Gloucestershire Post-Covid Economic Recovery Briefing April 2020

Gloucestershire Economic Growth Joint Committee Senior Officer Group

1. **Introduction**

Covid-19 has created an unprecedented economic shock and the full impact of it is unlikely to be known for years to come. It requires a coherent, coordinated and comprehensive plan of action in order to preserve jobs and sustain businesses.

There is a growing consensus that a three-stage process is needed to consider what action and activity needs to support the economy going forward. These stages are:

- Addressing the immediate crisis *(short term)* – a role played by the Glos Local Resilience Forum (LRF) Recovery Cell which has been overseeing and helping to co-ordinate the immediate needs of businesses and local communities.
- A potentially lengthy period of transition *(medium term)* – an unknown timeframe, expected to last for 18-months and supported by existing structures within the County Council, with matters referred, by exception, to the Recovery Cell.
- The emergence of a new normal – *(longer-term)* business as usual approach with amended structures as required.

There is both a need and an opportunity to think creatively about how to use the transition to develop, test and learn about new ways of working, including new forms of collaboration and partnership. The impact on the economy is central to this and as such partners such as the LEP, the rest of the public sector together with the private sector must work together to shape the response.

The transition may, however, require a period of focus on business resilience before returning to a period of growth and development. It is helpful to consider this when developing new plans and ideas.

2. **The economic position pre-COVID**

Gloucestershire has a good baseline of information. It has been built up over time for local plan and Joint Core Strategy preparation as well as through the evidence base and analysis created for the Local Industrial Strategy. The data that has been taken from these documents below starts to set the scene in relation to the challenges that may lie ahead.

Gloucestershire has a healthy job-density at 0.88 jobs for every Gloucestershire resident. The size and structure of its business base is broadly consistent with the national average, if slightly skewed towards small and micro-enterprises. Businesses employing under 50 people comprise 97.3% of the business base, compared to 97.2% in the SW region and 97% across England.

Business formation (+15%) has performed more highly than employment growth performance (+6%) over the last 10-years with variations across sectors. Up to statistic available for 2018/19, Gloucestershire had been facing a tightening labour market as the employment activity rate had risen to over 80 per cent, sitting above neighbouring LEPs (78-79 per cent), the SW Region (78.7 per cent) and the National rate (75.4 per cent). The proportion of these people working full-time is

slightly below the SW Region proportion of 71.8 per cent, but well below the national proportion of 75.1 per cent.[1]

There had also been recent growth in commercial floorspace across Gloucestershire with 60 per cent of total space dedicated to industrial uses compared to 55 per cent in England. This reflects the relative specialisation in manufacturing, and the more rural character favouring industrial business parks relatively more over office and retail. Growth has been particularly strong in Tewkesbury, Gloucester and Stroud with high levels of office and retail in Cheltenham and Gloucester.

In considering the key components of the local economy, a picture of where the greatest threats and opportunities in the short, medium and long-term might lie will become apparent.

3. Considering economic impact in the transition phase

There are several sources of information which can help to build up a picture of the economic impact at a national, regional and local level. This information will improve over time as the UK Government is able to publish real data linking job losses, business closures and sector information.

At a national level, output across goods and services fell to record lows in April with non-food retail falling significantly and levels of online clothing and household goods not replacing physical sales. PWC are predicting that the UK's GDP will decline between -5 and -10 per cent (GDP contraction post financial crisis was -4 per cent). The short-term impact is predicted to be even more significant with contraction somewhere between 12 per cent to 16 per cent quarter on quarter in Q2 2020 respectively. There will be a disproportionate impact on certain sectors compared to others but the full extent of this won't be known for some time.

Demand for retail, office and industrial space has also been the topic of much debate with a sharp fall in transactional activity within retail and hotels, favourable terms for occupiers (particularly in retail) and as yet, unimpacted rents. At a sector level, Saville's are reporting healthcare, logistics and to a lesser extent institutional residential demand to be among the most resilient sectors across demand and investment.

Decisions made about investment in the transition phase must be evidence led. The County has an opportunity to learn from the recent experience and build on the needs of businesses and developers to sustain the economy in the short to medium-term and also to plan effectively for the 'new normal'.

Gloucestershire has a good baseline of information, built up from the recent evidence base and analysis created for the Local Industrial Strategy. This will help to understand where the greatest opportunities and threats may lie in the future and in this regard, is due to be revisited by the LEP.

