ECONOMIC RECOVERY STRATEGY

For the South East Midlands

SEMLEP

South East Midlands
Local Enterprise Partnership

Introduction

This Economic Recovery document brings together in one place the various actions that the South East Midlands Local Enterprise Partnership (SEMLEP) and its local partners have taken, are taking, and will take in future, to help the South East Midlands to recover from the impacts of the COVID-19 pandemic, and to grow and prosper over the longer term.

In July 2019, we published a Local Industrial Strategy for the South East Midlands, which sets out the unique strengths of the local economy, and how these could be built on, across the five foundations of productivity:

IDEAS, PEOPLE, INFRASTRUCTURE, BUSINESS ENVIRONMENT AND PLACE.

As part of this, a number of broad ambitions were outlined, which incorporated: innovation and commercialisation excellence at the core of the Oxford-Cambridge Arc; employer-led skills; energy, digital and transport infrastructure; the provision of commercial premises in line with business needs; wider business support; and high quality place-making.

These ambitions remain in place over the longer term, but the pandemic has had impacts which mean some change in focus is required over the shorter term. Much has already been done to identify and support local people, businesses and sectors that have been particularly adversely impacted, but continued work and support is needed, with current projections suggesting that local output and employment won't return to pre-COVID levels until 2022-24.

As such, this document provides a brief summary of the key evidence and projections of the pandemic's impact, with links to the supporting – and regularly updated – detail. It also provides a high-level look at the actions being taken by way of response, and with a continued view to meeting the LIS ambitions, across the five foundations of productivity. These are brigaded by the categories of Survive, Stabilise and Grow, which roughly equate to priority actions in 2020, 2020-22, and beyond respectively.
We are committed to undertaking these actions as

inclusively as possible and, as such, are working with inclusion experts RedQuadrant to widen the reach of our delivery.

Green Recovery and Growth

SEMLEP and its partners in the South East Midlands and wider Arc remain strongly committed to environmental sustainability as part of recovery and longer-term growth. As outlined in the recent Arc Economic Prospectus, this translates into making the most of the area's innovation and commercialisation excellence to support the transition to zero-carbon, but also ensuring sustainable principles and technologies are embedded into local places, to deliver an outstanding quality of life for those who live and work here, both now and in the future.

COVID-19 impact:
Evidence and projections

In order to ensure that SEMLEP's activity is supported by high quality evidence, SEMLEP has worked with the consultancy firm Lichfields to prepare a set of bespoke forecasts for local employment and output, incorporating macroeconomic projections prepared by Experian with intelligence from local stakeholders.

These forecasts will form the basis of planning our approach to recovery, informing the prioritisation of sectors and places requiring enhanced short-term support. These future economic scenarios have been published on SEMLEP's website.

In parallel to this activity, SEMLEP has published a comprehensive pack of evidence on the local economic impacts of the pandemic, revised weekly as new evidence becomes available. This has been instrumental in supporting local partners in developing their strategies and responses. SEMLEP will continue to update this evidence and incorporate its findings into our recovery response. We recommend that this document should be read in conjunction with this strategy, as we anticipate new and pertinent intelligence to continue to be released throughout the Stabilise and Grow phases of recovery.

SEMLEP is also committed to ensuring that local economic recovery is inclusive, ensuring that its services can reach vulnerable groups regardless of their demographic characteristics. To ensure an evidence-based approach to this, an Equality, Diversity and Inclusivity approach and evidence pack are published on SEMLEP's website and are frequently reviewed and integrated in this strategy wherever possible.
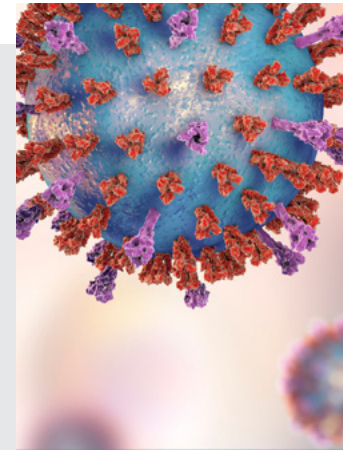
Lichfields economic scenarios for the South East Midlands:
Headline projections

We recommend that readers take account of the key underlying assumptions for these forecasts, outlined with the Lichfields full report. Crucially, we stress that these forecasts will continue to evolve as new evidence becomes available.

