

Cabinet

11 June 2020

Covid-19 Economic Recovery

Recommendations

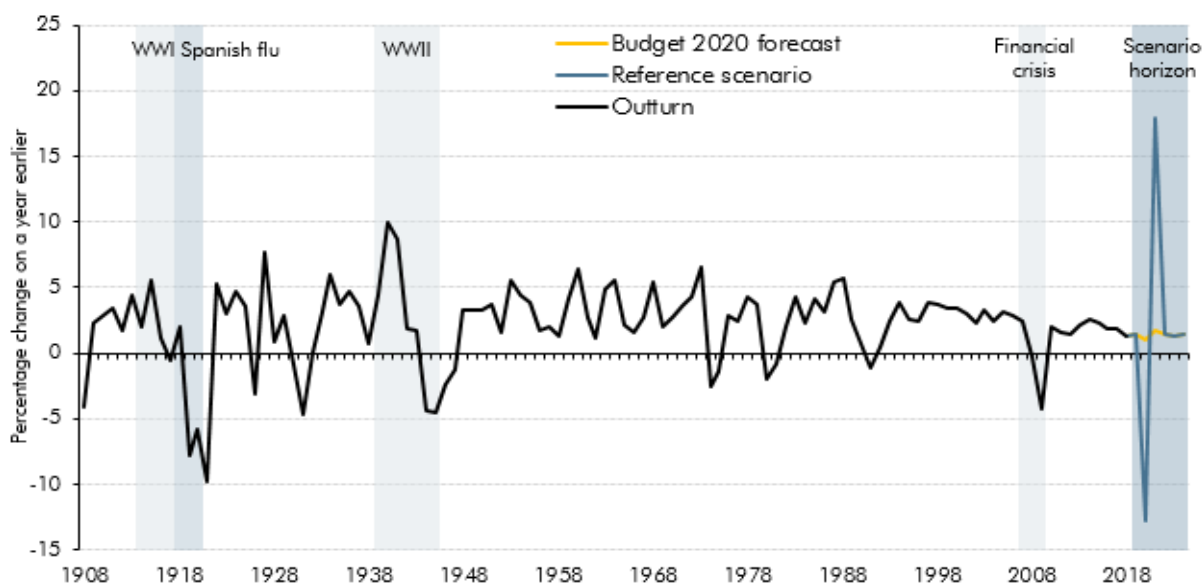
That Cabinet approve:

- 1) the proposed approach to economic recovery for Warwickshire County Council as set out in this paper, as an initial framework to inform the Place, Economy & Climate theme of the Change Portfolio, to be taken forward with members and partners.
- 2) the set of short-term support measures (set out in paragraph 2.7) recommended to support businesses and the economy in this immediate recovery foundation stage subject to the availability of funding.
- 3) the proposal to increase by £2.5m the indicative funding allocation of the “Place Shaping and Capital Investment Feasibility Fund” to a total of £7.5m, enabling this fund to support up to £4m of proposed economic recovery work, balanced by a reduction in the other investment funds proposed in section 3.

1. Executive Summary

- 1.1 The current Covid-19 pandemic is creating both a health emergency and an economic one. Practically all businesses are being affected, and the speed and scale of the lockdown are having significant impacts on the viability of many businesses and leading to a rapid increase of both “furloughed” staff and unemployment.
- 1.2 A recession, both within the UK and globally, is inevitable, and forecasters are currently predicting a significant drop in GDP for the UK economy. The Office for Budget Responsibility has recently produced what they term a reference scenario as to what could happen to the UK economy based on some assumptions around the length of a lockdown and how quickly the restrictions will be lifted. Their analysis suggests a drop in economic output of around 35% in Q2 of 2020, and an annualised reduction of c. 13% for the whole of 2020. This would be a fall greater than any other major economic shock since 1900, and three times more than the impact of the financial crisis of 2008/9. The OBR also estimate that unemployment could increase nationally to 10% of the working age population, a significant increase from the current rate of 3.9%.

