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**Report to:** Overview and Scrutiny Committee

**Date:** 11 September 2020

**Subject:** **COVID-19 Economic recovery and analysis**

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**Directors:** Brian Archer, Director of Economic Services

**Authors:** Henry Rigg et al.

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## **1. Purpose of this report**

- 1.1 To provide an update on the latest economic and business intelligence and the latest activity and intelligence around understanding the impact of COVID-19.
- 1.2 To provide an update on progress on the delivery and development of products and services in response to the COVID-19 crisis.
- 1.3 To present the West Yorkshire COVID-19 Economic Recovery Plan endorsed by the Combined Authority.

## **2. Information**

### Context

- 2.1 Although it is too soon to define what will happen to the economy over the coming months, our response work and recovery planning to date has responded to significant evidence and intelligence gathered on a number of important issues being collected and collated in a weekly published monitoring report. Key issues raised to date include:

- Cash flow and immediate access to finance
- Implications for employment, self-employment and the skills system, with particular links to the furlough situation moving forward
- Lockdown issues related to output and activity
- Safe return to work as some lockdown measures are eased
- Pressures for the transport system and on town/city centres

### Economic Recovery

- 2.2 As has been reported previously, the longer-term planning for economic recovery for West Yorkshire is being overseen by a West Yorkshire Economic Recovery Board<sup>1</sup>, which is a working group of the West Yorkshire Combined Authority and brings together the five West Yorkshire Leaders and LEP Chair with partners from the private sector, trade unions, public bodies and the third sector, to develop robust plans for the region's economic recovery and to help build an inclusive and sustainable economy for the future.
- 2.3 A draft economic recovery plan was produced with input from a wide range of stakeholders, including the Panels of the LEP, and was endorsed initially by the Combined Authority on 27 July, with further work taking place since to update propositions (see 2.5) and to include more on culture and the role of places.
- 2.4 **Appendix 2** to this report is therefore the updated and first complete iteration of an Economic Recovery Plan for West Yorkshire, that will need to continue to develop over time, which the Combined Authority are asked to endorse. The plan focusses on three action areas of **good jobs and resilient businesses, skills and training** and **accelerated infrastructure**, and two overarching goals of **inclusive growth** and **sustainable environment**. The plan sets out what steps are required by national government, at a regional level, and how this aligns with local authority level activity, across three stages of rescue, re-imagining and resilience. Across the plan there are **initial funding asks in the order of £1.4bn**, which will need to be further refined and developed subject to future announcements and further understanding of the impact.
- 2.5 Within this outline funding ask, the economic recovery plan also looks to establish a number of distinctive West Yorkshire propositions that can deliver not just for the region's recovery, but also make a significant contribution to the UK economy as a whole. Each of the four propositions (to which further propositions may be developed), includes both an offer and ask to Government. Details of these propositions are included in the appendices:
1. **Health innovation** (£60m) – building on the region's world-leading strengths in devices, data and diagnostics, unlocking industry collaboration, skills and a globally positioned Act Early institution on disease prevention.
  2. **Lives transformed by digital tech** (£158.9m) - ensure no one is left behind in a digital and tech enabled future from the basis of the fastest growing digital sector in the UK, driving broadband infrastructure, digital skills and Made Smarter investment to support digital adoption in manufacturing.
  3. **Transition to Net Zero Carbon Resilient Economy** (£191.98m) – supporting our net zero 2038 target, with unique industry strengths in low carbon transport, clean agri-tech, construction and circular economy, delivering a pipeline of critical green and blue infrastructure,

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<sup>1</sup> Further details on the full membership and terms of reference of the recovery board can be found at: <https://www.westyorks-ca.gov.uk/erb>

up to 71,300 jobs and skills and training to help people retrain into low carbon opportunities.

4. **Entrepreneurship** (£340m) – focussed on the diversity of our communities, our existing scale-up performance and our MIT REAP programme for high growth pre-starts, unleashing an entrepreneurial revolution, transforming empty properties and providing accelerator funding for high-growth potential start-ups.

- 2.6 The plan aligns with, but does not seek to duplicate, local plans being developed by Councils, two of which have already now been published in West Yorkshire<sup>2</sup> as well as the Transport Recovery Plan and other regional plans e.g. on health, tourism and culture.
- 2.7 As the implications of COVID-19 continue to develop, it is expected that the plan will be further updated. Alongside publication of the Economic Recovery Plan West Yorkshire Combined Authority is also publishing a detailed report from Experian which sets out our accompanying evidence base and sensitivity assessment of the potential economic trajectories for growth based on a series of economic scenarios. The full report will be published on the Economic Recovery web site.
- 2.8 A letter has also been sent from the five local authority leaders and Chair of the LEP to the Chancellor to ask the Government to meet with them to discuss the plan and how it can be taken forward. This is attached as **Appendix 3**. Following consideration of the plan by the Combined Authority on 4<sup>th</sup> September, decisions will need to be taken about which aspects of the plan to operationalise, subject to resourcing.