The central scenario was constructed in summer 2020 under the critical assumptions of no second wave of COVID-19, and of reaching a favourable trade deal with the EU by the end of the transition period. As a result, depending on developments, the projected impacts on each sector may need to be revised.
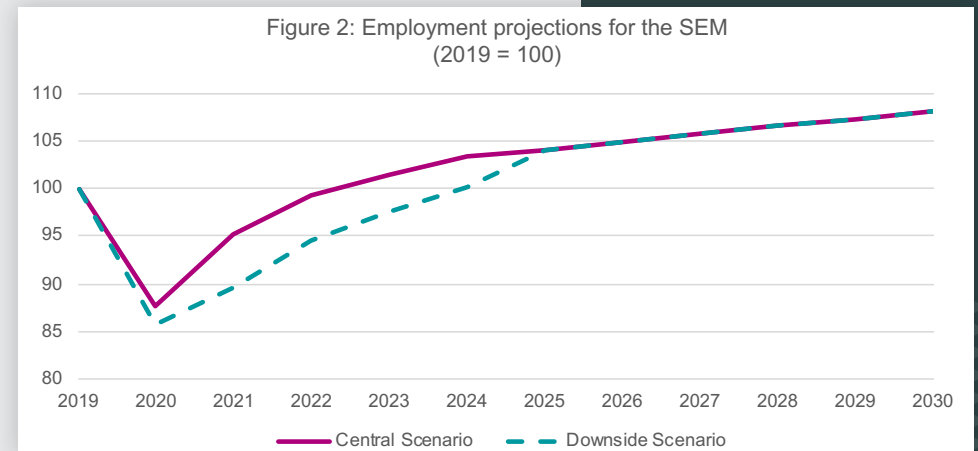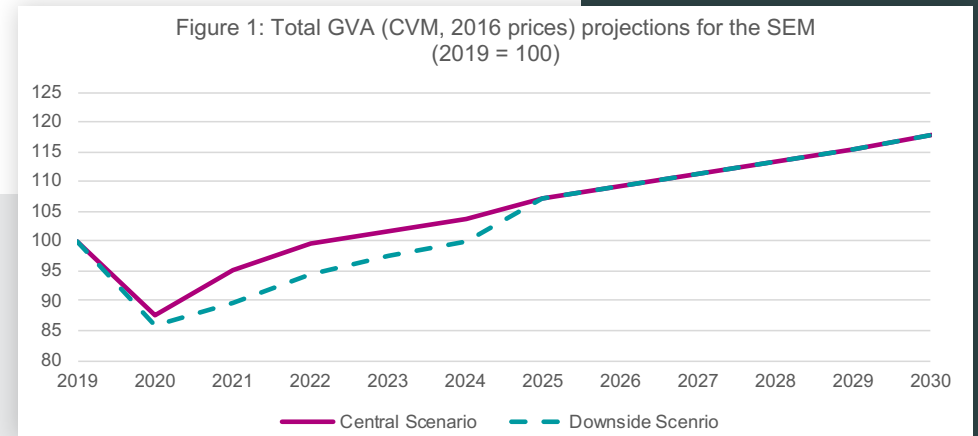
As shown in figures 1 and 2 opposite, under the central scenario, we expect a decrease in output of £6.1bn in real terms in 2020, and a decrease in employment of 115,800 in 2020.
In the downside scenario, assuming a longer incidence of COVID-19 and a suboptimal trading arrangement is reached with the EU, this could be as high as £7.0bn in lost output, and as many as c.133,500 jobs lost.

Output is expected to recover to 2019 levels by 2022 in the central scenario, or as late as 2024 in the downside scenario. Employment is expected to recover by early 2022 in the central scenario, or by 2024 in the downside scenario.

As a result, short-term activity should be focused on delivery in the 2020-2022 period, with further activity targeted at being delivered in the 2022-24 period in the event of a downside scenario.

Figure 1: Total GVA (CVM, 2016 prices) projections for the SEM (2019 = 100)

Figure 2: Employment projections for the SEM (2019 = 100)