Figure 1: GDP decline in historical perspective:

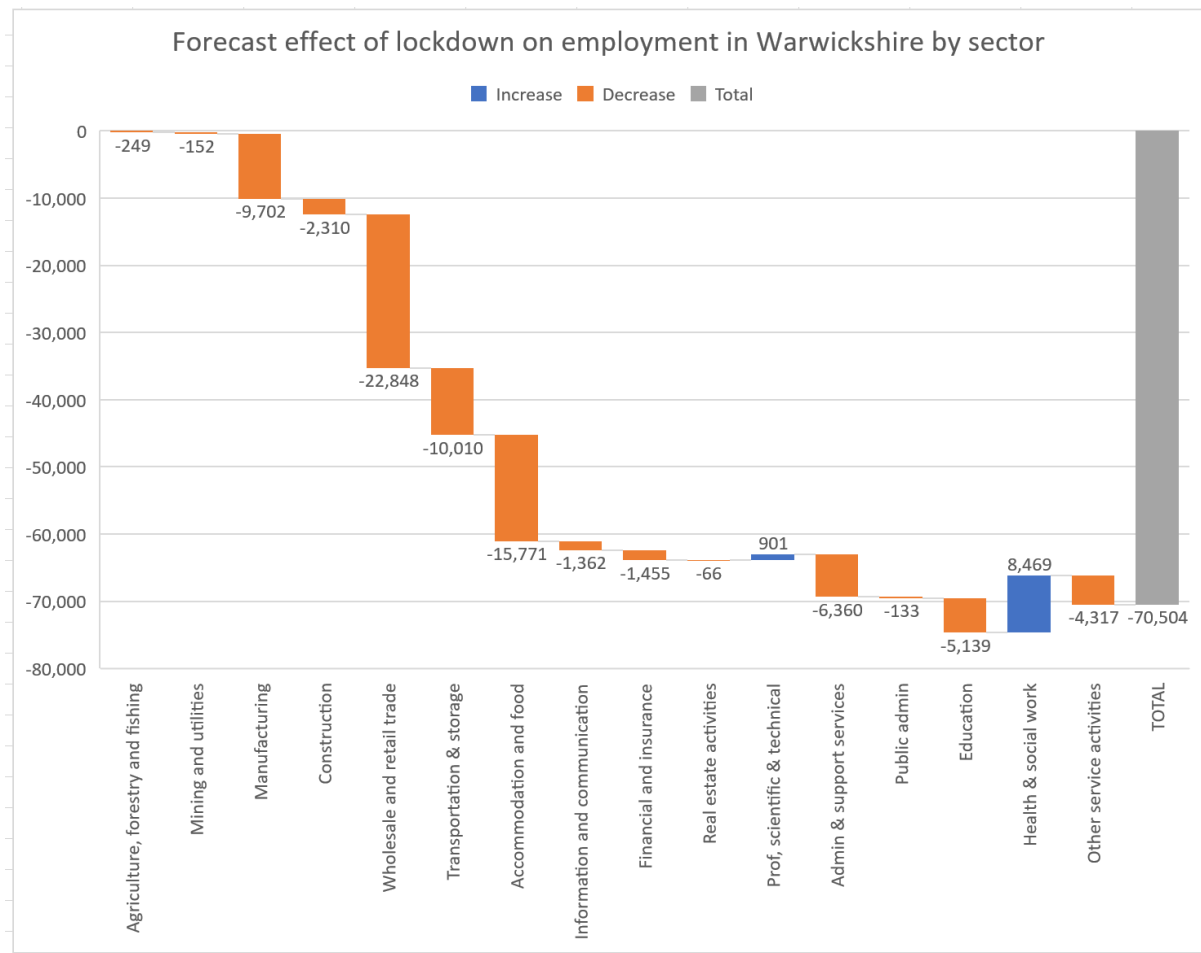


Source: Bank of England, ONS, OBR

- 1.3 Furthermore, different areas of the country will be impacted in different ways depending on sectoral composition of their local economy. Using the Office for Budget Responsibility’s reference scenario, and applying their expectations to local economies, we have seen that areas of Warwickshire are going to be particularly negatively affected. Stratford District, due to its high concentration of manufacturing activity and reliance on the tourism and leisure industry, has been identified as being the fourth most negatively impacted local authority district in the UK, followed closely by North Warwickshire (11th) and Rugby (12th). However, it should be noted that other parts of the county are expected to perform relatively better, with Nuneaton & Bedworth placed at 244th (out of 383) and Warwick District 281st. However, even then, the economic output of Warwick District is expected to decline by around 34% in Q2.
- 1.4 As a result of the lockdown, many employees within the county have been furloughed, or had to accept reduced hours, and some unfortunately have already been made unemployed as businesses struggle to continue in this current situation. Certain sectors are more affected by this than others, which again has a differential impact across the national, regional and local economy. Figure 2 below highlights the impact on employment by sector of the lockdown for Warwickshire. Just over 70,000 jobs in total (around one quarter of the entire workforce in the county) are expected to have been “removed” from the economy (albeit one hopes temporarily as a result of the Job Retention Scheme and the furloughing of employees). In particular, employees within retail businesses, accommodation and food, and