The data required to inform Gloucestershire's recovery plan is at present ad hoc, but with more becoming available on a weekly basis. It includes:

- Council led: The Councils across Gloucestershire have been issuing grants, rate relief and interruption loans across the County and are monitoring the amount given against government criteria. Each Council will have a sense of, or even direct engagement with businesses in difficulty, but this information is still emerging, at a District/Borough level and also yet to be pooled.

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[1] Shared Intelligence's evidence base for GFirst's Local Industrial Strategy preparation

- LEP-led: GFirst LEP continues to engage with businesses through the Growth Hub and through business surveys online and on the phone. This is valuable **qualitative** intelligence which will support requirements for short and long-term investments. A weekly update is available summarising this information. The LEP is also intending to commission some economic modelling to understand the ongoing challenges faced and to develop a plan of action.

- Government-led: This primarily relates to a small number of sources in relation to specific Covid matters, although it should be noted that there is an inherent lag in terms of the availability of nationally published data -

   - **Office of National Statistics (ONS)** in relation to the number and sector profile of furloughed employees and businesses that are continuing to trade. This is currently being published every two weeks at a national level. It is not yet possible to accurately forecast the data for Gloucestershire, but modelling can build up a picture and help to inform what plans need to be considered. The trading data is survey based so there is also a fairly large margin of error if disaggregated to a Gloucestershire level and below. Nonetheless, it provides a helpful point from which to build as the survey grows.

   - **Department of Work and Pensions (DWP)** will continue to release data relating to the number of people on employment benefits every month and the data for claims, starts, and households quarterly. This may start to be released more regularly. It will somewhat mask the reality of the self-employed but will be useful in understanding large increases in unemployment and emerging trends.

- Sector/geography led: Economists and think tanks have over the last few weeks been preparing scenarios, often looking across the country at the potential impact of Covid-19. There are two such examples in the appendix to this paper. One which looks at the decline in GVA and another which considered UK-wide data on furloughed workers to build a local scenario.

Gloucestershire has a good baseline of information from which to build its own scenario planning. Communities and demographics at greatest risk of financial and economic exclusion also need to be considered in planning for Gloucestershire's recovery. This will help to understand where the greatest opportunities and threats may lie in the future and how support can be given to support 'left behind' people and places.

4. Learning from others

There are expected to be many challenges to address in the next 18-months. Developing ways to collaborate, learn from good practice and understand the challenges of the economy going forward will be central to ensuring this is done in a comprehensive way. The Local Government Association, County Council's Network and the District Councils Network are also publishing regular information on their websites and have established a number of task and finish groups as well as Regional Recovery Groups (such as the South West Recovery Group chaired by Mike Dawson).

The LGA has developed a tool which considers area characteristics relating to employment, income and health deprivation alongside communities which are most or least likely to be impacted by Covid[2].

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[2] https://lginform.local.gov.uk/reports/view/lga-research/covid-19-cases-and-area-characteristics

There are also a number of initiatives that have been established to tackle these some of the local challenges faced, with potential transferability to other localities or sectors within the economy. Many councils and LEPs are preparing 10-point plans, online or telephone surveys and are establishing Taskforce Groups to tackle local issues.

Rent relief in commercial buildings in Lambeth and a Business Improvement District guarantee

Lambeth Council's owns and manages SME workspace in Brixton. It runs on a 'Buy, Give, Work' model which means for every space that is occupied by a commercially focused business, space is given to another business or social enterprise which promotes diversity, inclusiveness or innovation. Each employee is asked to give an hour of their time per month to skill share, mentor or attend an event. At the first sign of Covid-19 lockdown, Lambeth issued a 3-month rent-relief for over 300 SMEs to support their survival. The council has also developed a Business Improvement District Guarantee to address the anticipated reduction in income as a result of retail closure and furloughed office workers. This will enable the BID to keep functioning and supporting high streets and industrial areas.

Buckinghamshire LEP additional investment

Buckinghamshire LEP, alongside Buckinghamshire Council and Buckinghamshire Business First, made an additional £2 million funding available to support businesses affected by Covid. The fund, which has used recycled Growing Places Funding plus a small contribution from Growth Hub core funding for the year 2020/2021, complements government initiatives and aims to support those businesses needing emergency assistance. Businesses with concerns about their future and the impact of Covid on their business, can visit the website bbf.uk.com/covid-19 where the most up-to-date advice and support is being collated, including full details of the funding criteria and online application.