Lichfields economic scenarios for the South East Midlands:
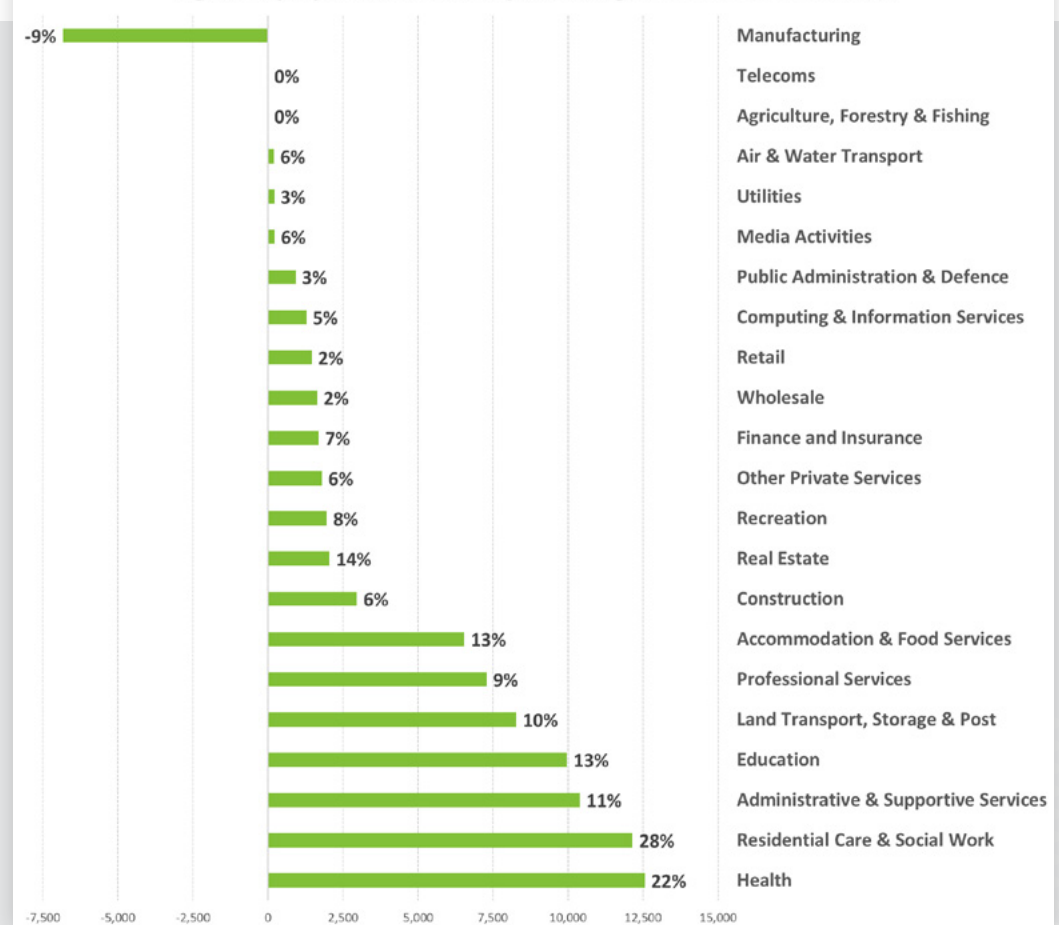## Labour market projections

In absolute terms, we project most job losses in the short term to be in land transport, professional services, administrative services, manufacturing and the retail and wholesale sectors.

Proportionally, air transport and recreation are expected to be the most impacted sectors, with employment in 2020 expected to decrease by 19% and 18% respectively.

In the medium term to 2025, absolute job recovery in the land transport and administrative services sectors is expected to be high. As a result, manufacturing, wholesale, retail and professional services may require additional support beyond our initial response.

In the longer term, figure 4 (right) suggests that the health and social care sector, education and administrative services, may lead much of the jobs recovery in the medium to long term, assuming no additional intervention. Focus should be given on supporting job growth in sectors less likely to recover without intervention, detailed in the full scenarios pack.

