

Report to: **Cabinet**

Date of Meeting 28 October 2020

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Covid-19 Economic Response and Recovery

Report summary:

This report provides an overview of the impact of the Covid-19 pandemic on the economy of the District, the initiatives that have been undertaken to mitigate this and those that are planned to support to recovery.

Recommendation:

It is recommended that Cabinet;

- Notes the work that has been undertaken to manage the immediate impact of the pandemic
- Supports co-ordinating economic recovery activity through the Team Devon approach
- Endorses the proposed policy to guide the deployment of Local Restrictions Support grant
- Receives a further report;
 - at the November Cabinet meeting setting out the resource requirements associated with supporting economic recovery
 - in 6 months detailing the progress made with supporting economic recovery in the District

Reason for recommendation:

To ensure that a programme of measures and initiatives is in place to aid economic recovery from the impact of the Covid-19 pandemic in the District.

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Portfolio(s) (check which apply):

- Climate Action
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets
- Coast, Country and Environment
- Finance
- Strategic Planning
- Sustainable Homes and Communities

Financial implications:

There are no direct financial implications at this stage. The Local Restrictions Support Grant will be designed to within the envelope of Government funding and a further report is recommended identifying the resources required to support economic recovery.

Legal implications:

The report does not raise any specific legal implications requiring comment.

Equalities impact Low Impact

Climate change Medium Impact

Risk: High Risk; The Covid-19 pandemic has had a profound impact on the economy of the District. The report identifies that we can expect further rises in unemployment, more business closures and ongoing challenges through the winter period. Whilst the report also sets out a package of measures to support economic recovery, sustained effort will be required and it will be important to keep the efficacy of these measures under review.

Links to background information [Team Devon Covid-19 Economy and Business Recovery Prospectus](#)

[DCC Cabinet Paper on Economic Recovery Programme \(item 10\)](#)

[Coronavirus \(COVID-19\): Local Restrictions Support Grant - guidance for local authorities](#)

Appendix 1 – EDDC Local Restrictions Support Grant Scheme Draft (attached)

Link to [Council Plan](#):

Priorities (check which apply)

- Outstanding Place and Environment
 - Outstanding Homes and Communities
 - Outstanding Economic Growth, Productivity, and Prosperity
 - Outstanding Council and Council Services
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1. Background and context

1.1 The Covid-19 pandemic has been described as the biggest economic shock for 300 years. The UK economy shrank by a record 19.8% in April. The overall forecast is that the economy is likely to contract by around 10% during the course of 2020.

1.2 The local economy has been in no way immune from the impact of the pandemic. The government's Local Economies Advisory Panel assigned a "red rating" to the economies of Devon, Plymouth and Torbay in April in recognition of the relative vulnerability of the area. Devon is predicted to be the fourth-worst impacted county in England, and the South West is predicted to host 7 of the 20 worst affected districts in the UK. It was estimated that the pandemic could put 123,000 jobs at risk in Devon and that the cost to the local economy could be £1.98 billion – 12% of the value of goods and services produced.

1.3 The County Council has commissioned economic modelling to understand the potential impact of the pandemic. Whilst the most optimistic of these anticipates a return to 2019 levels of employment and productivity in 2022, more pessimistic scenarios indicate that a return to pre-Covid-19 levels of performance is unlikely until 2027 and that employment rates will not recover until 2030 without significant investment between local partners and Government.

1.4 For the District itself the unemployment rate has increased from below 2% to nearly 5% and it is forecast that it could near 10% within six months. Around a third of the workforce has been furloughed. Specific sectors such as hospitality and leisure have been particularly hard hit. Exeter Airport has been the epicentre of over 1,000 job losses following the collapse of Flybe, the largest private sector employer in the District. There are likely to be structural changes which will have a lasting impact, notably for the High Street and the commercial property market. Key challenges including the need to raise productivity levels and to promote the transition to a low carbon economy also remain.

1.5 Now more than six months after the initial lock down period began, this report provides an overview of the work that has been undertaken to date to mitigate the immediate impact of the pandemic, takes stock of the current position and sets out forthcoming initiatives intended to support economic recovery.

