



heart of the
south west

local enterprise partnership

Covid-19

Route Map to Recovery



Heart of the South West has:

- 7 of the 25 local authority areas in England and Wales with the most jobs at risk (source: RSA)
- 8 local authority areas expected to experience a loss in output greater than the national average of 35% (source: Centre for Progressive Policy).

Whilst the overall number of cases in Heart of the South West is one of the lowest in the country, the economic impact is amongst the most severe of all places. Evidence indicates that the immediate impact is expected to be around a 35% loss of output, but focused disproportionately on coastal and rural areas where there is a greater reliance on the hardest hit sectors.

The mix of businesses in our area mean that the impact is expected to be deeper and longer here, with catastrophic consequences for jobs and livelihoods. For example, the tourism sector estimates that without a summer season £1.6bn will be lost to the local economy whilst many manufacturing and engineering SMEs are part of hard-hit aerospace supply chains reaching out from Bristol and Yeovil.

With an economy the size of Birmingham or Liverpool (£35bn), there is a strong and urgent case for a nationally funded recovery package.

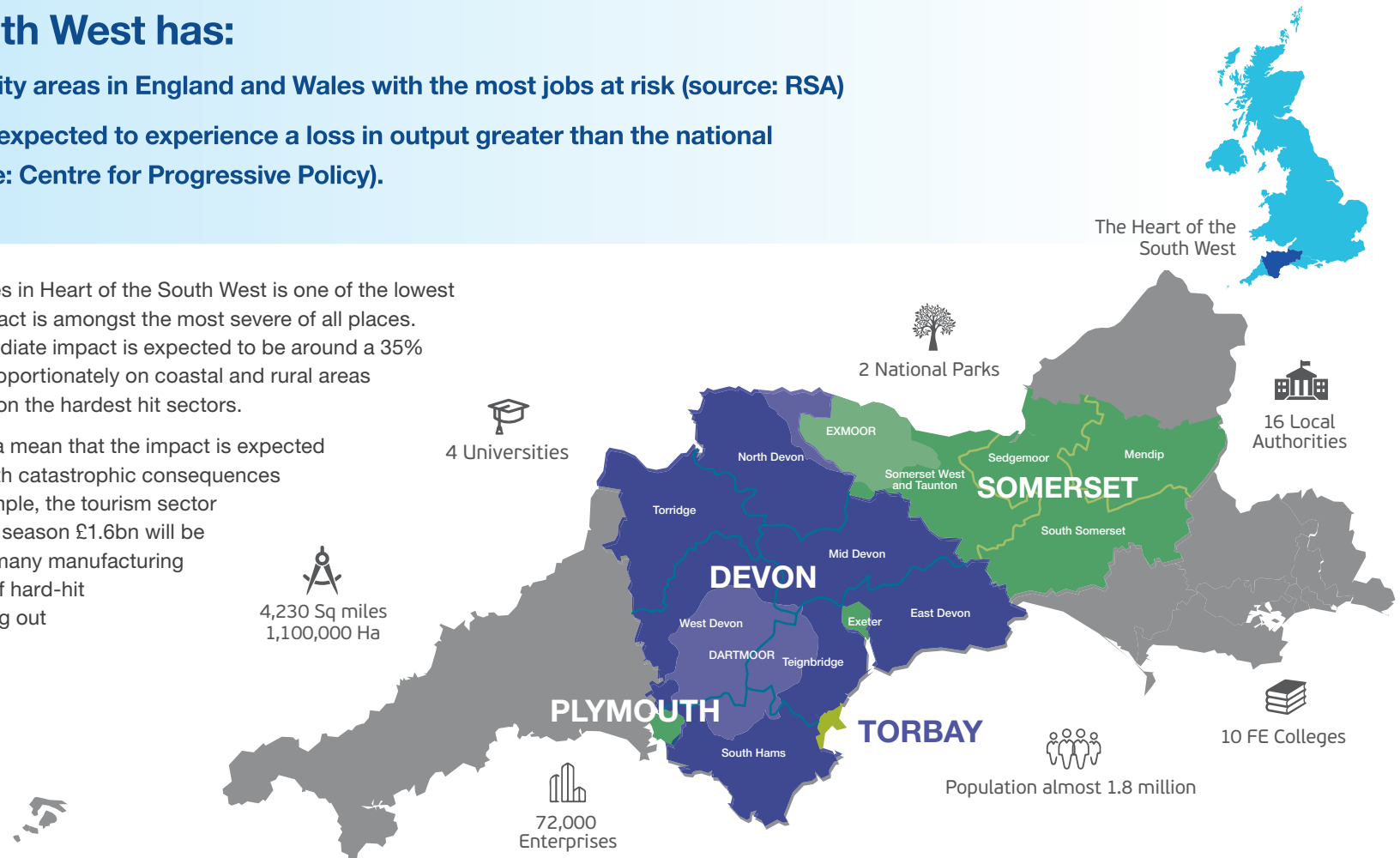


Figure 1: The Heart of the SW geography and key features

£35 BILLION ECONOMY
as big as Birmingham or Liverpool

Three phases to recovery - Restart, Revitalise and Grow...

...but the boundaries between the phases may not be clear and progress may not be linear. As we are moving out of lockdown, the purpose of the plan will be to enable us to Restart, Revitalise and Grow the Heart of the SW economy within the context of:

- Responding directly to the economic impact of the Covid-19 situation;
- Getting people back into employment and creating new good/high value employment opportunities;
- Stimulating innovation and R&D opportunities; and,

- Securing the right sort of recovery recognising the objectives, priorities and aspirations contained within our Productivity Plan – ‘Stepping Up to the Challenge’, the South West Rural Productivity Commission Report, and the as yet unpublished Local Industrial Strategy with a focus on Clean and Inclusive Growth.

