Committee: **Special Regeneration Scrutiny Committee**

Date of meeting: **23rd September 2020**

Report Subject: **Economy – Post COVID-19 Economic Recovery**

Portfolio Holder: **Cllr David Davies, Executive Member for Regeneration and Economic Development**

Report Submitted by: **Ellie Fry, Head of Regeneration and Development**

Reporting Pathway								
Directorate Management Team	**Corporate Leadership Team**	**Portfolio Holder / Chair**	**Audit Committee**	**Democratic Services Committee**	**Scrutiny Committee**	**Executive Committee**	**Council**	**Other (please state)**
04.09.2020		14.09.20			23.09.2020	14.10.20		

1. **Purpose of the Report**

1.1 To set out the proposed strategy that Blaenau Gwent will adopt in response to the COVID19 pandemic to support the sectors and businesses in the County Borough as a progress update on the ongoing work taking place locally and feeding into the regional initiatives.

2. **Scope and Background**

2.1 The COVID19 pandemic and lockdown have disrupted business and employment across Wales and the UK. The trading of most companies has been disrupted causing both short and long term issues across many sectors.

2.2 This report looks at the background of data collated from various organisations and think tanks and then applies modelling to look at the possible unemployment figures for BG. It also considers all the businesses that need assistance and those that can add most to the local economy for the future.

2.3 The strategy for recovery of the local economy does not include over £18m that has been invested into the economy through the various funds that have been made available to businesses and administered through Welsh Government and the Council (Economic Development and Finance teams.)

2.4 Figures from NatWest Business Survey Quarter 2 2020 indicated that:

- 76% of businesses in Wales were trading during lockdown; a higher proportion were trading at a far lower turnover than prior to the lockdown, and especially compared to the other three nations.
- 62% saw a decrease in turnover (versus 58% for the UK) with 27% losing half or more of their sales (versus 23% for the UK).
- For all businesses trading, 6% reported that their turnover had decreased to some extent compared with normal, with a quarter of trading businesses reporting turnover had decreased by more than 50%.

- 80% of large businesses (250+ employees) continue to trade, one in five temporarily closed - may be due to the higher proportion of these firms being in sectors like manufacturing and construction.
- Small firms (< 250 employees) experienced a marginally higher decrease in turnover although a greater proportion have lost more than 50% of their sales.
- By sector, the highest levels of current business activity were found in higher level professional services, reflected in the ease of working from home for employees.
- Two sectors hit hardest - accommodation and food service; and arts, entertainment and recreation - 4 out of 5 firms temporarily closed or paused with more than 50% decrease in turnover.

(Quarter 3 figures will not be made available until after September 2020).

2.5 Measured at the end of June 2020 the employment situation in BG saw:

- Rise of 1385 new claimants since March (almost doubled figs to 3,135). The rate on increase is 79% (which is below the Welsh ave increase of 97%). BG had proportionally more claimants to start with (e.g. in March one of the highest rates against resident population (16 to 4) at 4%. Now 7.2%

- Breakdown by age on increase shows similar proportions to overall increase.
  - 16 to 24 (310 new claimants) to 720 overall 76% increase (below Welsh average).
  - 25 to 45 (815 new claimants – noting bigger age band) 82% increase (below Welsh average).
  - 50+ (265 new claimants) to 615 (below Welsh average increase proportionally).

- Our current rates of new claimants which proportionally is one of the lowest across Wales at 76% is possibly down to having a bigger manufacturing base which remained open through COVID-19 although it has to be remembered that our unemployment was higher than other areas in the first place.

2.6 Following the end of the government funded furlough period in October there is strong indication that these figures could worsen and a number of scenarios have been put forward by different financial organisations for the UK.