2. Response Measures

2.1 A wide range of initiatives have been promoted nationally to mitigate the impact of the pandemic. Some of these, such as the Coronavirus Job Retention and Business Interruption Loan Schemes, have been deployed entirely independently of local authorities. Others have required the Council to play a leading or partnership role. Further activity has been instigated locally to respond to specific circumstances, most particularly where large scale redundancies has been announced. The full breadth of activity undertaken over the last 6 months is set out below;

Redundancy response – early experience with Axminster Carpets enabled a redundancy response network to be developed in East Devon such that redundancy response events can be delivered without delay. We are now working with the Department for Work and Pension (DWP) alongside regional and local partners such as training providers and the Citizens Advice Bureau to advise on the development and co-ordination of an effective county wide redundancy response network.

Business grants – three grants schemes have been administered through the Council as follows;

- Small Business Grants Fund (SBGF) scheme
- Retail, Hospitality and Leisure Business Grants Fund (RHLGF)
- Discretionary Grant Scheme

In total over £45m has been deployed to over 4,500 individual businesses and organisations with grants ranging from £1,000 to £25,000.

Rate relief – over £19m of business rate relief has been given to retail, hospitality and leisure businesses and nurseries in the District.

Hardship funding – The Council is also able to support individuals through the Council's Covid Hardship Fund Policy where we have funds available of £192,100. So far we have paid out over £32K with 164 awards made. Most of this funding to date has been used to provide immediate emergency short term support where people are struggling to meet their essential needs. However one of the main aims of this policy is to support our residents in building financial resilience and going forward we will be looking to use this fund to also help with addressing wider support needs; such as business advice and support for the self-employed.

Business support programme – a series of online workshops and webinars were commissioned through Cosmic to provide additional support to businesses during May and June. Topics covered included new ways to sell online, digital marketing and the use of social media platforms. Over 150 people took part in these events.

Business Ambassador - an ambassador programme is being instigated with some of the largest and most significant employers in the District acting as champions for East Devon. The programme will facilitate inward investment opportunities and will act as a platform for exchange of ideas and opportunities, sharing best practices, promoting local supply chains and East Devon more generally as a great place to do business. It is part of a Devon-wide approach to inward investment and business engagement within the Devon Delivers programme. A qualitative survey was undertaken in July and August to provide further insight in to the issues and challenges facing the business community and to help inform recovery planning.

Communications – a dedicated weekly business newsletter was introduced in March. Important updates were sent by email every week and supported by video/images/text on social media, advertising on social media and website. The email update was issued as a timely response to Covid-19 lockdown, business grants and support, the gradual opening up of the economy and the

many changes that businesses have needed to respond to. The number of recipients grew from 9,300 to 10,800 over the period to July. . Since this point updates for businesses have been included in the fortnightly Residents update. A further business update is scheduled for October.

3. Current position

3.1 Economic data indicates that following the initial lockdown, the national economy has started to rebound with positive growth in the period May to July. Analysis undertaken by the County Council highlighted that recovery will not be at the same pace everywhere, with gaps already starting to emerge across Devon. These include significant impacts on the tourism and hospitality, retail, construction and manufacturing sectors, as well as high levels of youth unemployment, and in the latest claimant count figures, a rise in worklessness amongst those over the age of 50. Similarly, market and coastal towns are also being disproportionately affected where there is a stronger reliance on some of the above sectors, and / or a reliance on self-employment.

3.2 Despite some indications of the positive impact of staycations, a recent survey of tourism businesses in Devon estimated that to the end of August approximately £1,023m of anticipated tourism business turnover had been lost due to Covid-19. Many businesses continue to operate at reduced capacity and the District has one of the highest proportions of its workforce furloughed of any area in the country.

3.3 The following table is taken from the Devon County Council Cabinet report on the Economic Recovery Programme which was considered at the meeting of the 14th October. The analysis helps to set out the relative position of the District in respect of other Devon authority areas.