Given the rapidly changing nature of the situation, this route-map will be a live document and updated on a quarterly basis for the foreseeable future. As part of that process we will also ensure that it aligns with emerging national and local recovery plans, including cross-LEP.

Figure 2: The Phases of Recovery



Issues and Priorities – From Evidence to Actions

The Heart of the SW has a number of underlying structural weaknesses and fragilities that contribute to its relatively low levels of productivity and these are being exposed by the Covid-19 crisis. The emerging evidence (which is continually being updated) points to four particular issues as follows:

▶ CHALLENGE 1: Rural and coastal areas, which are more dependent on tourism and retail, will be hardest hit

Economic performance varies significantly across the Heart of the SW and the crisis has the potential to deepen the divide between the best and worst performing areas. Rural areas and coastal towns where the economy is largely geared towards hospitality and retail will be most at risk of high job losses. Similarly high streets and town centres face an existential challenge, which will require a rapid transformation. Renewal will require a reimagining of the role and function of our urban area as well as investment.

Our Priority: Deliver investment to the hardest hit places

▶ CHALLENGE 2: The negative impact on some sectors will be profound

Whilst activities in some sectors such as Human Health and Social (i.e. caring) have grown as a result of increased demand, the negative impact on others is profound. Nationally, research shows that the most affected sectors where businesses have either temporarily closed or paused trading; or have a substantially lower turnover than normal are Accommodation and Food Service (98%); Arts, Entertainment and Recreation (95%); Construction (79%); and, Wholesale & Retail Trade, Repair of Vehicles (77%).

Locally, the impact of COVID-19 on the tourism sector, with its links to farming, food and fishing and the creative and cultural sectors should not be underestimated. It is estimated that we have already lost 20% of annual visitor spend up to the end of May, but by the end of July this jumps to 42%. If the summer season is lost altogether, the area will lose £1.6bn in revenue and 70% of tourism businesses believe they will close – reflecting the 3 winters effect.

