner in the Peak District Land Management Advisory Service alongside agencies such as Environment Agency and Natural England that collectively leverages in over £8M in agri-environment schemes
- The current consultation paper on the Local Development Framework includes options to manage transition in the economy through spatial planning. This will replace the existing economic policies in the Structure and Local Plans.
- A procurement strategy which encourages sustainable procurement and considers the needs of smaller suppliers in the local and regional economy increasing their access to a range of work such as for trees and woodlands, construction and maintenance and supplying interpretation and other specialist services.
- A commitment to meet, and where possible, exceed our targets for paying all invoices on time and especially when dealing with local suppliers and making payments quickly when requested by suppliers in known cases of hardship.

#### **Contributing to the Regional Economic Council and Regional Funding Advice**

17 As a result of the economic downturn, the Prime Minister has asked each Regional Minister to chair a Regional Economic Council. The Authority has engaged with the East Midlands REC since its formation in October 2008. Local Authorities have been

requested to identify 'critical infrastructure projects' that the Regional Minister can assist. It is presumed that the support relates to additional capital funding and the projects are expected to meet the following criteria:

- Create employment related to vulnerable sectors such as retail or construction
- Leverage private sector investment or activity
- Create enduring economic benefits
- Supplement or bring forward funds already committed
- Can be delivered within the next 12-18 months

The Authority has also been asked to identify similar projects for Sheffield City Council and has submitted a list of potential projects. ENPAA has written to Defra Secretary of State Hilary Benn MP seeking his support for enhanced capital work budgets for National Parks. Whilst sympathetic, Defra is unable to find funding but has directed NPAs to regional bodies for such support.

18 The request from the Regional Economic Council is fortuitous as the Authority a) faces a significant capital maintenance backlog and b) is developing proposals for some capital works in partnership with others over the medium-term. The opportunity to put these forward for possible additional funding is a potential windfall that we have acted quickly to secure. The basis of our outline bid to the East Midlands REC is:

- A targeted programme of highly visible public capital works designed to improve visitor facilities, enhance environmental performance and reduce longer term asset maintenance liabilities. For the National Park Authority this would at its most total £7.8M and would be composed of a) £3.25M identified capital maintenance backlog and plans for all facilities. Few approvals would be needed and liabilities currently rest with the Authority (such as works at Losehill Hall, Aldern House, visitor centres, trails, car parks and other properties) and b) £3.59M for additional capital developments that are in line with our Asset Management Plan but that are subject to full project development and may be subject to approvals such as planning (such as capital developments on the Monsal Trail, Upper Derwent Visitor Centre and improvements to operational buildings).
- An enhanced programme of improvements to public transport infrastructure, support to rural businesses and promoting a low carbon rural economy through existing delivery arrangements totaling £2.1M. This figure includes the £0.6M now approved by emda for *Live and Work Rural*, a proposed supplement to the Sustainable Development Fund and further support for sustainable transport infrastructure.
- Increasing investment in heritage public realm and street scenes of key gateway market towns and 109 Conservation Areas in the National Park estimated at a total of an additional £2.4M.
- Retaining levels of investment in affordable social housing provision through Homes and Communities Agency grants. The Authority is working with partners in constituent authorities to develop the case for continued levels of support to their housing programmes in the National Park.

Officers expect to be discussing these proposals in detail with emda, Government Office and the Homes and Communities Agency over the next few weeks. Support is sought from the Authority to continue these negotiations and progress future projects in line with Standing Orders, our Capital and Asset Management Plans and our agreed budget priorities.