Area	Universal-Claimant-Count-%-of-workforce			Workforce-Supported-(CJRS)-(SEISS)	%-of-Workforce-at-risk-of-unemployment			Predicted-Claimant-Count-Rates-March-2021	
	Mar-20	Jul-20	Aug-20		15%	5%	Seasonality	Projection-Mar-21-(High)	Projection-Mar-21-(Low)
Torbay	3.5	7.8	7.9	32.30%	4.80%	1.60%	0.7	13.4	10.2
North-Devon	2.2	5.7	5.9	33.10%	5.00%	1.70%	0.6	11.5	8.2
England	3	6.4	6.6	28.00%	4.20%	1.40%	0.2	11	8.2
Plymouth	3.5	6.5	6.6	25.90%	3.90%	1.30%	0.2	10.7	8.1
Torridge	2.3	5.4	5.6	31.40%	4.70%	1.60%	0.5	10.8	7.7
Teignbridge	1.9	4.9	5.1	32.20%	4.80%	1.60%	0.3	10.2	7
Somerset	2.3	5.1	5.3	29.80%	4.50%	1.50%	0.3	10.1	7.1
South-Hams	1.5	4.9	5	31.80%	4.80%	1.60%	0.3	10.1	6.9
Devon	1.8	4.7	4.9	29.70%	4.50%	1.50%	0.3	9.7	6.7
East-Devon	1.8	4.5	4.6	31.50%	4.70%	1.60%	0.3	9.6	6.5
West-Devon	1.6	4.3	4.5	28.30%	4.20%	1.40%	0.2	8.9	6.1
Mid-Devon	1.7	4.1	4.3	29.00%	4.40%	1.50%	0.3	9	6.1
Exeter	1.7	4.1	4.3	23.00%	3.50%	1.20%	0.3	8.1	5.8

3.5 The latest claimant count data to September highlights the particular impact on younger and older age groups in the District as set out in the table below;

	September 2018	September 2019	March 2020	July 2020	August 2020	September 2020
16 – 24	80	190	235	700	715	660
50 +	210	295	390	925	935	920

3.6 The Office for National Statistics undertakes a fortnightly national Business Impact of Covid-19 Survey (BICS). In this survey it asks by sector which companies are expecting significant cash-flow problems over the next 3 months. A number of businesses across all sectors appear to be expecting difficulties, with an uptick in most business sectors. Significant among this national analysis for Devon, is the cash flow concerns from the accommodation and food and construction sectors given the above average employment in these sectors.

Industry	15/06 - 28/06	29/06-12/07	13/07-26/07	27/07-09/08	10/08-23/08
Manufacturing	22.5%	22.1%	24.5%	21.3%	24.8%
Water Supply, Waste Materials	36.7%	39.0%	34.4%	31.6%	33.3%
Construction	37.5%	37.9%	38.0%	32.3%	38.3%
Wholesale And Retail Trade	24.8%	25.0%	24.9%	22.5%	20.7%
Transportation And Storage	27.5%	23.4%	31.1%	28.2%	26.6%
Accommodation And Food	48.5%	43.7%	45.6%	39.9%	37.8%
Information And Comms	18.3%	17.9%	16.4%	19.3%	15.9%
Real Estate Activities	13.5%	17.7%	24.2%	21.5%	28.2%
Professional And Technical	24.0%	24.3%	23.9%	23.5%	24.0%
Administrative And Support	33.1%	32.6%	34.2%	33.6%	35.8%
Education	17.1%	17.6%	16.8%	19.2%	17.4%
Human Health And Social Work	24.1%	27.4%	28.1%	25.4%	32.3%
Arts, Entertain And Recreation	35.2%	34.7%	31.9%	36.6%	33.1%
All Industries	28.3%	27.9%	28.6%	26.8%	27.6%

3.7 This data also correlates with the number of furloughed employees by sector. Whilst not available for the District specifically, the regional data highlights that the following sectors have the highest proportion of their workforce furloughed;

- Accommodation and food services
- Arts, entertainment, recreation and other services
- Construction

Recent analysis by the Resolution Foundation has also revealed that nationally nearly one third of lower-paid employees have lost their jobs or been furloughed, compared to less than one in ten top earners. The report also found that whilst the Coronavirus Job Retention Scheme had been well received, the support for the self-employed was less well understood with three in ten workers that did some self-employed work prior to the pandemic believing that they are ineligible for support.