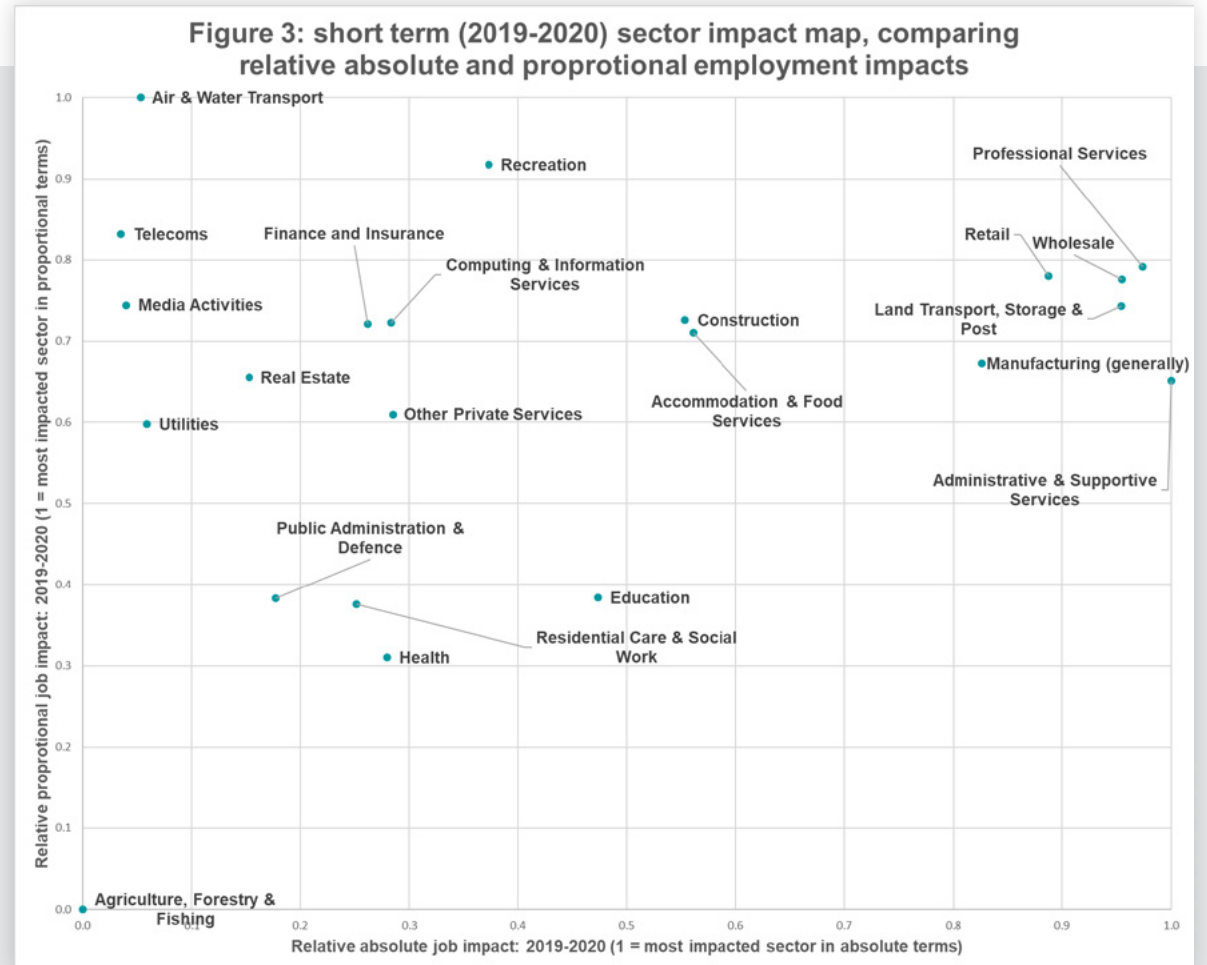Figure 4: projected workforce jobs change in the SEM: 2019-2030

Lichfields economic scenarios for the South East Midlands:
Labour market projections

Figure 3 (right) plots the absolute and relative projected impacts on jobs from the model, normalised on a scale of 0 to 1, with 1 being the most impacted sector and 0 the least. Sectors in the top right of this diagram should be the LEP's priority for support, followed by sectors in the top left and the bottom left of the diagram.

That is, priority should be given to those sectors with the highest potential absolute job losses, and where the percentage decrease in job postings are highest. It should also be noted that many sectors are interconnected, such as the hospitality and wholesale sectors, and thus actions to support jobs in one sector may, in turn, support others. However, these forecasts, produced in September 2020, are subject to high levels of uncertainty, and will be reviewed and adjusted as new national economic forecasts, and information on EU Exit and COVID vaccines, become available.


Figure 3: short term (2019-2020) sector impact map, comparing relative absolute and proprotional employment impacts

National projections and local indicators are now looking more optimistic than when the ERS was originally published

June 2021 update

After SEMLEP's Economic Recovery Strategy was published in December 2020, there was a third lockdown at the start of 2021 which put the brakes on economic recovery. However, a vaccine roll-out began to be implemented and, as a result, the economy has been opening up in stages since March 2021 and looks to be rebounding quickly.

The latest national projections and local economic indicators would suggest that the SEMLEP area will likely see a return to pre-COVID levels of output earlier than our central scenario suggests, possibly by early 2022. Although the relative impacts upon sectors are likely to remain broadly unchanged and the labour market is likely to take longer to recover.