manufacturing are significantly affected, and these three sectors alone account for over two-thirds of all jobs affected.

Figure 2: Forecast impact of lockdown on employment



1.5 It must be remembered, though, that in the decade that preceded this unprecedented pandemic crisis, Warwickshire was one of the fastest growing economies in the country, with very low levels of unemployment, high new business start-up rates, and a strong performer in attracting inward investment. The inherent strengths of the Warwickshire economy remain, which should enable us to be well positioned as the economy starts to recover. We continue to have a world class business base in future automotive technologies, advanced manufacturing and engineering, and digital creative industries, as well as strengths in wider technology-based activities and professional services. While our internationally renowned tourism offer will undoubtedly be very significantly impacted by the Covid-19 pandemic in the short and probably medium-term, the long term forecast remains strong.

1.6 Despite the need, therefore, to respond pro-actively to the current economic crisis, our longer-term ambitions and priorities contained within our recent WCC Economic Strategy remain sound and appropriate. However, the steps

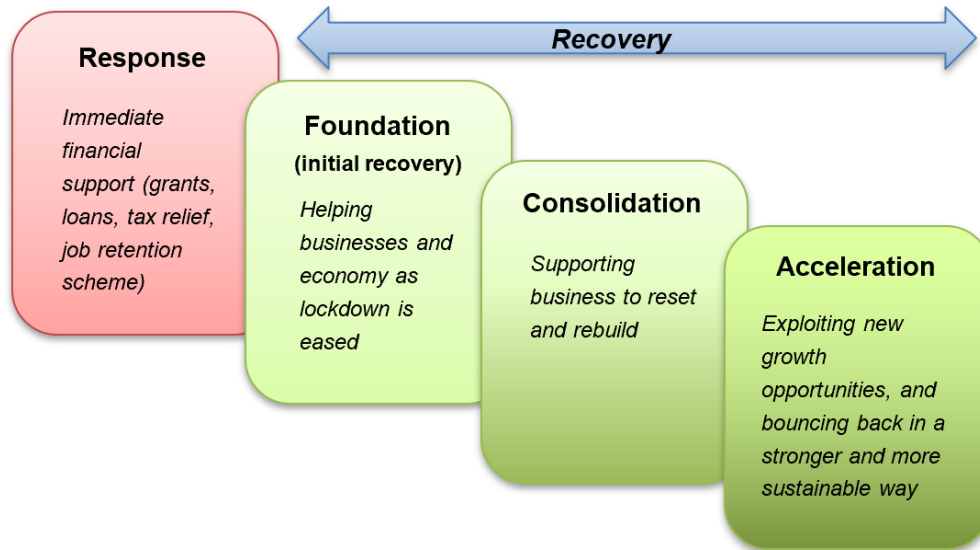
we need to take, and facilitate, to support our future growth may need to be amended and updated, and the importance of Warwickshire County Council taking a leading role in shaping the future economy has probably never been greater.