3.8 The Economy Service at the County Council has also developed a vulnerability index drawing on a range of published socio-economic data to consider the more local impact of the

pandemic. The analysis of the hardest hit communities / wards indicates the following top 10 towns and communities. The index recognises underlying fragilities that were there before the pandemic and takes into account measures such as household income, skill levels, unemployment and other deprivation indices. When current data on claimant count numbers, the reliance on furlough and national income support programmes and Government backed loans it highlights the towns and communities that are most vulnerable to the current economic crisis and that would be most impacted by further economic shocks.

Most vulnerable localities in Devon on composite Vulnerability Index
1. Central Barnstaple and Forches
2. Central Newton Abbot
3. Central and West Ilfracombe
4. Teignmouth Town Centre
5. Central and South East Bideford
6. Totnes Town Centre
7. Dawlish Town Centre
8. Lynton and Lynmouth
9. West Dartmouth
10. Exmouth Town Centre

3.9 It can be seen from the table that Exmouth Town Centre falls within the top 10 most vulnerable localities in Devon. This is closely followed by Axminster (central and west - 12th) and Honiton (town centre - 13th).

4. Consumer spending

4.1 The Social Investment Business (SIB) and Tortoise Media have launched a Corona Shock tracker to analyse changes to consumer spending due to Covid-19 at a local level. The tracker follows spending based on card transactions. During April this highlighted a large decline in non-food spending (down -45%) with coastal and rural areas hit hardest due to lack of tourism. By June overall spending across England & Wales was down only -5% (compared to -40% just after lockdown) with grocery spending up about 10% and non-grocery spending down -15%. By July retail sales overall had recovered to levels seen before the pandemic but spending online was now 50% higher than it was previously. Coastal towns and tourist areas had by this point been boosted by staycation tourism.

4.2 The August data reveals that Devon performed more positively than much of the UK reflecting both the boom in staycation tourism and rise in footfall as well as the 'eat out to help out' campaign during the month. Spending in most coastal areas was up year on year, while many town and city centres have also seen spending recover to levels seen before the pandemic.

4.3 Consumer spending should though not be confused with footfall. Nationally footfall in town centres has fallen by 5% since 2015. Again there is evidence of differential impacts which analysis undertaken for the High Streets Task Force revealing that from March 1 to June 30 2020, footfall in smaller district centres fell by 34.5%, compared to a drop of 75.9% in larger cities over the same period. Further evidence in terms of footfall levels is in the process of being commissioned through the Reopening High Streets Fund (see below).

5. Outlook

5.1 As we enter a period of more restrictions, and a possible cycle of further national or local measures, the next round of economic consequences are hard to predict with any degree of certainty. There is though emerging evidence that the pace of recovery is now slowing. This coupled with uncertainty regarding the outcome of current Brexit negotiations is contributing to a general sense that the road to recovery will be both bumpy and prolonged.

5.2 The Chancellor has recently outlined the Winter Economy Plan to protect jobs and support businesses over the coming months. The package includes a new Jobs Support Scheme, extending the Self Employment Income Support Scheme and 15% VAT cut for the hospitality and tourism sectors, and help for businesses in repaying government-backed loans. Nevertheless there is an increased emphasis on businesses to determine whether particular jobs are sustainable moving forward which will undoubtedly lead to difficult decisions needing to be made.

5.3 The spectre of large scale redundancies in the final quarter of this year and the beginning of next year is therefore very real. We can expect rises in unemployment, more business closures and ongoing challenges for the local economy

6. Recovery Planning – Team Devon

6.1 It is in this context that efforts to support economic recovery need to be considered. ‘Team Devon’ represented the coming together of the county, district, city, town and parish councils, partner organisations and communities in response to the pandemic.

6.2 An Economy and Business Recovery Prospectus was published in July (see background links). This followed input from a steering group that included representation from the business community and training providers. The prospectus sets out a shared vision for economic recovery over the next three years and seeks an initial investment package of £56m to support the hardest-hit communities and sustain 6500 local jobs, deliver 5000 training opportunities and support 7500 enterprises.