Bank of England GDP projections, May 2021
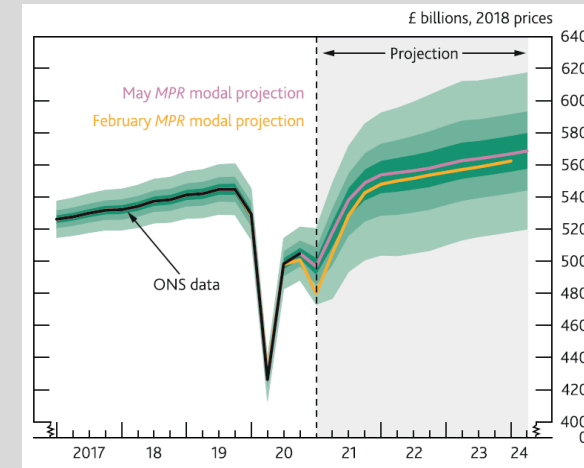
OBR GDP projections, March 2021
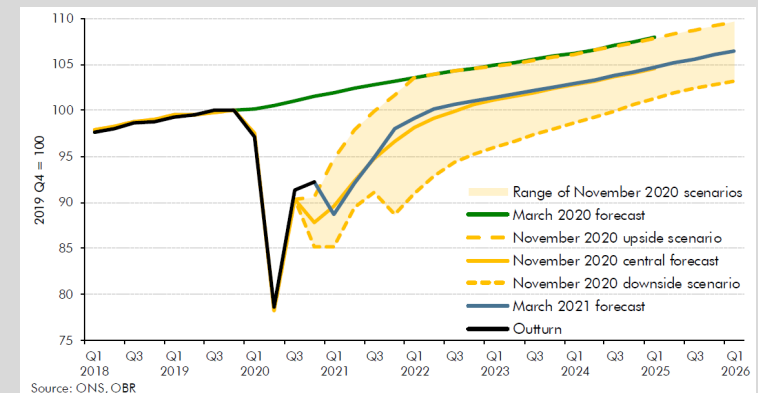
Summary of wider supporting economic intelligence

The underlying detail and evidence can be found at found on SEMLEP's Economic Recovery Strategy webpage.

The claimant count in the South East Midlands (SEM) more than doubled in May 2020 and has stayed at similarly high levels ever since.

Although claimant and unemployment rates remain below the national rate, the SEM claimant count in the **16-24** age group has grown significantly faster than in England.

Furlough rates have been consistently below the national take-up rate in all parts of the SEM except Luton since the start of 2021. However, use of the scheme remains quite high.

Job postings have been improving since the start of 2021, with significant improvement over April and May. Manufacturing and professional services have seen a particularly strong recovery, as well as recruitment in the hospitality sector.

Nationally, there has been a large switch to **online retail**, and this has been reflected in strong demand in the SEM for logistics premises over 2020 and in early 2021.

Industrial premises in the SEM currently represent a smaller share of available premises compared to historic take-up. This could suggest a lack of supply of this space relative to demand.

Office space take-up in the SEM fell significantly in 2020. Industry experts foresee a changed emphasis for office space - collaboration, creativity and culture – with less space devoted to tasks that could be done remotely.

In terms of **SEM town centres/ high streets**, data and projections suggest Northampton is relatively more resilient than other centres, as it is projected to undergo less of a retail loss.

Summary of wider supporting economic intelligence

The underlying detail and evidence can be found at found on SEMLEP's Economic Recovery Strategy webpage.

Travel to work levels in the SEM have been gradually increasing since the start of 2021. Use of public transport has increased too (particularly in Central Bedfordshire, although remains low in Luton).

Retail and recreation visits in the SEM recovered significantly in April and May 2021, but these sectors have been hard-hit overall by the pandemic.

SEM businesses rely heavily on EU **goods imports** (relative to the rest of the UK); there is also significant exposure on the exports side (albeit more in line with national figures).

National and local **COVID case rates** have both decreased since the start of 2021. With the exception of Bedford, which saw a spike in cases due to the Delta variant, local rates were stable during May.

Nationally, there has been a high decline in **part-time employment,** particularly among women. There are also differing perceptions of **future financial prospects** between people of different ethnicities.

Nationally, there has also been a significant, and sustained, decrease in **self-employment**, whereas the number of employees has slowly started to recover.

Rural areas have also (at national level) experienced a significant decrease in their employment rate during lockdown, although employment rates in rural areas remain above those in urban areas.

In March 2021, **national insolvencies** continued to be most frequent in the restaurants and mobile food service sector, followed by business support and computer programming activities.

Our response

Survive → **Stabilise** → **Grow**

Ideas

The South East Midlands is one of the most innovative parts of the country, and is at the forefront of cutting-edge developments in the future of mobility and clean growth, as well as the intersection between these.

It is leading the way on low carbon flight and use of hydrogen in freight vehicles, on connected and autonomous vehicles, electric vehicle infrastructure and innovative last-mile delivery. It also has a central role to play in the future success of the Oxford-Cambridge Arc, with space and expertise to test and commercialise innovations in a variety of transformational sectors, including future energy and life sciences.