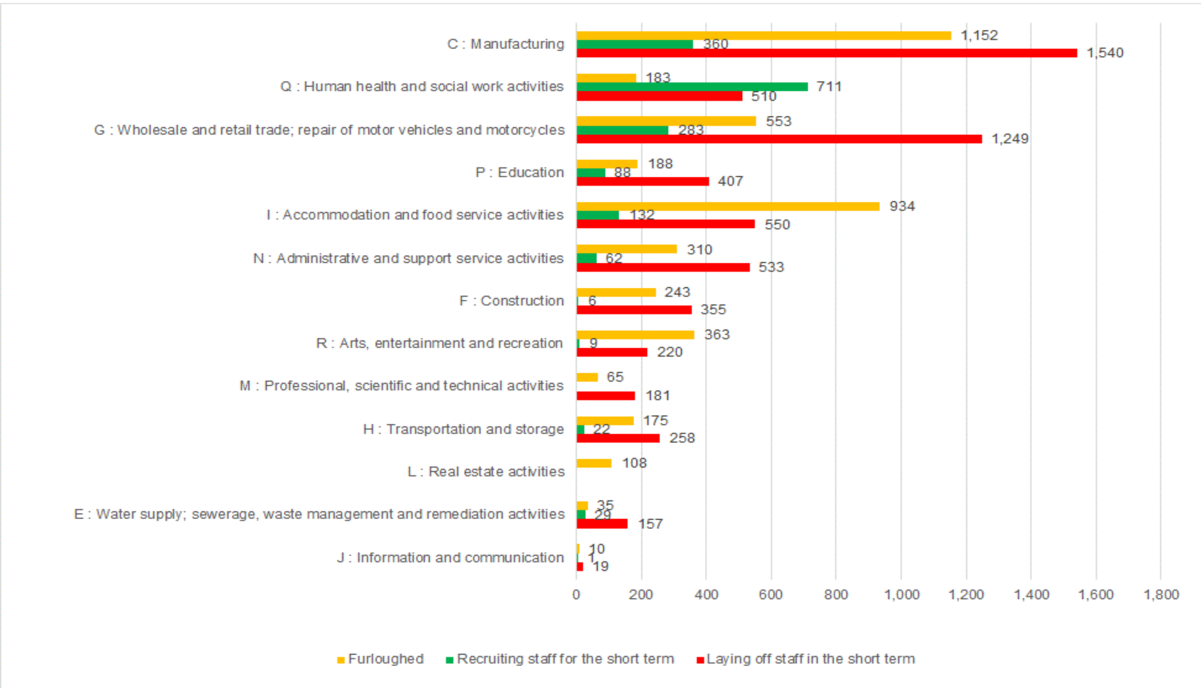
In terms of business closures estimated data is difficult to access but the Centre for Retail Research has predicted that across the UK some 17,565 shops will shut down during the year. The forecast is 9% higher than the 16,073 shops that closed during the course of 2019, according to the CRR’s Retail in Crisis end of year report. That’s 1,490 more shops than the 14,583 that closed in 2018.

Almost one quarter of all businesses temporarily closed or paused trading due to the COVID19 pandemic across the United Kingdom from April 2020. The sector with the highest share of business closures were those in the arts, entertainment, and recreation sector, with over 82 percent of them closed, compared with just 3.5 percent of human health, and social work businesses. Some of these may not reopen.

RF – Resolution Foundation,
OBR – Office for budget responsibility,
BoE – Bank of England (illustrative scenario)

2.7 The Loss of around 24% of the total workforce for the UK is anticipated as the worst case and indicates that between 15% – 23% in lower paid employment.

2.8 Looking at the COVID scenario modelling for BG; the sectors present in the County Borough have been identified and the percentages of potential employment loss have been applied to give a possible picture of what the resulting unemployment may be.



BRES (BUSINESS EMPLOYMENT REGISTER) 2018, BLAENAU GWENT

2.9 The COVID unemployment modelling has been applied to the different sectors and this gives us some actual figures for unemployment in BG. Worst case we could have just over 4,200 additional unemployed with 1,700 new employment expected over the same period. These figures have been modelled as the worst case scenario but need to be a large part of the considerations when putting together the response to the pandemic and recession.

2.10 The Bank of England reported in August that UK GDP is expected to have been over 20% lower in 2020 Q2 than in 2019 Q4. But higher-frequency indicators imply that spending has recovered significantly since the trough in activity in April. Payments data suggest that household consumption in July was less than 10% below its level at the start of the year. Housing market activity appears to have returned to close to normal levels, despite signs of a tightening in credit supply for some households. There is less evidence available on business spending, but surveys suggest that business investment is likely to have fallen markedly in Q2 and investment intentions remain very weak.

2.11 Alongside the potential disruption to businesses and resulting unemployment there are a number of trends and actions emerging, and we can begin to anticipate the initiatives we need to develop to enable BG businesses to adapt to the new situation:

- Digital maturity will be more important for business delivery across all sectors, and digital skills will become key.
- Plans for manufacturing moves to robotics, AI will be brought forward across the world and we need to be able to compete.
- On-shoring means more local supply chains will be sought from UK and EU by bigger businesses.
- More resilient businesses may mean more storage required for finished products and raw materials.
- Town centres will need a total rethink, almost everything retail will have some kind of on-line capability, if not based wholly on-line; hospitality venues have been the last to reopen with fewer staff.
- As homeworking grows more quickly smaller towns could benefit over cities and as businesses change their working model COVID proof spaces with more circulation area inside and out are the new office space.

2.12 The strategic approach contains a mix of short and longer terms actions across a range sectors with partners to assist with effective delivery. The main areas are set out below but some of these will require a regional or all Wales approach where BG will need to influence the economic recovery work.