#### Business Support and Engagement

- 2.9 The Combined Authority/LEP continues to see ongoing high demand from businesses and individuals resulting from the COVID-19 crisis. For example, the Growth Service (renamed Business Support Service) dealt with over 4,000 enquiries from businesses in the period from the end of March 2020 through to early August 2020 (a 65% increase on the corresponding period of the previous year).
- 2.10 Since late July 2020, the volume of enquiries rose significantly in line with levels experienced in early April 2020 i.e. 80% increase on the corresponding period from the previous year. This was mostly due to the Government announcement regarding £20m of additional funding being available for small businesses in response to the impact of COVID-19. It also coincided with some Local Authorities launching the second round of their Discretionary Grants Schemes, which also resulted in high customer traffic to the Gateway, particularly from businesses in Leeds.
- 2.11 At the time of writing (early August 2020), the Local Authorities of West Yorkshire had delivered over £500m of grant funding into over 36,000 via the

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<sup>2</sup> See publications of the [Kirklees Economic Recovery Plan](#) and the Wakefield [Economic Growth and Skills: COVID 19 Response Plan](#)

initial and then discretionary schemes. Furthermore, the Local Authorities, with support from the team of 21 SME Growth Managers and the LEP Gateway Team, have now awarded over £5m of their Discretionary Grant Fund allocations to over 1000 businesses. This has seen a broader range of firms supported, including private day nurseries, suppliers to retail, leisure and hospitality and manufacturers, alongside those in shared service centres and some charities.

- 2.12 The Digital Resilience Voucher scheme is now underway as part of the wider Digital Enterprise programme. It is providing grants of up to £5,000 to small firms to support with the cost of ICT equipment, and associated software, in the process enabling more effective and secure remote working. Over 500 applications with a collective value of almost £2m are now being appraised, with over 100 being awarded to date.
- 2.13 In addition to the above, the Business Support Team is working closely with colleagues in the York and North Yorkshire LEP and MHCLG to develop and deliver a new support scheme for SMEs impacted by COVID-19. Building on the earlier voluntary coaching scheme delivered in the first quarter of 2020/21 by the LEP, this will involve an allocation of circa £1.3m for West Yorkshire which will be made available to firms in the form of small grants of between £1,000 and £3,000. The grants will be used to purchase specialist advice from private sector consultants to help firms formulate recovery plans.
- 2.14 The LEP continues to engage with over 30 of the region's largest organisations to protect employment and operations in the COVID-19 crisis. This is providing a useful conduit for gathering intelligence on likely economic shocks and challenges. Since the last CA meeting a number of high-value inward investment enquiries have been received and the team is now trying hard to secure these to Leeds City Region.

#### Employment and Skills support

- 2.15 The number of people claiming out of work benefits increased by 3% in West Yorkshire and the wider City Region between June and July following a stable position the previous month. There are now 108,500 claimants in West Yorkshire and 131,100 claimants in Leeds City Region, up 90% and 96% respectively in March.
- 2.16 At the previous meeting, we provided a summary of the measures announced in the Chancellor's summer statement, including the £2bn 'kickstart scheme' to create jobs for young people (16-24-year olds) to fund six months work placements for around 350,000 young people. No further detail is yet available about the delivery of the scheme but approaches are being made by employers that are keen to engage. There is an appetite from Mayoral Combined Authorities and LEPs to have a formal role in the delivery of Kickstart, particularly to coordinate and provide a brokerage service between individuals and employers.
- 2.17 Local Authorities and the Combined Authority work closely with Jobcentre Plus and will continue to engage as more details emerge about the national

programme to ensure that support for individuals is as seamless as possible and to identify any gaps.

- 2.18 As per previous updates, the existing part-ESF funded Employment Hub programme delivered by the Combined Authority along with LA partners, has been swiftly adapted to match jobseekers to opportunities across the region and expand its support for businesses.