Virtual Library York[3]

Since the COVID-19 outbreak started, online library memberships have grown by as much as 600 per cent in some areas. With online books and other digital services proving of special interest to residents during lockdown measures, the City of York Council has provided library service partners (Explore York) £17,000 of funding to expand the range of virtual services available. The additional funding will grant library members access to:

- an extended range of e-books and e-audiobooks
- Press Reader, including access to 7000+ daily newspaper and magazine
- Virtual Rooms Explore, which uses video conferencing software to create a virtual space for group discussion (including local book groups and artists spaces are in the future), and
- support for residents who are isolated, vulnerable and/or residents with limited access to virtual content due to lack of skills/experience with technology or lack of broadband (currently in development).

Greater London Authority – 'Pay it forward' scheme

This scheme[4] offers a free crowdfunding platform to encourage consumers to pre-purchase goods and services from local businesses as well as raise the profile of businesses. Vouchers are issued and can generally be redeemed once lockdown permits. This initiative cashflow and as it is an e-

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[3] https://www.local.gov.uk/our-support/coronavirus-information-councils/covid-19-good-council-practice
[4] https://payitforward.london.gov.uk/

commerce platform, it removes barriers for individual businesses who may not already operate in this way.

SME Loan Funds

Councils and LEPs operating loan funds, are considering which businesses may not be eligible for mainstream funding, government grants and Covid funding through the British Business Banks. The gaps in the funding market are being closed by council and LEP-backed investment with varying terms and conditions to account for the higher-risk nature of the funds.

5. Gloucestershire's proposed approach

Facilitated through the Senior Officer Group (SOG) and informed by Gloucestershire Economic Growth Joint Committee (GEGJC), the evidence base is beginning to be built. A briefing paper which will be presented to SOG in May will set out the current economic position, an outline of available data as well as best practice from other parts of the Country and internationally.

A facilitated discussion will take place at SOG to:

- Gather experience across all parties to understand lived experiences and gather emerging need and local intelligence;
- Understand the roles of the various stakeholders and help to inform the future recovery approach;
- Start to detail the planning and support required to protect jobs and businesses to build resilience and reset the economy.

The output of this will be presented to GEGJC at the 3rd June meeting.

This will require investment of internal and external resources to develop a short and long-term strategy. It should be a living document which is informed on a weekly or fortnightly basis to capitalise on the latest information available. It is recommended that this includes:

- Internal GCC resource for a **fortnightly transition meeting** involving key senior officers, participant suggestions as appended
- The creation of a **data dashboard** which can be updated on a fortnightly basis to include the latest release of government data, modelling and local intelligence
- Consideration of **best practice** from external sources to consider new ways of working, new investment vehicles and scope for the realignment of projects and programmes to support communities and employers
- Development of **logic chains** to build up modelled data and activity statements to understand where investment may need to take place and where interventions may be required
- Regular analysis of a **SWOT** at a County and District/Borough level to consider and inform opportunities as well as threats
- Scope to build on GCC experience of operating a **loan investment scheme** for the LEP and extend model to offer a wider debt and equity business recovery fund

Appendix 1 – Examples of modelled data

In a study by the Centre for Progressive Policy[5] for example, which has modelled GVA from figures released by the Office for Budget Responsibility (OBR), it predicts a significant variation in impact on Gloucestershire economies. This is ranked against councils in England.

Region	LA name	Modelled decline in GVA	Rank (England comparator)
South West	Stroud	44%	19[6]
South West	Forest of Dean	43%	39
South West	Tewkesbury	41%	77
South West	Cheltenham	35%	248
South West	Cotswold	32%	322
South West	Gloucester	31%	347

At a local level, modelled data will need to inform decision-making in the short-term. For example, data released by the ONS (based on survey data) into the number of people furloughed by industry and the number of businesses still trading[7]. The table below highlights the survey data as a proportion of the GB economy and has been modelled against Gloucestershire industry data.

	Proportion of employees at risk by sector	Proportion of total employment	
Industry	Continuing to trade and temporarily closed or paused trading combined	Gloucestershire	Great Britain
Accommodation and Food Service Activities	80%	10%	9%
Arts Entertainment and Recreation	68%	3%	3%
Construction	41%	6%	5%
Manufacturing	29%	13%	9%

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[5] https://www.progressive-policy.net/publications/which-local-authorities-face-biggest-immediate-economic-hit Based on Q2 predictions, using a weighted industry calculation of sector based GVA.