6.3 The Team Devon approach and the development of the Prospectus has helped to set out clear priorities, galvanise partnership working and marshal resources. The prospectus provides a single economic programme for the County to respond to the crisis and helps to frame activity at a District level. It recognises how supporting our economy, businesses and workforce will improve the social, health, environmental and well-being of our communities and more vulnerable residents. This includes the importance of securing a green recovery.

6.4 Team Devon have recently submitted a case to Government with the backing of local MPs to retain circa £38 millions of unspent business grant monies awarded to local authorities. The County Council’s Cabinet has also recently considered a further programme of support across four specific themes as follows;

- Small and medium enterprises
- Employment and Skills
- Opportunities and Green Recovery and
- Towns and hardest hit places

This provides an opportunity to align activity alongside further support available through the Local Enterprise Partnership such as through the Getting Building Fund.

6.5 It is a specific recommendation of this paper that Team Devon approach is endorsed as the best partnership for coordinating economic recovery activity.

7. District activity

7.1 The next section sets out the activity that it is proposed to support our businesses, residents and places that will compliment this wider package of measures. This includes the opportunity to build back a more resilient, inclusive and sustainable economy. The activity is set out by theme;

Support for business

Adapt and Thrive programme – The Council has provided £40k for an enhanced business support programme. Cosmic and the Business Information Point have been commissioned to deliver a package of training, advice and direct consultancy. This will be shaped by the businesses that engage with the programme will be developed around their requirements. It is expected that this will cover topics such as adapting business sales strategy to reflect changes in buying habits, supporting staff work remotely, agile project management, marketing tactics and adopting new digital solutions and processes. The programme is open to businesses of all shapes and sizes, from the largest businesses to start-ups and established SMEs

Enterprise Zone – the Enterprise Zone is a long term designation designed to support large scale job creation. The September meeting of the Cabinet agreed to increase borrowing against future ring-fenced business rate income to circa £20m. This will be used to invest in projects that support the delivery of new jobs and commercial space which will also aid economic recovery and support opportunities for clean and inclusive growth.

Exeter Airport – The Airport has probably been the most impacted of any business in the District. A package of support was agreed by Cabinet in September to support the Airport moving forward. Measures included in this package, such as the enhancement of Long Lane, will now move forward to delivery.

Inward investment - Economic development will provide a swift and effective response to all inward investment enquiries. This will include those from indigenous businesses as well as foreign direct business opportunities following from our work with the Department for International Trade. Outside of EZ promotion, our primary proactive inward investment activity will be through our leading role in developing Devon Delivers with DCC.

Local Restrictions Support Grant - On Wednesday 9 September the Government announced there would be further funding to support businesses that are required to close due to any localised restrictions being put in place to manage coronavirus. This Local Restrictions Support Grant (LRSG) scheme must be administered by the relevant business rate billing Local Authority.

Local Authorities will receive two elements of funding:

- a) Funding to meet the cost of payments to businesses within the business rates system
- b) An additional 5% to be used as discretionary grant funding to support businesses which are closed but are not in the business rating system as well as businesses that may not be required to close but which are severely impacted

Grants will be issued for each three-week period that a business is closed following the implementation of localised restrictions and business closures.

A draft LRSG policy (see Appendix A) has been developed to guide the deployment of these funds. It is a recommendation of this report that this policy is approved.

Broadband - Supporting infrastructure such as ultrafast broadband and mobile telecommunications so that these services are extended across East Devon to enhance our urban and rural economies, improve service delivery and promote social inclusion

Support for people

Engagement with DWP the Department for Work and Pensions (DWP) has a number of initiatives designed to support people back in to employment. These range from job finding support and promoting digital inclusion through to support for specific groups such as younger people, the longer term unemployed and the homeless. Regular engagement meetings have been scheduled with local DWP colleagues to ensure that these programmes have maximum benefit locally. This includes considering the potential for flexible support funding to respond to the needs of specific communities in the District.

Redundancy response - Having established our redundancy response network in East Devon, we are now supporting DCC and DWP colleagues in the development and co-ordination of a county wide redundancy response network. We will continue to provide up to date local intelligence about planned or live redundancies in district, ensuring the relevant support and guidance is provided to management teams as quickly as possible. We will ensure any affected staff are as well informed as they can be about who can help them and what local opportunities exist for retraining and reemployment.