- 1.7 As we shape this future economy of Warwickshire, it is a highly opportune time to look to address and embed a strong approach to climate change to this work. All the local authorities within Warwickshire have declared a climate change emergency, and we have a unique opportunity to reset our activity and ensure that we are pro-actively addressing this challenge through our work with businesses, and on the economy more generally.
- 1.8 Working with the district and borough councils and Local Enterprise Partnership, collaborative effort is being focused on four recovery workstreams, including one on “Economy, Business & Climate”. This collaborative work on recovery will supplement the Council’s work to inform an overall Recovery Plan to be considered by Cabinet by end October and will be informed and shaped by Members through the Overview & Scrutiny Committees and Member-led Task & Finish Groups.
- 1.9 The following section sets out a suggested structure and approach to an economic recovery plan.

2. Developing an Economic Recovery Plan

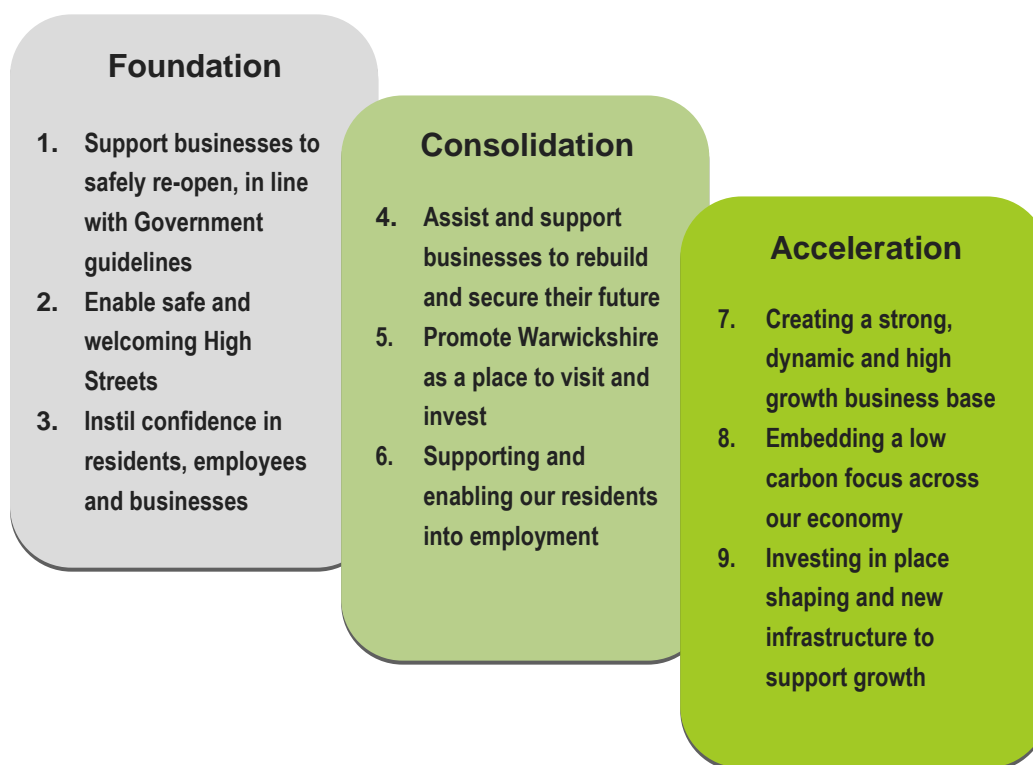
- 2.1 To guide and inform our work to support the recovery of businesses and the Warwickshire economy it is suggested that we look at this through the key phases of response and recovery, as shown in Figure 3 below. This phasing aligns with the emerging regional and sub-regional approaches to recovery, both within WCC, among the District and Borough Councils and the work of both the CWLEP and WMCA. At a Warwickshire level, this activity is being co-ordinated by the Recovery Advisory Group, comprising Council Leaders and Chief Executives, the CWLEP and Police.

