



Statement from Christian Brodie, Chair of South East Local Enterprise Partnership

“The impact of COVID-19 on the global, national and regional economies is already significant. The changes to our way of life have presented challenges of a scale that have pushed many to re-evaluate priorities and ways of operating. The South East business community – like so many others across the UK – is facing one of its most challenging times to date.

“Businesses and the public sector need to work closely together to understand these impacts and how best to act and invest to ensure a swift recovery where possible. We need to limit impacts where we can to sustain our economy and seek out those opportunities to actively boost it.

“The immediate response to the pandemic from Government has been swift with an unprecedented

COVID-19 Economic Response Statement

level of fiscal response that has been critical to support the national economy.

“SELEP is working collaboratively to provide a response for this area which is shaped by local knowledge, business insights and expertise and will protect and boost our economy in the short, medium and long term.

*“This includes **£90m of investment to accelerate the recovery effort**, ensuring that investments in projects are focussed on the immediate benefits of new job creation, for example in delivering key infrastructure, but that such investments provide longer term positive economic impacts.”*

This document sets out the potential impact on the SELEP economy and how we will work in partnership to support economic recovery through:

- *supplying businesses with **immediate and up to date advice on the support available**. This is being provided through multi-mode communications and our successful **Growth Hub**, which has supported more business engagements over the last 3 months¹ than the previous year combined;*
- *reviewing and repurposing the funding we have at our disposal. Whilst we will*

*continue to invest in important infrastructure in our region to ensure that businesses have the environment they need to operate, we know that our economy needs a variety of support right now. This is why we are repurposing funds to expand our **Sector Support Fund by a further £1m**, helping sectors to adapt, diversify and innovate; establishing a **£2m Skills Fund** to support those that need to reskill or train for new employment; and increasing our capacity to provide widespread help and assistance through a **£2.4m SME Business Support Fund**;*

- *leading the local implementation of the **‘Getting Building Fund’** and ensuring that the **£85m** we have at our disposal is positioned to boost economic recovery and targeted to projects which will deliver by March 2022; and*
- *building our **economic intelligence** to inform medium to long term strategy for economic recovery and growth. It is important that we don’t just react in the short term but work with partners to ensure that we have an evidenced strategy for how we support the **recovery and growth of our economy over the medium and longer term.***

¹ April – June 2020

SELEP's Economic Priorities

With 170,000 businesses, the vast majority of which are small enterprises, and a population of around 4.2 million, SELEP is the largest LEP outside of London. It is encircled by 375 miles of coastline and home to eight seaports that power trade and support the area's £90bn contribution to the UK economy. SELEP is sectorally strong and diverse and the area has planned investment on a significant scale, including nuclear power at Bradwell, Lower Thames Crossing and the largest development of garden communities in the UK.

Whilst this all presents great opportunity, we also face some key challenges in being home to some of the most deprived areas in the country, many of which are coastal, and will have been significantly affected by the COVID-19 pandemic.

Building on the SELEP Economic Strategy Statement - *Smarter Faster Together* - and the distinctive strengths, challenges and opportunities set out in the draft SELEP Local Industrial Strategy, there is a strong foundation on which to respond to the current economic crisis. In particular, this work highlighted:

- the South East's critical role as a **global gateway** and as a leading location for inward investment, connecting the UK with international markets and with important links into and around London

- the scale of opportunity to deliver **communities for the future** that will create the best places to live and work, driving better design and innovation and supporting our shift to becoming a net zero carbon economy

- the importance of creating a **coastal catalyst** to harness the opportunities within our coastal communities and to promote greater inclusion and change. The estuary has some of the most challenged coastal communities in the country and our aim is to improve the economic fabric of our coastal and rural areas.

In addition, the draft LIS highlighted the importance of cross cutting issues such as developing a workforce that is fully equipped to respond to new technologies and a changing economy; increasing innovation activity and R&D performance; and embedding clean growth principles and investing to help us mitigate the impacts of climate change. These issues are particularly relevant as we seek to respond to the economic challenges being felt as a result of COVID-19.

SELEP will continue to develop our understanding of what the impact of COVID-19 means for our businesses and the area's distinct economic characteristics. This will include, but is not limited to:

- the impact on international trade and investment and our role as the global gateway to the UK;

- the impact on infrastructure developments and the significant growth planned for our region;
- the impact on our towns and high streets and on those areas that already face economic challenges, including many of our coastal communities where some of the UK's most intense deprivation is found;
- the impact on specific sectors including education and the cultural, tourism, and hospitality industries; and
- understanding the biggest workforce and technological challenges facing our businesses; and the opportunities to support businesses and sectors to innovate and adapt to the changing economy and new ways of working.

SELEP is also an integral part of the Greater South East economy and we work in partnership with our neighbours to contribute to a strong and coherent voice for southern LEPs – Catalyst South. This combined area has an economic output of £359bn. It provides 16% of the UK's jobs and history shows its high jobs growth potential, with 1.9% growth in the last 5 years². It is therefore vital that we support this economy to bounce back strongly and quickly for the benefit of the whole of UK plc.