Kick Start – the Kick Start programme will provide funding to employers to create new 6-month job placements for 16 to 24 yr olds who are currently on Universal Credit and at risk of long-term unemployment. We will engage the relevant intermediary or provide gateway assistance for any business in East Devon offering fewer than 30 job placements. This will help to ensure that every employer and placement is given the best possible support and achieves maximum value from the scheme. .

Building Greater Exeter - Building Greater Exeter (BGE) is focussed on supporting the construction sector across Exeter, East Devon and Teignbridge to address the skills and recruitment challenges it faces. As founder sponsors, we maintain our engagement on the Steering Group to ensure an effective engagement programme, tangible support to employers and maximised opportunities for upskilling.

Support for places

Reopening High Streets Safely Fund – £130,992 of funding has been made available to the Council to introduce a range of safety measures to help get customers back to shops. A working group has been formed to guide the deployment of these funds in conjunction with town and parish councils.

One Public Estate Funding – The briefs for works in Axminster and Exmouth agreed pre-covid have been amended to reflect the changing priorities, with a particular focus now on recovery of town centres.

8. Assessment

8.1 The data makes it clear that the economic impact of the pandemic on the District has been profound. Vulnerabilities have been ruthlessly exposed and the scale of job losses has been unprecedented. The potential for further large scale redundancies is very real. .

8.2 This report details the measures that have already been undertaken to mitigate the worst of these effects to date. It is clear though that the full impact has yet to be felt and that sustained effort is required. The Team Devon approach represents a new spirit of collaboration to ensure that all partners pull together in this respect.

8.3 The evidence reveals that there will be differential impacts in terms of people (including age group and income level), places and sectors. It is essential that support is both tailored and targeted to where it is most needed. A recent national survey found that the Covid-19 pandemic had cost the average small business nearly £12,000 with 25% believing that that they are at risk of closure in the next 6 months. Over half of the businesses struggled to access government support or understand the eligibility criteria. With an economy that is dominated by small and micro enterprises this is clearly a cause for concern.

8.4 Looking forward the Council has a key role to play in terms deploying the package of measures outlined in this report. Targeted measures have already been agreed for the Airport, the most impacted of any business in the District. The Kick Start programme will help our younger residents gain access to employment. But we will need to keep all measures under review, both to ensure their efficacy and to address any gaps in provision. As highlighted above there is emerging evidence that redundancies are disproportionately impacting the 50+ age group for example.

8.5 Access to a decent, well paid job is a key determinant of peoples' quality of life. There are clear linkages here to the determinants of health including mental health. Proactive measure to support access to employment will therefore pay dividends in all sorts of ways. This includes to the delivery of the emerging Poverty Strategy.

8.6 The pandemic is likely to have lasting, structural impacts. The surge in online spending is likely to be one of these. Businesses will need to adapt to the new normal in this respect and the business support programme now being rolled out will help to facilitate this.

8.7 A return to business as normal may also be undesirable in other respects. This is most particularly the case in terms of the need to support a green recovery and the development of a low carbon economy. The Devon prospectus identifies specific opportunities, including for example through the retrofitting of the existing housing stock to become more energy efficient, to develop new employment and business opportunities whilst also securing large scale carbon savings. The ability to pivot towards achieving a more sustainable economy should not be lost. As such the pandemic could become the catalyst for a green industrial revolution.

8.8 Finally much of the activity over the last 6 months has necessarily been reactive. Agility and flexibility have been required in order to deploy the range of initiatives outlined in this report. There is now the opportunity to be more proactive looking forward and ensure key priorities are identified and that the relevant resources are in place. A further report will be brought to Cabinet in this respect.

9. Conclusion

9.1 The impact of the pandemic on the local economy has been profound. These have also been felt disproportionately by some age groups, places and sectors. This report is an opportunity to take stock of the measures that have been deployed to date to mitigate these impacts and, looking forward, to consider how best we can support recovery. In the context of an uncertain outlook it will be important to ensure that the efficacy of these measures is kept under review.

Appendix A: Proposed Local Restrictions Support Grant Policy