Figure 3: Phased approach to economic response & recovery



- 2.2 Throughout this crisis, we have sought to work hard to align and co-ordinate our work with our various partners to avoid duplication, maximise efficiency and effectiveness, and ensure a coherent and co-ordinated approach. Initial response activity to support businesses in the immediate crisis phase has been co-ordinated between the local authorities within Coventry and Warwickshire, the C&W Growth Hub, Chamber of Commerce and Federation of Small Businesses. This partnership has become the bedrock for sharing plans on planning for recovery, and we are working closely with CWLEP and WMCA on supporting and accelerating plans to support the longer-term economic growth of the county, sub-region and region.
- 2.3 Through engagement and dialogue with partners, stakeholders, businesses, sector-based groups and across various teams within Warwickshire County Council, we have collated key issues, challenges and opportunities, and ideas that can be aligned to the key phases detailed above. These are summarised in Appendix A.
- 2.4 Based on the above analysis, a suggested set of key priorities are identified by each phase, as set out in Figure 4 below. These can be used as a basis for consideration by Members on the development of the recovery plan for the County Council.

Figure 4: Priorities of the Economic Recovery Plan



2.5 While the development of a considered and comprehensive Recovery Plan will necessarily take some time, there is an urgent need to consider and bring forward key activities to support our businesses in the Foundation and early Consolidation phase.

2.6 It is therefore proposed that the following key activities be rapidly developed into business cases, for consideration for funding from the County Council (via the Investment Funds as proposed in Section 3 below). These will be developed in close partnership with our District & Borough Councils, CWLEP, and other key partners; and wider funding support that may become available (i.e. through the Government's recent "Reopening of the High Streets Safely Fund" to be allocated to the District & Borough Councils).

- **Covid Secure & Resilient** – bringing together the Council's business support, regulatory and public health functions to provide effective and practical advice, guidance and support to businesses to help them safely reopen in line with Government guidance and in a manner that can provide confidence to their customers and employees. Advice from Trading Standards and Public Health, risk assessment visits from Warwickshire Fire & Rescue Service, commissioned specialist support where further help needed, and business planning and business support from Economy & Skills.
- **Helping businesses develop digital presence** – commissioned support to provide training and support to small businesses

(predominantly retail but other sectors as needed) to develop online trading, using existing contract framework. Develop partnership with “ShopAppy” platform to provide an online presence for town centres where this would be beneficial.

- **Tech Challenge** – tapping into the strength and depth of our local technology and digital creative sector to offer a Tech Challenge Fund, inviting local businesses to submit proposals that would develop a technological solution to help town centre businesses access and engage with local consumers; and to help cultural, creative and leisure based businesses reach and engage their audiences and consumers. Grants awarded to best submissions to develop product for use by local businesses.
- **Art Challenge Fund** – working with local art and cultural sector, and with City of Culture Trust, offer an Art Challenge Fund to invite artists to develop submissions to provide fun and creative ways to support safe movement and social distancing around our town centres. Grants awarded to best submissions across participating towns. Potential to be aligned well with the new Reopening of High Streets Safely Fund.
- **Covid Ambassadors** – exploration with District & Borough Councils, Town Councils and Business Improvement District organisations to establish a network of “Covid Ambassadors” who would be a physical presence in key towns (where appropriate) to provide advice and guidance and help with flow of movement of visitors. Provides reassurance and confidence to visitors and businesses (helping them manage queuing that may be needed outside their premises). Potential to be aligned well with the new Reopening of High Streets Safely Fund.
- **Marketing and promotion campaign** to provide confidence to residents and employees
- **Sustain, Survive, Grow** – a programme of intensive 1:1 engagement with businesses to review their business and financial position, explore diversification or growth options, and help them develop a forward plan. Utilising a network of specialist advisors who can cover in detail issues around refinancing/finance for growth options, innovation, mergers and acquisitions, exporting, new market opportunities, etc. Focus on sectors most affected (retail, tourism & leisure, and manufacturing, but open to all). Finance support potentially aligned to this in terms of grant, loan and short-term equity investment.
- **Skills, Careers and Employment** – working with HE, FE, schools and training providers and businesses to develop a showcase/virtual market stall for young people on job and careers opportunities in the county

2.7 In parallel, we are developing, with our partners, proposals for re-allocation of road space within town centres using additional government funding, which is another element of ‘foundation’ activity and will help support the safe reopening of our town centres. We are also undertaking a review of guidance

and process for businesses to make markings or place materials (signs, stalls, etc.) on the public highway in line with need to support social distancing.

