

Subject:	Greater Brighton COVID-19 Impact Assessment		
Date of Meeting:	14 July 2020		
Report of:	Chair, Greater Brighton Officer Programme Board		
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 When the Greater Brighton Economic Board “the Board” met on 21 April 2020 the COVID-19 pandemic was a key point of discussion. It was clear at that stage that COVID-19 presented a global health and economic challenge the likes of which we had never experienced. It was also quite clear that the economic impact on the City Region would be significant; Gatwick Airport, the UK’s second largest, was effectively closed as airlines were forced to ground their fleets. This would not only impact the circa 25,000 direct employees but also businesses and workers in the wider aviation industry and airport supply chain – many of which are based in Crawley. The City Region’s strong cultural and visitor economy, and wider hospitality sector, particularly along the south coast, would also be severely impacted by the crisis. There was also concern around the resilience of supply chains and routes to market in sectors such as advanced manufacturing.
- 1.2 Whilst tackling immediate and urgent issues caused by the crisis were the priority, there was also a need to look ahead towards a post COVID-19 recovery phase, which the economy would enter once restrictions started to be lifted. There was agreement that, although recovery was being discussed at a local level, the economic recovery should be considered at a regional level and that the Board was well-placed to lead on this.
- 1.3 Before informed decisions could be made around economic recovery there was a need to understand the economic, social and health impacts of COVID-19 to the Greater Brighton region. To that end, a brief on a research exercise was developed and after a tender process Hatch were commissioned to deliver the work. This report, and the report at Appendix 1 outline the key findings from the research and make some initial recommendations towards co-ordinating sustainable recovery at a City Region level.

2. RECOMMENDATIONS:

- 2.1 That the Board note the high-level findings of the report on the economy of the region, the sector analysis and the review of the Board’s Five-Year priorities and recommendations in light of the impact of COVID 19.

- 2.2 That the Board agree that an Action Plan against the recommendations is brought the Board at the next meeting in October, following engagement with the Board and partners.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The United Kingdom, and indeed the rest of the world, is facing an unprecedented health and economic crisis as a result of the COVID-19 coronavirus pandemic. On 23 March, the UK Government imposed restrictions on business operation and personal movement (“lockdown”) in order to reduce transmission of the virus, prevent the NHS from being overwhelmed, and ultimately reduce the number of deaths. Schools and other education institutions were shut, and large parts of the economy were effectively closed, including all non-essential retail and all settings where people congregate.
- 3.2 Despite Government interventions, such as the employee furlough scheme and various grant funds, it was clear early on that there was going to be a significant economic shock resulting from the pandemic. Evidence suggested that even before the UK entered the lockdown phase, businesses were already experiencing reduced demand and facing disruption to supply chains as key trade partners such as China, France, Spain and Italy imposed their own restrictions to reduce the spread of the virus.
- 3.3 Some sectors have been disproportionately affected by the coronavirus pandemic; a study in April from Institute of Fiscal Studies (IFS), highlighted that the accommodation and food services sector, alongside the arts, entertainment and recreation sector have had the largest number of firms decreasing staff working hours. Around 15% of employees were working in a sector that was largely or entirely shut down during the lockdown.
- 3.4 In addition, some workers are disproportionately economically impacted by the coronavirus outbreak. Low paid workers were more likely to work sectors that were shut down and were less likely to be able to work from home. According to the IFS, one third of employees in the bottom 10% of earners worked in shut down sectors, and less than 10% of the bottom half of earners said they can work from home.
- 3.5 Whilst the direct (at the time of writing around 41,000 deaths in the UK are attributable to the virus) and indirect health impacts of COVID-19 can be quantified, the economic implications are much more difficult to assess. Initial expectations were that following a sharp dip, economic recovery would happen quickly as governments loosened lockdown restrictions. Early evidence from countries that are ahead of the UK in terms of restarting the economy indicates that economic activity is not bouncing-back as fast as early predictions suggested.
- 3.6 On 10 June the Organisation for Economic Co-operation and Development (OECD) published its projections around global GDP growth in 2020. Perhaps not surprisingly it predicts that all developed economies are going to experience a GDP shrinkage in 2020. However, of particular concern is that the OECD have identified the UK as being one of the most impacted, and the expectation is for around an 11.5% reduction in GDP in 2020. This is comparable to Italy and

France (11.3% and 11.4% respectively), but more acute than in Japan (6.0%), Germany (6.6%), USA (7.3%). The reasons for this are not totally understood, but the fact that UK has a highly global economy, a large service sector, and has a very high health cost from COVID19 (at time of writing only behind the USA in terms of the number of recorded deaths) are all possible contributing factors.