More information and online enquiry forms can be found for businesses at [the-lep.com/employment-hub](http://the-lep.com/employment-hub) and jobseekers at [futuregoals.co.uk/careers-support](http://futuregoals.co.uk/careers-support)

At the time of writing (17 August), we have received 335 individual referrals and 35 business enquiries, with half of the businesses making contact since the announcement of incentives for recruiting apprentices in the Chancellor's summer statement. An increasing proportion of individuals contacting the programme are under the age of 25, reflecting the impact that the current crisis is having on the employment prospects on younger people.

- 2.19 As reported at the last meeting, the Combined Authority's adult re-training programme, [re]boot, is particularly targeting individuals who are currently being furloughed or looking for an opportunity to re-train. Since its launch in November, the programme has supported over 200 individuals. These are aligned with the areas where there are the greatest growth opportunities and new courses are currently being developed with employer involvement <https://futuregoals.co.uk/lep-skills-support-during-lockdown/>

Recent graduates, school leavers and people on furlough are particularly being targeted for re-training support through 24 online courses. Social media campaigns have reached 142,556 people since May.

### Transport Response

- 2.20 During August, bus services were operating at 90% of normal service mileage, this will increase to around 100% from the start of September. Social distancing limits the capacity of buses to around 50%. Overall patronage in August was at 45%, whilst off peak and weekend bus use has grown steadily through the summer, morning and evening peak use has remained low.
- 2.21 Demand for rail services has shown a gradual increase week on week and is now operating at approximately 30% of normal levels and generally social distancing is possible on most services. The next stage in reinstating service levels is planned to come into force on Monday, 14 September however they will not be at 100% of pre pandemic levels as resources remain restrained.
- 2.22 On 8 August, Government announced the continuation of the COVID-19 Bus Services Subsidy Grant (CBSSG) which provides funding support to operate bus services at pre COVID-19 service levels despite the significant reduction in fare revenue. This is paid direct to bus operators for commercial bus services and to LTAs including the Combined Authority for tendered bus services. The Government has put this funding on a rolling eight-week basis and will presumably give notice of reduction or termination when the rules

regarding social distancing on public transport or eased or lifted. As part of this arrangement, Government has asked LTAs to continue to pay for concessionary fares at the level operating prior to the pandemic.

- 2.23 At the time of writing, arrangements to provide transport to support the return to school/ college are being finalised including the provision of around 60 additional buses. The Combined Authority has been awarded £1.9 million from Department for Education to meet the cost of this additional provision in the region over the first half term. The Department for Education has also issued specific guidance for the provision of home to school transport which sets out the precautions to be taken to reduce the risk of COVID-19 transmission on school transport.
- 2.24 Following the Combined Authority's successful bid to Tranche 1 of the Department for Transport's Emergency Active Travel fund, a bid to Tranche 2 was submitted on 7 August. Council partners are now implementing the Tranche 1 schemes.

#### Internal organisational update

- 2.25 In terms of the internal organisational response to COVID-19, we are continuing to respond to the situation in line with our incident management and business continuity procedures and managing the response through a "gold command" structure.
- 2.26 In order to ensure ongoing business continuity, each of our teams continue to implement their existing service level plans to enable frontline and business critical services to operate smoothly. All service areas have also reviewed their 2020-21 business plans in light of the anticipated areas of work that will be required to assist in the recovery processes. The updated business plans were presented to the July meeting of the Combined Authority.
- 2.27 Detailed work is also continuing to consider the medium and long term financial impacts of the pandemic on the financial health of the Combined Authority, with outputs from ongoing scenario planning being reported to the Budget Working Group in the first instance.
- 2.28 We are continuing to proactively communicate with staff on the latest Government advice through regular emails, a dedicated section on our intranet, Frequently Asked Questions and all-staff webinars. Managers are also receiving more tailored advice on how to support their staff and are being provided with support from HR where required. UNISON is also being kept fully briefed on our actions and approach.
- 2.29 In terms of other measures that continue to be in place to respond to Government guidance these include:
- Ongoing homeworking for all staff who are able to do so (with the vast majority of staff (over 400) now working remotely;
  - Continuing to keep our City Exchange and Wellington House offices closed, apart from essential access, but with plans being developed

for some limited bookable office space to be made available from September;

- Supporting frontline staff in bus stations to continue with their day to day activities and providing advice on social distancing in addition to physical measures and public information;
- Holding formal meetings by video call to enable decision making processes to continue; and
- Working with staff to enable people to plan their working time around family/caring responsibilities.