3. Financial Implications

- 3.1 While we actively pursue any funding opportunities that may arise directly from Government to support the recovery activity, or indirectly via the WMCA and/or CWLEP, it is expected that there will be a need for funding from Warwickshire County Council if we want to support and implement the activities that will arise from considerations on economic recovery that will be developed over the next few months.
- 3.2 It is likely that, given the nature of the need to provide support and help to businesses, many of the short to medium term activities that we may want to undertake will need revenue funding.
- 3.3 In February, Council approved the allocation of £20m to four investment funds across the 5 years of the MTF5. In March Cabinet approved the process and criteria for allocation, confirming the indicative allocations with the important caveat that 'they were deliberately flexible and may be varied as bids emerge and are prioritised, subject to Cabinet consideration and approval.'
- 3.4 It is therefore recommended that the indicative allocations to the four funds be amended to take account of the need for investment in economic recovery. It is proposed that the Place Shaping and Capital Investment Feasibility Fund be expanded to account for this. The Place Shaping and Capital Investment Feasibility Fund was established to "support strategic investment in Warwickshire's economy and improving the quality of life for residents and communities", and so it is felt that economic recovery fits well within this general remit.
- 3.5 Based on an analysis of the early thinking of ideas of projects and initiatives that could be developed to support economic recovery, indicative funding of around £4m would be needed to provide support that would make a difference to businesses and the economy of Warwickshire. In line with the dynamic and flexible approach Cabinet has already approved for the use of these funds, this could be reduced if additional external funding could be secured from other sources (i.e. funds from central government, partnership working with our district and borough councils or other stakeholders), and this would of course be sought and considered as part of the business case and approval process.
- 3.6 It is recommended that the additional allocation to the Place Shaping and Capital Investment Feasibility Fund be achieved through the following changes to indicative allocations previously approved.

Fund	Purpose	Allocation	
		Original £m	Revised £m
Sustaining prevention	To pump-prime up-front investment in demand management and early intervention initiatives prior to financial benefits accruing.	7	5
Climate Change	To invest in coordinating and pump-priming work across the revenue and capital budget to implement the priorities flowing from the Climate Change Task and Finish Groups and Council Plan 2025 that protect our residents and the County's environment for future generations.	4	4
Commercial	To deliver commercial investment in outcomes for Warwickshire arising from the commercial strategy.	4	3.5
Place shaping and capital feasibility	To support strategic investment in Warwickshire's economy and improving quality of life for residents and communities.	5	7.5
TOTAL		20	20

3.7 Work has been proposed to investigate the potential establishment of a Warwickshire Recovery & Investment Fund. This could also play a key role in supporting some of the measures for economic recovery through, for instance: investments to support the development of new employment space, place shaping and recovery support in town centres; sustainable transport; helping kickstart or accelerate housing development; 5G deployment; area regeneration programmes; and our commercial and potential property company activity. These opportunities are considered in more detail in the accompanying report on the Warwickshire Place Shaping Programme.

4. Environmental Implications

4.1 There is an opportunity to support the rebuilding of the Warwickshire economy in a way that is greener and more sustainable than before. Through our recovery and future economic growth activity, we will look to embed and promote a low carbon approach, helping both new businesses exploit the new economic opportunities that are being created and existing businesses to become more sustainable

5. Timescales associated with the decision and next steps

5.1 From an early stage, the County Council has played a key role in bringing together partners to look at co-ordinating support to businesses across the Coventry & Warwickshire area. This has included looking at how we promote

the various emergency funding streams made available from Government and supporting businesses to access them; looking to identify gaps in provision and lobbying on this basis and exploring if any local action is needed in the short-term; working with the CWLEP to utilise the existing Business Groups to discuss and inform recovery planning; and establishing a Strategic Town Centres Taskforce for Warwickshire to seek a co-ordinated approach across the county where appropriate.

