

North East Covid-19

Economic Response Group

North East COVID-19 Economic Response: Our work so far and next steps

June 2020



Introduction

The North East COVID-19 Economic Response Group is made up of the North East Local Enterprise Partnership (LEP), North East and North of Tyne Combined Authorities, the CBI on behalf of business organisations, North East Joint Transport Committee and regional universities. The collaboration provides a platform for regional leaders to work together and ensure we have a shared understanding and respond together to the economic impact of COVID-19 on the North East economy.

The Group works alongside other partners in the region responsible for public health, regional resilience, transport and community safety through the COVID-19 regional recovery arrangements.

[The North East LEP Board](#) considered a detailed report on the work to date at its meeting in May 2020 and this short paper is a summary of that report. A full economic recovery plan will follow in due course.

Why do we need an economic response to the impact of COVID-19?

COVID-19 is affecting us all, and not just our health - it's also a social, economic, cultural and emotional crisis. Giving our people and our businesses confidence, hope and leadership is crucial as we adapt to the 'new normal'.

The COVID-19 pandemic has brought the biggest economic shock of our lifetimes, with no straightforward recovery. Our response should be of the same proportion, if we are to return our region to positive economic growth. We need to mitigate the impacts of COVID-19, and identify new opportunities for our businesses and residents to take advantage of.

There has been an unprecedented scale of government intervention which will continue to shape the recovery. Social distancing and the need for personal protection will be prominent for some time to come. This will bring about challenges for our businesses as they welcome employees back to the workplace and for our people as they begin to move around the region again.

The collaboration provides a platform for regional leaders to work together and ensure we have a shared understanding and respond together to the economic impact of COVID-19 on the North East economy.

Our entire communities will be impacted by this pandemic – online working, personal communications and services, and shopping are just some of the things that will change.

We've seen more people enjoying walking and cycling, something hugely positive, which could play a longer-term role in improving health and reducing carbon emissions, supporting our quest for a greener economy.

We also know that pre-planned investment and economic activity may not roll out in the way that was intended, and whilst damaging in the short term, this gives us the opportunity to work with government to develop investment plans for more and better jobs and those that can shape a new and more sustainable economy.

The impacts of COVID-19 will vary and we need to make sure that all of our business sectors and places, including our cities, market towns, highstreets and rural communities, are heard and represented as part of this recovery planning.

What has the economic impact of COVID-19 been on the North East so far?

At the moment, official statistics on the impact of Covid-19 on the North East economy are limited. The pace of change has outstripped the ability of data collection to keep up.

However, we are committed to ensuring any recovery plan for the region is based on robust evidence and intelligence. As we look to inform the plan, we are using official data sources, talking to our businesses and leaders and conducting a range of surveys to capture information and evidence on the impact of COVID-19.

Some of the insights are detailed below:

National impacts



20.4%

fall of overall GDP from March to April 2020



28%

of businesses had been paused during the period between 23 March – 17 May 2020



91%

said that their turnover was outside normal range during that period, with 55% substantially lower than usual

Regional impacts



43,000

more people were on Universal Credit in the North East LEP area (35%) between 12 March and 9 April.



215,100

furloughed in the North East LEP
23.7% of the workforce



50,900

claims were made to the Self Employment Income Support Scheme from the North East LEP area up to 31 May 2020, for a total value of £134.2 million.

North East Growth Hub survey

– we asked over 600 businesses if and how they were being impacted by COVID-19



97%
of surveyed businesses had
been impacted by Covid-19.

Challenges included:



55%

access to domestic customers



29%

their supply chains



26%

and availability of staff



85%

worried about future income



35%

worried about potential
closure



44%

noted supply chain disruption,
which will complicate the
re-start process



Many communities are
vulnerable to **tourism** and/or
anchor employers



Many are vulnerable to
long periods of **social distancing**
or **further lockdown**.



Return of demand and consumer
confidence is uncertain – **inhibits
business planning** and highlights
need for new forms of business
support

Sector impact

Many sectors came to a halt during lockdown



Non-food retail



Personal service



Leisure and tourism



Culture



Construction



Some manufacturing

Some sectors were more resilient



Digital



Professional services

How is COVID-19 impacting our people?

It's not just our businesses but our people who are impacted too. People across our region have faced multiple challenges as the pandemic has developed and the lockdown has been implemented and eased.

Workers in our health services, retail and logistics sectors have been crucial in supporting our region through the crisis, with gratitude for their service being felt across our communities.

Workers in sectors such as energy, water, call centres and local authorities have provided essential services and should not be forgotten as they have continued to work through this crisis.

Furloughing through the Job Retention Scheme has protected the incomes of over 215,000 people in the North East, bringing both relief and uncertainty to families.