Our Priority: Deliver investment to the hardest hit sectors

▶ CHALLENGE 3: A high proportion of jobs are at risk, particularly affecting young people

A high proportion of jobs are at risk in the Heart of the SW (including apprentices) due to the sectoral make-up of the area. Younger workers are at particular risk with 16 to 19 year-olds nearly twice as likely to be furloughed as middle-aged workers. Getting people back into employment and creating new good/high value employment opportunities will be essential to the area's recovery. However there has historically been a disconnect between the supply and demand for labour and the expected redundancy pattern is expected to exacerbate this. At the same time, provision of careers, education and guidance services are currently at risk and there is mounting financial pressure on universities, colleges and other providers as a result of the pandemic.

Our Priority: Deliver investment to nurture, develop and retain talent in the area

▶ CHALLENGE 4: Targeted support is needed to build back better

Prior to Covid-19 new jobs and investment were being drawn into the economy on the back of a range of unique sectoral strengths, aligned with the LEP's commitment to grow the economy by becoming a test-bed for new and emerging technologies that offer opportunities for clean and inclusive growth. These include high tech engineering, energy, digital and data sectors which remain crucial for our recovery. However, they have been affected in different ways and to varying extents by the crisis. These sectors require targeted support to mitigate the immediate impacts of the crisis as well as creating the infrastructure and conditions for innovation and R&D to support and our vision of transformational clean and inclusive growth.

Our Priority: Deliver investment to help us build a better future

Vision

The pace of the recovery will be uncertain. It is likely to stop and start and differ by area and sector. Whilst it is impossible to predict the future with any certainty, many commentators suggest that a rapid acceleration of pre-Covid trends seems highly likely.

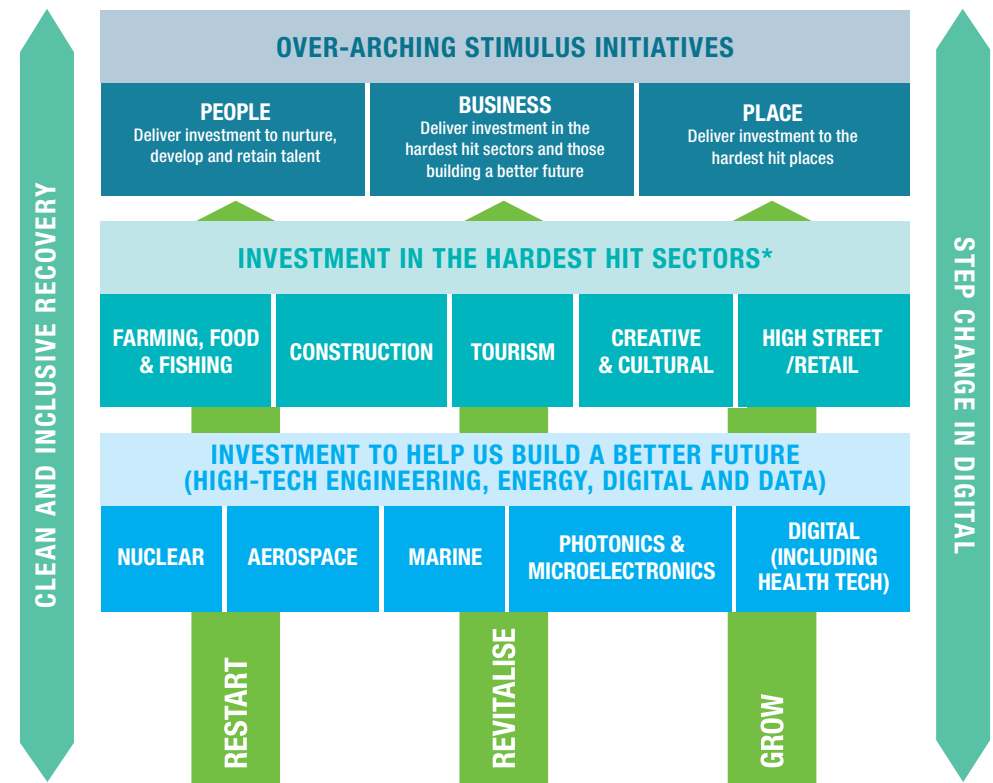
Trends such as digitisation, automation and remote working have all been fast-forwarded and investment in high streets and office premises may continue to decline and at a faster pace than before. Equally, other trends will transpire in the coming months and years. There is increasing momentum around using the global impact of Covid to make a step change to clean energy and Heart of the SW has strategically important assets which mean the area is exceptionally well-placed to capitalise on this.