- 3.7 It is likely that the full impact on economic measures such as GDP and unemployment will not be accurately known until later in the summer and it could be many months for the total impact of the more stringent social distancing measures to be fully understood. There are around 8 million workers currently furloughed under the employee retention scheme, but what is not clear is how many of those will return to that employment once businesses start reopening.
- 3.8 All of this presents a bleak picture for the national economy, although there are some successes hidden in the data. This information is all available at a national level but there is a need to fully understand what was happening at a Greater Brighton Level. Early predictions from the Centre for Cities suggested that Crawley was likely to be one of the worst hit towns in the UK, partly due to the impact of Gatwick Airport effectively closing its doors during April and May. We know that the tourism, retail, hospitality and cultural economies of Brighton & Hove, as well as the towns along the coast, are suffering due to the lockdown measures. However, we also know that digital gaming in the City is less impacted.

Consultancy Brief

- 3.9 The key objective was for there to be an analysis of the data available at a Greater Brighton regional level as well as an application of the national data to the city region's economy.
- 3.10 Specifically, the brief stated that the following were essential;
- **Business activity** – information on how many and what types of businesses have folded, temporarily closed, or are at risk of closing. Of the businesses remaining open, an idea of how long they could continue to operate in this environment. Information on businesses that have adapted or diversified would be helpful.
 - **Staffing** – the extent to which businesses have furloughed staff, or have made other changes to working patterns.
 - **Government support** – figures, if available, on how many of the city region's businesses are eligible and have accessed the Small Business Grant Scheme, the Retail, Leisure and Hospitality Grants or plan to access the Business Interruption Loan Scheme. The number of businesses intending to make use of the business rates holidays, and/or deferring VAT and income tax payments. Outline of the businesses that are ineligible for government support.
 - **GDP** – estimated drop in GDP figures for the region over the three-month period. How this compares with the national average and with other regions.

- **Sector analysis** – what the available data shows about the impact on specific key sectors; creative and digital; retail, cultural and tourism; manufacturing and construction; aviation; horticulture and viticulture; education (including HE and FE, post 16 and apprenticeships and language schools) and public health.
- **Skills** - an understanding of the skills implications i.e. the sectors that are losing people, and what skills are they likely to have, and which sectors may see growth and want more staff. Then some analysis of where those skills gaps are that we need to focus on.
- **Inequality** - Impacts upon unemployment, financial exclusion, and housing and homelessness amongst Greater Brighton population.

Summary Findings

3.11 Below we summarise the key findings presented in the report at Appendix 1;

- Estimates suggest a 11% reduction in Gross Value Added (GVA) in 2020
- The region's estimated year of recovery to pre-covid GVA levels is 2028

These figures above are broadly in line with the UK economy as a whole.

- There will be lasting affects to the City Region's sectoral make up and productivity levels
- An estimated 7,700 businesses have had to temporarily close
- Just under 50% of all Greater Businesses have six months or less of cash reserves
- Corporate insolvencies have increased in volume since May
- Commercial real estate transactions are much lower than in recent years
- Like elsewhere in the country the young have fared worst in the labour market with around a third of workers 18-24 having been furloughed or lost their jobs
- In terms of value, the greatest sectoral GVA losses will be in Manufacturing, Education and Wholesale & Retail
- On a proportional basis the greatest sectoral losses will be in Arts & Entertainment, Education, and Accommodation & Food Services

Sector Impacts

3.12 The research and analysis highlight some stark impacts across a number of sectors. In terms of the actual forecast loss of output (GDP), Manufacturing (£778m), Education (£638m) and Wholesale & Retail Trade (£431m) are expected to be hardest hit. When considering the relative loss (percentage reduction) in output, the hardest hit sectors are projected to be Arts & Entertainment (42%), Education (38%), and Accommodation & Food Services (36%). The education sector features amongst the sectors hardest hit on both measures. This is a real concern, as the sector is significant as a driver employment and GDP, and will also have a key role to play in the economic recovery phase e.g. by the retraining and upskilling of workers that have lost their jobs.

- 3.13 To a certain extent these findings back-up the early anecdotal intelligence that has been gathered at a regional and national level. We know that the closing of non-essential retail for nearly 3 months has hit that sector hard and likewise the hospitality sector, which had to close its doors for even longer. Film, TV and radio production has also been impacted and whilst this and the hospitality sector is starting to reopen now, there will be some longer-term demand disruption. Examples include then long-term impact to demand for business conferences and large-scale corporate events and also the possibility of staging live performances, either in theatres or festivals. It's difficult to predict when, or even if, activity will return to pre-COVID levels.
- 3.14 But in amongst the challenges there are some opportunities. Some aspects of the Creative and Digital Sector have been performing well through the crisis, specifically around gaming and data visualisation app production. The large food chains that remained open have seen sales rise and likewise the independent food retailers. There also exist opportunities within the visitor economy as the uncertainty around borders mean that people are looking towards UK "staycations" and day-trips for the summer break rather than jetting further afield.