19 In the medium term – the Authority would wish to see investment focused on developing a sustainable economy. In our outline response to the East Midlands Regional Funding Advice consultation for the period to 2015 – officers have so far expressed our priorities as:

- Investments into public realm projects in market towns, villages and rural communities which utilize the high quality environment and heritage to enhance the visitor experience and economy
- Support to ensure sufficient grant aid is available for the delivery of affordable homes at at least the current levels and for further rural community development
- A fully integrated approach to public transport provision across the National Park, joining up improved public transport infrastructure in cities such as Manchester, Sheffield and Nottingham and removal of damaging investments such as the proposed Mottram, Hollingworth, Tintwistle Bypass
- Further investments in development of a lower carbon rural economy, focusing on micro-scale energy generation, wider uptake of low carbon transport solutions and energy efficiency
- Support to the small and small/medium sized enterprises which comprise the sustainable farming, food, tourism and other ‘environmental’ economy, focusing support in ways that reflect rural issues
- Continued support - including financial, advice and skills development - to land management businesses – farms, conservation, sporting and estates – that demonstrate longer term sustainable forms of business

Approval is sought for this to form the basis of our formal advice to Government Offices which must be submitted by 20 February 2009.

#### **Impacts of the Economic Downturn on the National Park Authority**

20 The economic downturn has potential immediate impacts on the Authority and also a complex range of medium-term effects. In the immediate future:

- As explained in the Budget report to this Authority, and following assurances from Ministers and Defra officials, The National Park Grant is considered firm for 2009/10 and is likely to be secure within 2010/11
- The Head of Planning Service and Chief Financial Officer are monitoring planning fee income on a monthly basis such that they can advise Management Team and members of any significant impacts. To date, the overall effects of these have not been significant and any slight falls have been accommodated in budget planning for 2009/10
- The Director of Operations is monitoring the income streams from our principal trading operations and these are reported periodically to Management Team and to members at Budget Monitoring. There is no indication of any impact on these at the moment, although we have not increased income targets other than in visitor centres, to account for inflation costs.

- The Director of Operations, Head of Losehill Hall and Business Strategy Monitoring Group review regularly progress towards the achievement of the Losehill Hall Business Plan which relies predominantly on trading income. No significant issues have arisen yet, although this will need to be monitored closely.
- The Authority's position in the market place as an employer has been assessed recently through a salary and conditions of service benchmarking exercise that was reported to members as part of budget planning for 2009/10.

In the longer term (3-10 years), however the twin effects of a prolonged economic downturn and the consequential impacts on public spending may have very significant impacts. The possible effects of this are one of the drivers behind a strategic review of the Authority's business model and structure that the Chief Executive will begin during 2009 and which is identified in the Performance Improvement Plan agreed at Audit and Performance Committee 23 January.



## **APPENDIX**

### **Resources**

- 1 The policy development and advocacy work described in this work will be pursued by officers in the Policy Service in line with corporate priorities. Capital maintenance and development projects referred to as the basis of bids to the Regional Economic Council were established on the basis of advice from the Head of Property and are proposed as outline bids only in line with our asset management and capital plans by the Chief Finance Officer and Director of Operations. Further detailed cases will be brought to Services Committee as necessary following consideration by Resources Management Team. The Chief Financial Officer will be bringing a report on the application of the Prudential Code for Capital Finance to the Authority on March 27<sup>th</sup> 2009. This will include an assessment of the likely horizon for capital programmes, contingent in large degree on the Minerals Finance Plan.

### **Risk Management**

- 2 Detailed business cases, project plans and accountabilities will be agreed by Resources Management Team and Services Committee for any significant projects funded as a result of the outline bids to the Regional Economic Council.

### **Human Rights, Equalities, Health & Safety**

- 3 None other than those in the report are evident.

### **Consultees**

- 4 Management Team, Head of Property, Head of Policy, Inward Investment Officer, Chief Finance Officer

### **Enclosures**

- 5 None

### **List of Background Papers** (not previously published)

- 6 East Midlands Development Agency (2008) *Contribution of the Peak District National Park to the Economy of the East Midlands*. Final Report, emda, Nottingham
- 7 Council for National Parks (2006) *Prosperity and Protection: the economic impact of National Parks in the Yorkshire and Humber Region*.

### **Report Author**

- 8 Jim Dixon, Chief Executive

### **Publication date**

- 9 29 January 2009