Even with a high element of uncertainty, a vision for the future of the Heart of the SW starts to emerge, one which helps people and businesses to adapt and grow in the 'new normal'. Broadly this means:

-  **A step change in digital infrastructure, digital usage and digital skills across the area, supporting sectors, businesses and people to make the transition**
-  **Clean and inclusive growth and the long-term areas of comparative advantage (high tech engineering, energy, digital and data) being the basis for developing prosperity and resilience for the Heart of the SW. This will enable places and people to benefit from a new kind of growth, with inclusive recovery being a central tenet of our approach**
-  **Implementing short term measures to revive sectors which are very hard hit whilst also enabling those sectors to move into the future**

The LEP will be working with partners to develop and refine this vision in the coming weeks as recovery planning accelerates, but crucially investments targeted at the 'grow' phase of recovery will be strongly aligned with achieving this vision. The approach to our recovery is illustrated below.

Figure 3: Approach to recovery



*The list of hardest hit sectors may change as more evidence becomes available

Working in Partnership with Government to Unlock Recovery

Our locally led response, based on the evidence and partner commitments, will ensure the most efficient and fiscally responsible recovery for the Heart of the SW.

We ask that Government supports our approach by:

1. Unlocking existing funds to support immediate investment into our area - as a series of 'quick wins' this includes:

- Approving the pipeline Strength in Places bids
- Contracting the European Regional Development Fund and European Social Fund projects at the second stage of application
- Implementing sector deals by
 - announcing a tourism zone for the area as per the sector deal to improve productivity through broadening the season, real-time data and skills and training to improve resilience
 - finalising the £10m supply chain support for the nuclear sector.

2. Committing to the delivery of nationally significant infrastructure – including digital infrastructure as well as road and rail (such as the A303, the sea wall at Dawlish and increasing the capacity of the grid) which will support key industries such as construction whilst enabling us to have the right infrastructure for our recovery.

3. Facilitating a local Covid-19 Recovery Fund – to support all three stages of recovery. A locally managed capital and revenue Fund will drive recovery in key opportunities.

4. Aligning national skills funding and activity with local priorities – allowing freedom and flexibilities in funding streams such as the Adult Education Budget and National Retraining Scheme to enable us to deliver effective local responses.

5. Greater furlough flexibilities for hardest hit sectors – recognising that some sectors are likely to be hit deeper and for longer.

6. Working to secure a SW Rural Productivity Plan and Coastal Communities Plan – recognising that those areas have a higher concentration of hardest hit sectors and need specific actions.

7. Publication of the area's Local Industrial Strategy – built on a substantial evidence base and with strong local support, the Strategy sets out the local and national work needed to deliver clean and inclusive growth for the area.

8. Recognising the Great South West – a partnership with Government outlined in the Great South West prospectus created by the Cornwall & the Isles of Scilly, Dorset and Heart of the SW LEPs.

Next Steps and Milestones

Our next steps are to:

- Use evidence effectively – including commissioned studies such as the SW Economic Impact Assessment and embedding data-driven decision making. DATE: ON-GOING
- Develop our investment pipeline – including both capital and revenue projects aligned with the priorities above to support recovery and growth. DATE: END OF JUNE
- Respond to challenges – using the LEP area's task force to review each challenge and ensure that we have a coherent local response. DATE: END OF JULY
- Consolidate local strategies - bringing together the Heart of the South West's Productivity Plan, Rural Productivity work, Local Industrial Strategy and Covid-19 response into a single, overarching delivery plan with clear outcomes to guide our actions for the next 3 years. DATE: END OF SEPTEMBER