We have a responsibility to continue to work with and lobby government to ensure that support packages are in place for as long as is required, and they are wound down sensibly and effectively.

Even with unprecedented government support there has been an uplift in unemployment and emerging data suggests that without ongoing support, we could see rapid unemployment, low pay, job insecurity, mental health challenges and wider social disruption. Right now, we are seeing more redundancies and a lower level of recruitment.

Our young people are particularly vulnerable in light of the impact on work, training and education, with disruption of normal processes of securing qualifications, finding a job or going on to higher education or an apprenticeship. Without intervention, long term educational and employment inequalities are likely to be exacerbated by school disruption and as work placement opportunities fall.

As we move forward, we are determined not to lose sight of our wider ambitions to deliver more and better jobs, accelerate the move to a net zero economy and build a strong, diverse and resilient regional economy for the future. This shared experience has reinforced the importance of these goals.

So – we need to plan

All the intelligence shows that the impacts of COVID-19 will be with us for some time.

The constraints of social distancing will continue to impact on businesses and communities, particularly for those who are vulnerable, until the virus is beaten, or a vaccine is developed and distributed.

There is likely to be a slow and uncertain lifting of restrictions with the potential for further lockdowns.

The process of recovery will be challenging, unless we can be creative and do things differently. We will need to find a new approach to continue to benefit from the international economy, which has itself been disrupted. This is essential to our overall trade and investment, and to our manufacturing, services and tourism businesses in particular. We also need to further develop our sectors which appear to have the greatest opportunities, including digital, health and life sciences, manufacturing and energy.

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What happens if we do nothing?

We have looked at different scenarios about what happens to our region without a plan and will keep these under review. However, our best guess would suggest that without intervention we will see:

- Very high youth unemployment in Autumn 2020 and throughout 2021, along with high adult worklessness
- Large scale closures of small and medium sized companies and some significant corporate failures
- Commercial property market downturns and the halting of construction of some office and retail schemes
- City and town centres struggling to re-establish retail and service activities and needing to adapt their space and their infrastructure to make that happen
- Pressure on universities and colleges with demand for places and courses from candidates trying to avoid unemployment, whilst losing lucrative international students and research income
- Disruption to rural and coastal communities due to challenges in sectors like tourism, culture and farming
- Pressure on capacity on our transport system and digital infrastructure.

What is our response?

Our response is to develop a phased recovery plan, which involves short term stimulus, medium term adaptation and then longer-term rebuilding of the North East economy, with each phase being underpinned by ongoing intelligence gathering.

Collaboration is key, both regionally across local authorities, combined authorities, the public, private, voluntary, community and social enterprise and education sectors working together.

Our relationship with government is critical during the development and implementation of our plan – our regional activity needs to be aligned to government's thinking about unlocking the economy, protecting health and we need to influence the provision of ongoing national support and investment schemes. We need to ensure government understands what the region needs and shape it to best effect. And above all we need to be ambitious for our region and ensure it strengthens its contribution to the wider UK economy.

Our planning is structured around three phases with broad timelines based on our understanding of how long these phases are likely to last. We recognise that these timings may change, for example if there is a second outbreak of the virus, which leads to a further government lockdown. It is important that through our intelligence gathering and collaborative regional approach, we remain agile in response.

COVID-19 Economic Response - a phased approach

Phase	1: Release from lockdown (1-6m)	2: Living with COVID-19 (6-24m)	3: Recovery and long-term (24m+)
Focus	Adapting, planning and early action	Managing transition and stabilisation under ongoing controls	Rebuilding and growing our places, services and industries
Detail	<p>This phase covers the period during which the lockdown arrangements and current support arrangements are progressively removed by government and is likely to last through the summer and into the Autumn 2020. We'll be focused on stimulus actions to build confidence, looking to refocus existing support programmes and ensure new resources are focused where they are required. Our local authorities are also leading actions to enable the safe return to using our high streets, town and city centres.</p>	<p>During this period, we will be working to stabilise and strengthen the economy within the parameters of the restrictions that remain in place; adapting to change, repairing damage and building demand. We will also need to have the ability to react to economic shocks such as a second outbreak of the virus and the impacts from the UK's exit from the European Union.</p>	<p>By this point, our expectation is that our economy will be stable, that businesses have been growing and people succeeding, but still under some controls. As we finally exit into a post-COVID environment our aim will be to drive forward strategic programmes, aimed at ensuring the North East is on a clear economic growth trajectory. We expect to still need to take action targeted at repairing specific damage and accelerating lagging sectors and will also want to fully embed the pivoting of the economy to 'new normal' characteristics of a greener, more productive and inclusive economy.</p>
Asks of government	<p>It's critical there is engagement in decision making as economic support packages are phased out such as the Job Retention Scheme, to mitigate of the impact on our region.</p> <p>We will be asking for maximum flexibility on the use of existing resources through local decision making to support our priorities and target investments into stimulus opportunities.</p>	<p>We need to ensure that national programmes are effectively targeted on the needs of the North East and that additional resources are allocated through existing bodies in the region to ensure that we have the capacity to support our priorities.</p> <p>We will also be asking that national investment programmes are devolved such as the proposed UK Shared Prosperity Fund (UKSPF), with the levelling up agenda paramount.</p> <p>National investment programmes focused on levelling up the economy by investing in the opportunities in our region and delivery is developed locally.</p>	<p>We will we will be seeking a new Deal with government to ensure we have the powers and resources we need to build a strengthened and more sustainable regional economy for the future including:</p> <p>Strengthened governance arrangements and devolved powers in key areas of the economy</p> <p>New flexible funding so that we can move forward our shared economic ambitions set out in the region's Strategic Economic Plan, which will itself be refreshed to ensure it encapsulates the economic ambitions as we move through the recovery phases.</p>