- 5.2 Building on this activity, there will be a range of discussions over this period with the CWLEP Business Groups, business forums established through the Chamber of Commerce and Federation of Small Businesses, and other sector-based discussions in the area. These will help provide valuable intelligence and input into the emerging Recovery Plan for Warwickshire County Council, and work at county, sub-regional and regional level.
- 5.3 In the interim, officers will continue to work with partners to develop business cases for the proposed short-term activities detailed in paragraph 2.7 above. There will also be discussions with the Communities Overview and Scrutiny Committee and task and finish groups of members working on the economy/business recovery theme.
- 5.4 In parallel with, and guided by, discussions with Members and partners on the economic recovery and wider recovery plan, officers will also develop proposals for more detailed programmes for consideration by Cabinet in future meetings.

Appendices

Appendix: Analysis of key issues, challenges and opportunities by recovery phase

Background Papers

None

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Lead Member	Leader of the Council	

The report was circulated to the following members prior to publication: Cllrs Seccombe, Butlin, Kaur, Chattaway, Roodhouse, Chilvers

Local Member(s): None

Other members: None

Appendix: Analysis of Key Issues, Challenges and Opportunities by Phase

Foundation	Consolidation	Acceleration
Key issues & challenges		
<ul style="list-style-type: none"> • Lack of cashflow for businesses remains a key issue • Concerns over continuation of furloughing of staff, and increasing consideration by businesses of potential redundancies. • Questions around the rules on re-opening, and how businesses can ensure that they are meeting requirements. Concerns over liabilities and how businesses can cover themselves. • Concerns over lack of confidence of customers to return and use shops/high streets. • Concerns from employees around safe returning to the workplace • Hospitality and leisure businesses struggling to see how they could re-open and remain viable due to social distancing rules. 	<ul style="list-style-type: none"> • High levels of debt within businesses, which may constrain ability to access finance to support business going forward • Limited hospitality, leisure and tourism opportunities – businesses need to refocus on new market opportunities • Changing consumer behaviours and ways of working may mean that businesses need to adjust and change. Businesses may need help and support through this transition. • Business and consumer confidence remaining low, and concerns over 2nd wave/rise in cases again • Lower demand for automotive products, which could have significant impact on local economy • High levels of unemployment, and limited new employment opportunities. Particularly challenging for new entrants to the labour market (i.e. school, college, university leavers) • Demand for new housing and employment land, may constrain construction activity in medium term. • Shift to increasingly local supply chains in light of continued uncertainty around international trade. 	<ul style="list-style-type: none"> • Business may need help and support to adjust and exploit new market opportunities • Finance options and potential limited lending by banks looking to protect their exposure to risk. • Approach taken by central Government and potential need to tackle the high levels of borrowing • Empty units in town centres/retail areas and impact on “look and feel” for high streets. • Potential impact of EU Exit on international trade depending on eventual agreement
Key Opportunities		
<ul style="list-style-type: none"> • Supporting continued high levels of walking and cycling and improved air quality 	<ul style="list-style-type: none"> • Potential pent-up demand for goods and services. Deferred spending. • New business areas and 	<ul style="list-style-type: none"> • Opportunity to embed climate change within Warwickshire’s future economic growth

<ul style="list-style-type: none"> • Increased local shopping and interest/concern over local high streets could lead to stronger support for town centres and independent retailers • Utilisation of new technology, creating more sustainable and potentially productive works or working • Increased awareness by smaller businesses of need for on-line presence and utilisation of technology 	<p>market opportunities to be exploited by early movers</p> <ul style="list-style-type: none"> • Recessions often lead to an increase in new business start-ups and interest in self-employment. • Demand for flexible workspaces, so interest likely to grow in WCC Business Centres • Increased role for local authorities/public sector in active support for economy and place-shaping • Increased appetite for reskilling and upskilling to help individuals develop new skills in demand by employers • Opportunity to sustain modal shift and greater levels of walking/cycling 	<ul style="list-style-type: none"> • Utilisation of new technology to create new ways of working and more competitive and innovative economy • New businesses exploiting new opportunities – helping them to grow and scale within the county • Reshoring of supply chains in light of increased concerns over international trade, both from Covid-19 experiences and Brexit. • Investing in sustainable transport measures as a result of changing behaviours • New partnership with central government around devolution and stronger role in economic growth and place-shaping.
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