[6] Stroud is expected to have one of the highest declines in GVA as set out in the OBR study. The report in question looks at output loss by sector, so the strength Stroud has in 'value' sectors could be concluded to be higher than other parts of the County, including Gloucester, which has a higher proportion of retail and lower value sectors, therefore the loss would be less. It's a model however, so it has limited usage for long-term planning, but it is one of a few examples available. It also reflects a short-term perspective and not a long-term decline prediction, necessarily.

[7]

https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/furloughingofworkersacrossukbusinesses/23march2020to5april2020

https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/coronavirusandtheeconomicimpactsontheuk/latest
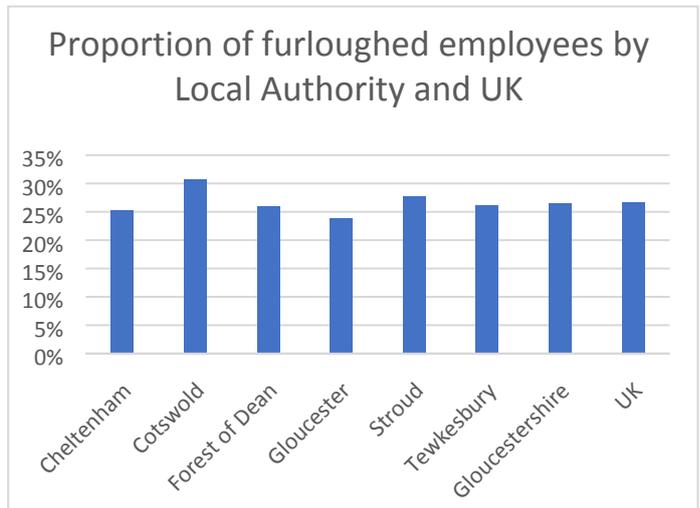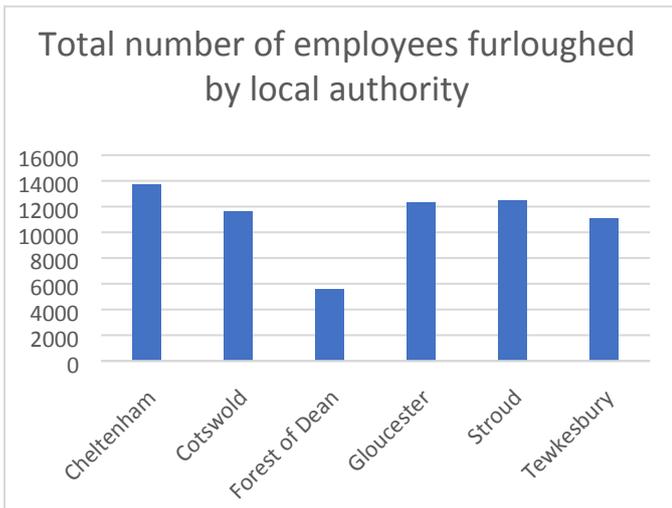
Administrative and Support Service Activities	29%	8%	10%
Transportation and Storage	26%	4%	5%
Wholesale and Retail Trade; Repair of Motor Vehicles And Motorcycles	20%	17%	17%
Human Health and Social Work Activities	12%	16%	15%
Professional Scientific and Technical Activities	11%	8%	10%
Water Supply Sewerage Waste Management and Remediation Activities	10%	1%	1%
Information and Communication	7%	5%	5%
Education	4%	9%	10%

(Sectors excluded from the survey: agriculture, public administration and defence, public provision of education and health, finance and insurance)

When modelled against the Gloucestershire economy and the proportion of employees in each sector, a picture can start to be built.

This shows that the impact on Gloucestershire almost matches the impact on the UK, being just 0.2 per cent below the average in terms of the proportion of furloughed employees. However, looking at modelling in each district, it shows more variation, with Gloucester in particular having a comparatively lower proportion of furloughed workers, at around 23.9 per cent. The Cotswolds through the modelling would have 30.7 per cent of workers furloughed, given its higher proportion of workers in the Accommodation and food services sector.

When considering modelled data on businesses continuing to trade, as opposed to temporarily pausing trading by sector, this demonstrates a similar trend. The Cotswolds having the lowest proportion of businesses continuing to trade, at just over 70 per cent, while Gloucester and Tewkesbury have 79 per cent and 78 per cent of their businesses continuing to trade respectively.

Total number of employees furloughed by local authority

Proportion of furloughed employees by Local Authority and UK

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8 Data modelled from ONS survey data.