Phase 1: Release from lockdown

Action	Detail
Ongoing support programmes for businesses and people	<p>Collectively we will continue to provide ongoing advice and support to people and businesses in our region throughout this period through:</p> <ul style="list-style-type: none">• The North East Growth Hub and business support services including the Growth Hub COVID-19 toolkit• The Skills Advisory Panel, which will co-ordinate the work of a range of labour market interventions in the region including job match services• Ongoing action to ensure that regional businesses contribute to solving national innovation challenges and problems, as well as new activities to bring innovation support to the region• Strong support from local authorities for residents and communities
Stimulus actions	<p>This will see the provision of sectoral support in areas of strategic importance, as well as the optimisation of COVID-19 related opportunities, including:</p> <ul style="list-style-type: none">• An automotive and advanced manufacturing growth and diversification programme• Offshore Wind Supply Chain proposition• Pharmaceuticals Supply Chain proposition• Digital adoption programme through Combined Authority initiatives and Made Smarter resources.• Local food promotion initiative• Planning of programmes for those sectors which cannot be restarted or recover quickly, for example, tourism and cultural and those sectors which rely on international links such as higher education and international travel.
Support as lockdown is lifted	<p>This will see the development of a range of new activities to help local businesses and residents as lockdown is lifted and government support is wound up, including:</p> <ul style="list-style-type: none">• The initiation of a North East Growth Hub COVID-19 Restart programme• Startup programmes targeted at newly redundant employees, graduates and previous business owners• Employment support and skills initiatives targeted at those affected by unemployment or the end of furlough• Restart of schools and colleges and education, apprenticeship and careers initiatives targeted at young people whose progression has been interrupted• Property matching service to support businesses and property owners• Ongoing regional financial support programmes and targeted initiatives including a patent security finance package to help precommercial businesses retain the value held in their IP• A targeted initiative to retain high value science and research skills in the region in partnership with universities, catapults and businesses

Innovation and incentives to solve challenges

This will identify and secure investment for programmes which can increase capacity in the region, consolidate positive changes generated during the pandemic response and create tools that help solve challenges, including:

- The initial re-configuring of transport and town and city centre infrastructure to maximise capacity so businesses can open and people can travel safely
- Active promotion of health and carbon reducing behaviours including walking and cycling
- Support for businesses and residents to incentivise wider industrial digitalisation and digital adoption
- Support for businesses and health bodies to help them continue to innovate in healthcare delivery
- The development of an innovation support hub, which provides advice, practical support and capacity building action to help partners innovate in response to new challenges they are facing

Continued intelligence gathering, monitoring and scenario planning

This will see a continuation of the initial phase of data and intelligence gathering in place, ensuring a strategic approach to economic data and intelligence which guides decision making throughout the response

initial planning of longer-term actions

There are a number of additional issues which will need significant attention in later phases of the economic response. For example, COVID-19 related changes in border controls in other countries which might facilitate travel and tourism, the national focus on net zero and the UK's Exit from the European Union. Work is to be accelerated and will include:

- A strategic working group to co-ordinate a future approach to internationalisation
- Completion of our proposals to facilitate trade through a Free Zone
- Combined Authority support programmes and support for local authority led efforts will be critical in the tourism recovery. We'll also refocus the Tourism Action Zone
- Collaboration with partners to develop a cross-cutting green economy and natural capital investment plan

Phase 2: Living with COVID-19

Action

Detail

An agenda for economic recovery

This will see our agenda for economic recovery and strategic economic development set out in an updated plan for the region, including:

- A new business support and finance offer to create a strengthened private sector delivering more and higher quality jobs
- Sectoral recovery plans focused on supply chains and securing new markets and investment at home and abroad
- The first phase of our Innovation programme – focused on new markets and the diversification of our key strategic sectors
- A 'Good Work' commitment from employers to achieve our vision of more, better quality employment
- A range of labour market and skills programmes, supporting people to adapt to changes in the labour market
- Development of place deals and implementation of plans for towns, city centres and rural areas to ensure that local leaders have the tools they need to restart and recover their communities
- Completion of our regional Transport Plan and a new Digital Infrastructure Investment Plan, setting down our infrastructure priorities of the future

Phase 3: Recovery and long term

Action	Detail
Regional transformation	<p>Phase three will see transformation across the North East marketplace, including:</p> <ul style="list-style-type: none">• Business support, finance and labour market programmes attuned to the needs and opportunities of our region• An Education Challenge programme which improves our education system and delivers skills for the future• Accelerated innovation priorities, with new regional assets and international focused innovation partnerships better connecting the North East to science and innovation opportunities at home and abroad• A new international agenda, ensuring we have the access to talent, investment and markets which grow our economy• New approaches which level up the economies of our towns, city centres and rural areas. This will be through place based and connecting infrastructure, taking advantage of their internal assets and connecting them to opportunities across the region and beyond• A strategic culture and tourism strategy, which strengthens our sense of pride and place and connects and communicates effectively to new markets

What have we done so far?

Since its creation in March, the immediate focus of the COVID-19 Response Group has been to support businesses to remain operational, keep people in employment, understand and respond to the impact on education and our communities, and to work with partners to solve industry challenges.

A coordinated response from senior regional leadership has been central to everything we have done. We will continue to use our collective influence and voice to reassure the North East public and to work with government as we move through this challenging period.

Businesses have been supported by:

- Our seven local authorities successfully deployed £342 million government grant support to 84.5% of businesses who were eligible. This compared to the English average of 77.6%.
- A [COVID-19 toolkit](#) via the North East Growth Hub designed to give businesses the latest information, advice and guidance.
- An active programme of one to one support for businesses through the North East Business Support Provider Network to help businesses overcome short term challenges
- The launch of the [£1million Crowdfund North East](#) which supports micro-businesses that may have fallen through the net of the national Small Business Grants Fund or Retail, Hospitality and Leisure Grant Fund. The Fund has approved grants totalling £160,000 to 45 micro businesses, with the average award being around £3,500. More than 70% of the grants have been awarded to businesses that have received no other covid-19 related public funding support.
- The supply of intelligence and data from our online survey to government helping them to refine their interventions to support the regional economy.
- Increased grant funding and intervention levels have been approved by the North East LEP to enable the Supply Chain North East Programme to support more SMEs to enter the health and care sectors.

People have been supported by:

- The Skills Advisory Panel, which has ensured that there is a single point of co-ordination between government bodies, regional agencies, education organisations and local authorities in order to share intelligence and deliver action
- The North of Tyne Combined Authority (NTCA) pledged £5 million to support local authority work with businesses and communities in the North of Tyne respond to COVID-19
- Rapid signposting for those who need additional financial support, ensuring access to the full range of welfare including Universal Credit
- The capturing of early indicators of the pandemic's impact on communities to allow specific localised challenges to be identified and responded to
- The development of a COVID-19 Job Opportunities notice board to match people who need work with employers seeking staff, highlighting opportunities and promoting 'good work'
- An evolving employment support offer for employers which is promoted and brokered through the Growth Hub connectors, mapping existing schemes and proactively targeting emerging challenges
- Pooled resources and sources of data and intelligence to create a single programme that develops labour market information as we move through the COVID-19 response. This incorporates an asset map of current employability and skills provision through FE, ILPs and HE and includes estate and infrastructure
- Ongoing work to develop an integrated and coherent offer for young people, which will help them to continue their studies, progress into tertiary education, access careers guidance and to continue to have opportunities for work experience, apprenticeships and graduate placement opportunities
- By supporting and championing our education sector to respond to challenges and impacts on their students and their own institutions .

We've also taken an innovative approach by:

- Promoting national challenge activities to connect regional businesses with national efforts to accelerate the production of vaccines, ventilators and personal protection equipment
- Developing a regional campaign to highlight the opportunity for local businesses to diversify and produce Personal Protective Equipment to help meet growing demand
- Working closely with partners in the region in the catapult network and NHS to identify individual businesses who could be part of a development consortia
- Providing advice and support to businesses so they can work with government where they have a technology or service offer which could make an impact nationally
- Supporting the rapid effort by the NHS and other partners to establish the North East Nightingale Hospital in Sunderland.

The North East COVID-19 Economic Response Group hopes that you have found this summary of our activity and planning work helpful. We want you to have confidence that senior leaders across the region are working together to mitigate the impact of the pandemic on our economy and that our planning is designed to move our region to recovery in the swiftest and most impactful way.

For more information, please email info@nelep.co.uk