The current challenge is to ensure that R&D investment and the innovative nature of local businesses do not become casualties of the COVID-19 pandemic. Government analysis suggests that R&D investment has a strong multiplier effect and, through joint working between SEMLEP and local and wider Arc partners, including the Arc Universities Group, this area of the country can play a critical role in realising such multiplier effects to support national recovery. Immediate recovery activity will thus focus upon linking partners up, promoting local assets and excellence for inward investment purposes, and ensuring successful delivery of Getting Building Fund projects.

Survive

1. Promote innovative responses by local businesses to the COVID pandemic, including rapid production of PPE and joint work to develop ventilators
2. Embed new digital and agile ways of working, within SEMLEP and in partnership with local stakeholders, to effectively provide a joint response to the crisis

Stabilise

1. Promote the Arc's innovation and commercialisation strengths, and the South East Midlands' central role within this, through inward investment communications and activity
2. Work with local authorities and the Arc Universities Group to support and promote both new and existing R&D assets and expertise within the SEMLEP area
3. Strengthen the linkages between existing business networks, innovation centres, groups and sectors within the SEMLEP area
4. Engage with innovative businesses across the SEMLEP area to understand their needs and help them to access funding and support through SEMLEP's Growth Hub and elsewhere
5. Ensure delivery of Government's Getting Building Fund opportunity towards January 2022 completion, which includes a variety of innovation themed projects
6. Make use of the ideas and expertise of the SEMLEP Ambassadors to inform local strategy and delivery

Grow

1. Continue to be at the forefront of the Clean Growth Grand Challenge, with a focus on low-carbon aviation; low-carbon logistics, sustainable food and drink production, and renewable energy technologies
2. Continue to be at the forefront of the Future of Mobility Grand Challenge, supporting locally led development of facilities and test beds to pilot solutions and linking these to wider residential and commercial growth
3. Work with local partners to expand the innovation capabilities, sustainability and productivity of the local logistics and manufacturing sectors
4. Support transformative green growth across the Arc, including in the above sectors and others such as space and the creative sectors, and future energy more broadly
5. Support Arc innovation in life sciences to build up local - and national - resilience to future public health crises

People

The South East Midlands has enjoyed considerable success in recent years in bringing local partners together to share labour market information and in generating and inspiring a pipeline of people to acquire the skills that local businesses need, both now and in the future.

The COVID-19 pandemic has had an impact upon the local labour market, with some job losses already realised, and more predicted to follow. In response to this, SEMLEP and local partners have been working together to assess which sectors and groups are being disproportionately impacted, and signposting individuals and employers to relevant support, pathways and career opportunities.

This work will continue over the coming months, led by the Skills Advisory Panel, with heightened focus on support for those being made redundant and those who are unemployed following education. Community Grants and other sources of funding will also be used to support those facing barriers to work, in conjunction with VCSE and other partners. Focus is being maintained on the longer-term skills pipeline, making sure people have the skills – including core competencies, attitudes, behaviours, STEM and digital skills – to drive sustainable growth in the South East Midlands and wider Arc.
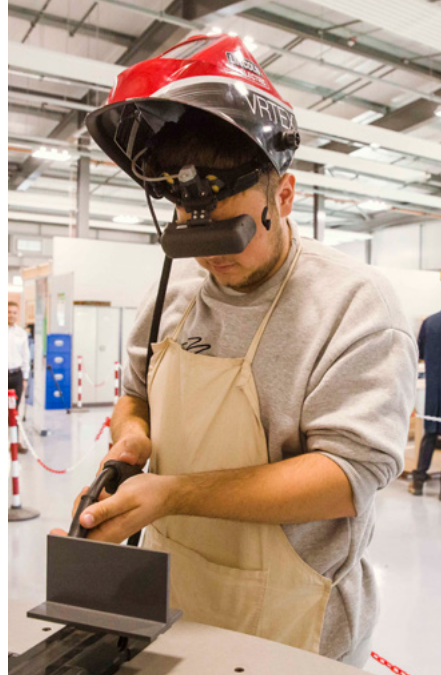
Survive

1. Create Employment and Skills COVID19 Response Working Group, including local and national key stakeholders
2. Identify cohorts and needs for employment and skills support, and opportunities for employment within occupational groups
3. Collate employment and skills support provision
4. Promote and signpost to employment and skills support provision

Stabilise

1. Focus on support for those made or being made redundant, through signposting, information provision and promotion of available pathways
2. Focus on support for those unemployed from education, through signposting, information provision and promotion of available pathways
3. Use of Community Grants and other sources of funding to support those facing barriers to work, in conjunction with VCSE and other partners
4. Provide live labour market information to stakeholders and individuals, both within education and in the wider population, to highlight occupational groups with need/demand