Implications for Greater Brighton Five Year Strategic Priorities

- 3.15 Part of the brief was to assess the Board's Five-Year Strategic Priorities in light of the COVID-19 crisis and where necessary reprioritise to best support economic recovery. The original priorities were reviewed within their themes – International, Creative, Connected, Talented and Resilient. The main suggestions are below;
- International
 - Establish a Global place narrative for the City Region
 - Focus on education, arts, retail and green
 - Target private finance to leverage government capital
 - Use universities and research hubs to attract domestic and international residents into the region.
 - Creative
 - Consider online 'Greater? Brighton presents' singular platform to support creative and cultural economy and 'Pay It Forward' initiatives used in other global cities
 - Green bonds, citizen hackathons and innovative retail incubators (both physical and online) to support independent businesses. Target private finance to leverage government capital
 - Additional support to regional Chambers of Commerce and other institutions to help support business.
 - Connected
 - Expedite the roll-out of full-fibre and use the region as a test-bed for businesses and innovators to develop new ideas
 - Lobby government to ensure the long-standing transport issues are prioritised as part of the capital funding programme to help with the COVID recovery.

- Talented
 - Provide skills support alongside the phasing-out of the Job Retention Scheme to support the transition into new jobs, particularly in the low carbon/clean tech/circular economy sectors, to catalyse a green recovery
 - Focus on groups most impacted by the crisis – young people and women.
- Resilient
 - Consideration of ideas like an Economic Recovery Trust that uses government funds for capital projects (and private sources) to create revenues that can be distributed to at-need groups and help address inequality.

4 ANALYSIS & CONSIDERATION OF OTHER OPTIONS

- 4.1 Hatch were commissioned to provide the research and analysis on which the Board could make informed decisions about how best it could support the economic recovery. The recommendations within the report at Appendix 1 provide a starting point around which the Board can offer leadership. An Action Plan against the recommendations will be developed and will be presented to the Board at the next meeting in October, following engagement with the Board and partners.
- 4.2 There are a number of other options which could be pursued which include a do-nothing approach. Another option would have been to progress development of the recovery plan at a faster pace by not commissioning the research exercise. Neither of these options would have been preferable; the Board does want to be proactive in leading on the regional economic recovery, but research exercise was essential as it will ensure that the Board uses its limited resources on interventions that will deliver the most benefit.

5 COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 As part of the research work Hatch did engage with Board Members and a number of other key stakeholders from across the City Region. The next stage will involve development of a Recovery Plan and will necessitate further consultation with Board Members and other stakeholders.

6 CONCLUSION

- 6.1 Like the rest of the UK economy, COVID-19 will have a significant impact on GVA growth in the Greater Brighton region over the coming year. Using the OBR's methodology to create a coronavirus reference scenario, the figures indicate a loss of 11% in GVA during 2020. The region's estimated year of recovery to achieve pre-COVID GVA levels is 2028.
- 6.2 The initial effects of COVID 19 will be most immediately visible to cash-restrained small businesses and those who will have become unemployed during the crisis. This will have long lasting effects on the region's sectoral make up, and productivity levels.

- 6.3 The Board will have an important role to play in supporting the development of a new economic strategy (feeding into the one that Coast to Capital is leading on), to address the wider systemic economic challenges the region will face and to leverage the region's existing assets in the most economically inclusive way. It will be important to distinguish between the emergency period and the longer-term recovery period when rolling out programmes and interventions.
- 6.4 As part of this strategy, the less visible, but scarring effects of the crisis on individuals and households, and the risk of widening inequality should not be overlooked. To get people back into work, "any support must switch from supporting jobs to supporting individuals" (Centre for Cities).

7 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 Although there are no direct financial implications from this report it is recommended that an Action Plan be brought back to this board in October, any financial implications of this plan will be reported at that time. This report provides details on the negative impact COVID 19 has had on the UK economy in relation to the GVA and GDP as detailed in paragraphs 3.11 and 3.12 respectively. The report also recognises that Government support for the region has been provided for the economy in the form of employee furlough scheme, business grants and Business Rates financial support.

*Finance Officer Consulted: Rob Allen, Principal Accountant
Date: 05.07.20*

Legal Implications:

- 7.2 There are no legal implications arising directly from this report

*Lawyer Consulted: Joanne Dougnaglo, Senior Property Lawyer
Date: 03.07.20*

Equalities Implications:

- 6.4 None directly arising from this report.

Sustainability Implications

- 6.4 None directly arising from this report.

SUPPORTING DOCUMENTATION

Appendices:

1. Greater Brighton COVID-19 Impact Assessment