### Recent local developments and intelligence

- 2.30 Following increases in the rate of COVID-19 infections in some areas, local restrictions were imposed in areas in the north of England from 31 July, including Bradford, Calderdale and Kirklees. As yet, there is little evidence of the impact of local restrictions in the data. West Yorkshire wide transport trends continue to show a gradual increase with bus patronage and Leeds Station footfall up 5% in the week to 9 August.
- 2.31 Air quality data, which can be used as a proxy measure for traffic levels, increased slightly or remained stable across most sites through early August as local restrictions were implemented and advice on office working changed. A notable exception was an increase in concentrations on Claypit Lane in Leeds between August 1<sup>st</sup> and August 9th, potentially suggesting an increase in people returning to the office.
- 2.32 National and locally, out of work benefit claims increased by 3% in July after a brief plateau in June. All West Yorkshire councils except Wakefield have claimant rates above the national average. Bradford has seen the biggest increase in claimant rate since March.
- 2.33 The UK economy is officially in recession, with UK GDP falling by a record 20.4% in Q2 2020, with falls of around 20% in the service sector and manufacturing, and by 35% in construction. More positively, June monthly GDP figures showed stronger growth than many expected with output up 8.7%.
- 2.34 Locally, the proportion of businesses with high risk credit ratings is back close to March levels, according to data from Bureau van Dijk's FAME business database, potentially indicating improved conditions though this is far from a definitive indicator. Despite this, risk levels remain particularly elevated compared to March in accommodation & food and to a lesser extent professional services, information & comms and manufacturing. 40% of businesses spoken to by the LEP's Growth Managers in the past fortnight still report reduced operations, and two thirds have some staff on furlough.
- 2.35 Data on the take up of COVID-19 related grants and loans shows take up of support has been proportionally highest in Bradford constituencies, most notably Bradford East and West. This may indicate higher levels of need in these places, though other factors will influence take up.

- 2.36 Data on new business bank accounts shows a sharp recovery in activity in June. This is a proxy measure of start up activity and suggests that some people may be looking to set up businesses as wider employment prospects are limited – this trend was evident in 2008-12, though it can't be certain that this is what is driving this increase which could also reflect delayed activity from March/April.
- 2.37 The Research & Intelligence Team have launched an online business survey to gain more structured intelligence around how businesses have felt the impact of COVID-19, how they have responded, and their future plans for returning to work and adapting to changing circumstances. This will be used to support the LEP's recovery response work.
- 2.38 The full monitor is attached as **Appendix 1**.

### **3. Clean Growth Implications**

- 3.1 Clean Growth will continue to be supported through the current and new products delivered in response to COVID-19. The reduction in travel and the increased use of ICT to facilitate effective remote working is clearly having a positive impact on the environment. Businesses will continue to be supported to apply innovation and digital technologies to adapt their products and services to meet current and future demand.

### **4. Inclusive Growth Implications**

- 4.1 As part of the current Inclusive Growth framework, any businesses that receive grants from the above products would be required to contribute to Inclusive Growth actions and outcomes via their funding agreements.

### **5. Financial Implications**

- 5.1 New recovery products would require either increased flexibility on the use of current funding streams (e.g. grants awarded for capital investment to be used for working capital, or the procurement of professional advice with recovery / contingency planning), or new funding altogether.

### **6. Legal Implications**

- 6.1 As above, delivery of some of the proposed products will require contractual approvals from Government, and/or new funding allocations that would result in new contractual obligations for the Combined Authority.

### **7. Staffing Implications**

- 7.1 Delivery of the products included in the report would require changes to current staff roles and/or additional staff to be recruited.

### **8. External Consultees**

- 8.1 No specific or official external consultations have been undertaken in relation to this report. However, it has been informed by ongoing dialogue and consultation with a wide range of partners, including Local Authorities, Universities and Colleges, Business Representative and Membership Bodies, and direct with some individual businesses.

## **9. Recommendations**

- 9.1 That the Overview and Scrutiny Committee notes the report and provides any further comments for consideration in updating of the plan as the impacts of COVID-19 develop.

## **10. Background Documents**

None.

## **11. Appendices**

Appendix 1: Leeds City Region COVID-19 monitor – 14 August 2020

Appendix 2: West Yorkshire COVID-19 Economic Recovery Plan – Summary  
[www.westyorks-ca.gov.uk/media/4380/west-yorkshire-combined-authority-economic-recovery-plan-summary.pdf](http://www.westyorks-ca.gov.uk/media/4380/west-yorkshire-combined-authority-economic-recovery-plan-summary.pdf)

Appendix 3: Letter to the Chancellor of the Exchequer  
[www.westyorks-ca.gov.uk/media/4381/letter-to-the-chancellor-190820.pdf](http://www.westyorks-ca.gov.uk/media/4381/letter-to-the-chancellor-190820.pdf)