Grow

1. Leverage current and future local and national projects and funding related to employment, skills and the economy
2. Provide easily accessible labour market information for use by individuals, employers and educators
3. Provide coordination of provision and support of local and national stakeholders
4. Build a talent pipeline in line with employer needs, through regularly updated and accessible labour market information, relevant high impact careers provision (including STEM and digital) and employer engagement
5. Build a talent pipeline in line with employer needs, through informing education providers to shape curriculum and provision, including core competencies, attitudes and behaviours
6. Promote employer engagement with local FE colleges as hubs for technical and vocational education, for Levels 3-5
7. Promote local HE establishments for Levels 6-8
8. Strengthen inclusivity and diversity in the workforce, through relevant role models and tailored support
9. Support upskilling and reskilling, by raising awareness of provision, promoting apprenticeships and supporting businesses to engage
10. Promote entry pathways into occupational groups of need for all ages

Infrastructure

As recognised in the South East Midlands Local Industrial Strategy, local infrastructure is critical to both quality of life and the unlocking of future growth.

If the area is to successfully transition to net zero, while also continuing to grow, action needs to be taken to plan for, and put in place, the requisite energy and transport infrastructure. Local partners, including SEMLEP, local authorities, energy providers and the Greater South East Energy Hub, are thus working together to identify sustainable trajectories for future growth, promote best practice, support sustainable modes of transport, build green networks, support businesses to become more energy efficient and implement schemes such as the Public Sector Building Decarbonisation Fund and the Green Homes Grant.

Digital infrastructure is critical to the realisation of a greener future, and also to economic growth and inclusion, as highlighted by the pandemic. SEMLEP and its partners will work together to identify gaps in digital infrastructure and means of addressing them, with a view to establishing full-fibre connectivity across the South East Midlands, including in rural areas. Supporting the development of holistic plans for water infrastructure is also key, to avoid both water scarcity and flooding, and to allow for sustainable development over the longer term.

Survive

1. Monitor and disseminate mobility data, and other infrastructure related intelligence, during the pandemic
2. Engage with, and support, LGF infrastructure projects

Stabilise

1. Bring together energy stakeholders in the area to discuss their role and requirements to support the necessary energy provision and zero-carbon transition outlined in SEMLEP's Energy Strategy, including supporting local authorities to engage with local energy providers on the latter's business plans
2. Support SMEs to engage in energy-related innovation and to adopt energy-efficient practices, through the dissemination of information and funding opportunities, and increased networking with relevant partners

3. Identify, support, disseminate best practice from, and promote energy 'beacon projects' in line with SEMLEP's Energy Strategy
4. Work with the Energy Hub and local authority colleagues to support delivery of various energy efficiency programmes, including the Public Sector Building Decarbonisation fund, Social Housing Decarbonisation innovation demonstrator, and the Green Homes Grant
5. Identify digital cold spots and bring together partners to identify possible ways to address them
6. Support travel to work infrastructure, including micro mobility solutions

Grow

1. Promote sustainability and a transition to net zero through SEMLEP's direct delivery and through working with partners and promoting best practice

2. Work with local authorities and other local partners to support the development of sustainable strategic transport links, greater first-mile last- mile connectivity, and increased low emissions vehicle infrastructure within the SEMLEP area
3. Work with local authorities and other local partners to support full-fibre connectivity in the SEMLEP area
4. Work with organisations involved in managing flood risk and water scarcity to develop plans for water infrastructure.

South East Midlands
Economic
RECOVERY
Strategy

Business environment

The changes to the business environment wrought by the pandemic have been severe, and the first half of 2020 saw SEMLEP's Growth Hub and local authority partners focusing upon enabling businesses to survive, by sharing intelligence and supporting businesses to apply for, and receive funding from, government support schemes.

As the situation has begun to stabilise, the focus has shifted to enabling businesses to adapt and diversify within the new conditions. This is through hosting webinars on pandemic related issues, launching peer-to-peer support groups and through the Growth Curve project, which supports scale-up and pre-scale-up businesses.

Moving forward, this focus on scale-up activity and diversification will continue alongside support to navigate the EU exit process and promote exporting. Work will continue to promote inward investment, by preparing relevant materials to encourage investment, and by working in partnership with local authorities, developers and commercial agents to help match prospective businesses with appropriate employment land. It will be necessary to assess pandemic induced structural changes to the commercial property market, and to work with partners to ensure the area has an extensive and balanced pipeline of employment land and premises, which meets the need of local businesses, both now and in the future.