- Manufacturing tech advice, investment and skills
- Digital skills program across all sectors
- Supply chain support, sites and premises (on-shoring facilitation)
- Specific support for growth companies and R&D in BG
- Identify initiatives for 18-24 post-ed work related training (e.g. FJF)
- Build the Foundational Economy
- Widen accessibility through innovative/sustainable transport solutions
- Enable more start-ups especially town centre and on-line
- Progress with Test Facility as future facing anchor investment to BG

2.13 Manufacturing Tech Advice, Investment and Skills –WG Innovation Team

- Working with WG Regional Relationship Manager
- Harnessing WG Innovation Team Services
- Using madesmarter.com as a template
- Gathering the relevant Innovation services into one package
- https://businesswales.gov.wales/expertisewales/support-and-funding-businesses/smartcymru
- Developing marketing collateral for businesses
- Targeting growth manufacturing businesses, include R&D support

2.14 Digital Skills Programme Across all Sectors

- Training and upskilling in business and in communities
- Working with Thales in cyber security skills delivery
- Working with Superfast Business Wales
- Feeding into the Regional Skills Partnership

2.15 Identify Initiatives for 18-24 work/training

- Aspire roll out to CCR (separate scrutiny report)
- Future Jobs Fund or similar possible WG scheme - influencing
- Partnering with HE/FE around the BG skills strategy initiatives
- Using MTC Future Skills Report (November due date)

2.16 Supply Chain Support (on-shoring facilitation)

- BG procurement supply chain work to be prioritised
- Working with RSLs on Foundational Economy Project
- Working with SWCC, CBI and IOD on initiatives to link large companies and SMEs with SME supply chain businesses
- Link in R&D opportunities
- Marketing BG sites and premises to potential supply chain businesses

2.17 Sites and Premises (on-shoring facilitation)

- Identification of BG sites that require work to become 'shovel ready'
- Work to be undertaken to BGs Industrial Portfolio
- Working with private sector partners and WG to ready sites
- Enabling 5G and high speed infrastructure for businesses and encouraging adoption

2.18 Support for growth / strategic companies in BG

- Identification of those strategic companies and growing companies in BG
- Work with WG and partners to understand their specific needs
- Finding the right package of bespoke initiatives
- Attracting in high growth tech start-ups (Tech Valley) through marketing

2.19 Enable more start-ups, especially Tech

- Work with the existing business support services to enable more start-ups especially town centre and on-line (using ProAct and ReAct)
- Link with DWP on post redundancy initiatives
- Work with business accelerators to support more tech start-ups
- Ensure we have more 'tech ready' business units in BG
- Market the Boxworx to small tech start-ups and university spin-outs

2.20 Build the Foundational Economy

- Effect – speed up steps needed to reinvigorate the scheme
- Town initiatives including pop-up and food business
- Online towns – one application (app) for easy online trading
- Make local supply chain links work better B2B

2.21 Enable workforce through innovative/sustainable transport solutions

- Transport Strategy brief to direct BG's future transport needs post COVID
- Integrated Responsive Transport (IRT) pilot project links to BID to service shift working
- 5G use cases for improving/ de-risking travel by public transport

Work has already started on a number of these initiatives with a number of projects being re-worked to take into consideration what is required post-COVID19.

3. Options for Recommendation

Option 1: preferred option

3.1 To continue working with partners to focus on the initiatives that will bring the most benefit post-COVID to BG. Those that will improve employment opportunities and support businesses to progress with digital improvements and a mix of home, virtual and shared space working.

3.2 **Option 2: do nothing**

To not undertake any further work to the strategy or work on joint initiatives with regional partners.

4. Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan

This review supports the Council's aims in the Council's Corporate Plan Refresh 2020-2022 in the following area:

- Support a fairer sustainable economy and community
- To enable people to maximise their independence, develop solutions and take an active role in their communities

5. Implications Against Each Option

5.1 ***Impact on Budget (short and long term impact)***

So far much of the COVID response budget for businesses has come from Central and Welsh Government. As we work through the projects we will have a better understanding of any budget implications.

5.2 ***Risk including Mitigating Actions***

The risks of doing nothing leave us with a large economic liability and a future recession that may last longer than the last.

5.3 ***Legal***

No legal issues associated with this strategic report.

5.4 ***Human Resources***
No HR issues associated with this strategic report.

6. **Supporting Evidence**

6.1 ***Performance Information and Data***
The supporting data has been supplied through the corporate team and business statistics from banks including the Bank of England. The actuals are based on Quarter 2 performance, but any scenarios are based on trends and the potential of what could happen.

6.2 ***Expected outcome for the public***
A number of initiatives that can assist individuals and businesses to adapt to the new normal post COVID.

6.3 ***Involvement (consultation, engagement, participation)***
The Blaenau Gwent Enterprise Board (BGEB) and the business support agencies are key consultees in this strategy.

6.4 ***Thinking for the Long term (forward planning)***
The strategy is considering the long term needs of BG and businesses in the County Borough to adapt to the new normal.

6.5 ***Preventative focus***
The strategy aims to assist business and workers in BG to understand and access assistance with the changes that are facing them over the next few years.

6.6 ***Collaboration / partnership working***
We are working in partnership with other Council Departments and a wide variety of business support agencies, Business Wales, Welsh Government and Housing Associations.

6.7 ***Integration (across service areas)***
The project team is made up of staff from Finance, Community Services, Environmental Health, Planning and Business and Innovation.

6.8 ***EqIA (screening and identifying if full impact assessment is needed)***
Screening has been undertaken and no full assessment is required.

7. **Monitoring Arrangements**

7.1 The reviews are being monitored through CLT, Scrutiny and Executive.

Background Documents / Electronic Links