Survive

1. Establish COVID19 recovery hub on the Growth Hub website
2. Signpost businesses to, and support them in applying for, relevant government schemes
3. Signpost businesses to other forms of funding and wider support
4. Collate business intelligence and real-time evidence of impact, to inform government schemes and local policy
5. Hold webinars focused on overcoming specific COVID-related issues, in partnership with specialists
6. Implement second wave support in the event that our region or parts of our region go into more stringent lockdown measures

Stabilise

1. Launch of Peer to Peer groups to help businesses to plan for recovery and success
2. Growth Curve: support scale-up and pre-scale-up businesses with navigating the crisis one-to-ones, masterclasses and recovery grant support
3. Award Kickstarting Tourism revenue grants; and SME Recovery and Resilience capital grants
4. Prepare businesses for EU Exit and the end of the transition period, including through a series of EU Exit webinars and Grant Thornton toolkit sessions with businesses and launching our get 2021 ready campaign
5. Work with DIT and other local partners through SEMLEP's Growth Hub to continue to actively attract inward investment and support further exporting
6. Embed equality, diversity and inclusion reporting where possible in Growth Hub processes
7. Prioritise support and job creation activity towards sectors and places disproportionately impacted by the pandemic

Grow

1. Continue to promote and provide, through SEMLEP's Growth Hub, a single access point for business support in the SEMLEP area
2. Provide support for start-up and scale-up activity
3. Work with partners to support an extensive and balanced pipeline of employment land and premises in the area, which takes account of any pandemic-induced structural changes to the property market
4. Increase promotion of the SEMLEP area to prospective investors, including through the preparation of relevant materials to encourage inward investment, and by working in partnership with local authorities, developers and commercial agents to help match prospective businesses with appropriate employment land

Place

The COVID pandemic has placed a renewed focus upon the importance of community, nature and local places, and SEMLEP and its partners are keen to utilise this as a force for positive change, to support the health and well-being of the local population.

In the near term, the priority is to support those places and groups which have been disproportionately impacted by the pandemic, and to ensure that – through Community Grants, support for cultural and creative activity and funds including Getting Building Fund, Towns Funds and any future funding streams – economic recovery is inclusive and local places are strengthened. Work will also take place in conjunction with the area's Local Nature Partnerships and those leading on local developments to support and protect natural capital, in line with the government's 25 Year Environment Plan to realise net gains in biodiversity.

Looking ahead, there is a desire to ensure that local places can be sustainable over the long term and, to this end, the South East Midlands aims to be a pioneer of 'Settlements of the Future' concepts. These include: smarter, greener energy systems and infrastructure; new spatial approaches to living and working, which support community engagement and incorporate Sport England's Active Design principles; modern methods of construction, including adaptability for the needs of an ageing population; and advanced digital technologies.

Survive

1. Work jointly with local authorities and other local partners to identify localised COVID impacts
2. Collation of business intelligence and real-time evidence of impact, to inform government schemes and local policy

Stabilise

1. Prioritise support towards sectors, population groups and places disproportionately impacted by COVID
2. Strengthen engagement with those that have been disproportionately impacted, making use of VCSE networks to reach a broad range of communities
3. Provide Equality and Diversity training for SEMLEP staff, to strengthen the inclusive approach of the organisation
4. Continued Community Grants activity to help build more inclusive places
5. Ensure delivery of Government's Getting Building Fund opportunity towards January 2022 completion
6. Ensure continued delivery of Local Growth Fund projects, to support economic activity and place-building across the South East Midlands
7. Support specific places within the SEMLEP area to use the Towns Funds to achieve local aims
8. Work with partners to understand how the impact of COVID might affect town centres and look to respond accordingly.

Grow

1. Work with local partners to pilot 'Settlements of the Future' concepts, including: smarter, greener energy systems and infrastructure; new spatial approaches to living and working, which support community engagement and incorporate Sport England's Active Design principles; modern methods of construction, including adaptability for the needs of an ageing population; and advanced digital technologies.
2. Work with the area's Local Nature Partnerships and those leading on local developments to support and protect natural capital, in line with the government's 25 Year Environment Plan to realise net gains in biodiversity.
3. Support cultural activity and other initiatives to bring people closer to, and into, the labour market, and to regenerate relatively deprived areas
4. Improve connectivity in rural areas, in both digital and transport terms, and develop the rural visitor economy, building on proposals such as the Bedford to Milton Keynes Waterway Project.

SEMLEP

South East Midlands
Local Enterprise Partnership

South East Midlands Local Enterprise Partnership,
Cranfield Innovation Centre,
University Way,
Cranfield,
Bedfordshire,
MK43 0BT