² As of 2018



Economic impacts of COVID-19 – What we understand so far...

Across the SELEP area, the estimated reductions of up to 14.3%³ in output could see our GDP reduce by over £12bn this year. By the start of June, we had already seen a 10% increase in unemployment, equating to an additional 7,800 more unemployed, and by the end of June over a third of our workforce had been furloughed. Although we hope for the majority this will be temporary, it is likely to result in further increases in unemployment as Government support reduces.

We have also seen benefit claims rise significantly and at a higher rate than the national average, with over 156,000 people claiming universal credit compared to 63,000 in the same period last year⁴ and claims doubling since March.

In terms of resilience, our skills levels remain below the national average and particularly some of our coastal and rural areas have barriers around digital connection and access.

There has been considerable take up of Government grants and support, with over £780m awarded to SELEP businesses. Some of our most significant sectors are also amongst the most affected, with employment in health, retail and education making up over a third of all jobs in the region.

The impact on tourism is huge particularly for our coastal and rural areas, with 28% of employees in coastal towns working in the accommodation and food sector and the aviation sector also having a large presence in the SELEP economy.

Estimated impact on SELEP GDP of up to

-£12bn

if a 14.3% contraction in the SELEP economy

SELEP has already seen a

10%

increase in unemployment
An additional 7,800 unemployed

93,000

Additional universal credit claimants compared to the same time last year.

34%

of employees furloughed across the SELEP area

The creative industries will potentially be the last sector to return and the South East region is predicted to see the biggest impact outside London, resulting in 82,000 job losses and a £4.7bn reduction in GVA. In contrast sectors such as health and care and food production have seen huge spikes in demand.

With education predicted to be the hardest hit sector in terms of output, our 9 Universities and 17 Further Education colleges are likely to be disproportionately impacted. The future income and financial sustainability of our universities is at risk along with concerns for student outcomes. There

has been a 75% reduction in appetite for September apprenticeship starts in Essex alone.

Our local SELEP Business Surveys have shown us that our businesses remain resilient and keen to move forward, with 58% looking to change the way they operate and 49% saying they welcome support to adapt their business models and innovate – particularly through technology-based solutions. Positively, 27% also indicated that they felt that the crisis had presented opportunities for their business.

SELEP's Response

SELEP provided an immediate response to support businesses during the initial impact of the COVID-19 and the introduction of lockdown and social distancing measures.

Particularly at this very early point, communication was a critical part of this response, through which SELEP has worked to:

- ensure businesses are kept up to date with developments and that they are provided with clear advice and can access relevant business support, funding and training;
- gather intelligence to understand the impact and challenges faced by businesses and using this to influence policy makers; and
- demonstrate leadership and work with the Southern LEPs and the LEP network to influence Government policy and response on behalf of our businesses.

³ OBR, July 2020

⁴ June 2020 compared to June 2019

In response to the substantial shift to remote working and the need for companies to adapt their operating models, SELEP's Digital Skills Partnership (DSP) has also been identifying opportunities for businesses to upskill to respond to this new way of operating.

Throughout the crisis and in response to the various Government announcements, SELEP has continued to work with all business support organisations, directly and through our South East Business Hub, including Chambers of Commerce and the Federation of Small Businesses, European-funded business support programmes, and with local and national government. This ensures that support can be adapted wherever possible and provides a better understanding of the issues faced by businesses now and the potential future impacts.

The SELEP Strategic Board took decisive action to review and repurpose the resources at its disposal as well as attracting new Government funding to support the short- and medium-term recovery of the area. This includes:

- expanding our Sector Support Fund by a further £1m to provide funding that will help those sectors most affected by the pandemic;
- establishing a £2m Skills Fund that will support those that need help to retrain and upskill in response to the changes in ways of working and the impact on jobs;
- establishing a £2.4m SME Business Support

Over **£90m** of investment in SELEP's economic recovery

£85m on building projects through the Getting Building Fund

£2.4m for SME business support

£2m for skills

£1m for additional sector support

Fund to aid the stabilisation and recovery of the region's SME base, which will complement the current business support landscape;

- leading the local implementation of the 'Getting Building Fund' and to deliver £85M investment in projects that will boost economic recovery for example by improving digital connectivity, regenerating towns and workspaces, improving skills provision, supporting the visitor economy and providing sustainable transport solutions;
- reviewing and reprioritising our capital Local Growth Funds to ensure that there remains a strong case for intervention across all projects in light of the COVID-19 pandemic; and

- working closely with industry and partners through Federated Areas and LEP wide forums and Working Groups, such as the Major Projects Group, Coastal Group, South East Creative Economy Network, Skills Advisory Panel, Rural Working group and Housing and Development and more, so that the LEP can identify and facilitate the activities needed to mitigate the risks and seize the opportunities that become available.

The details of these new funds are being developed to take account of emerging needs and priorities and they will be made available on the SELEP website following approval by the SELEP Strategic Board.

Economic Recovery and Growth

As the economic impacts of COVID-19 become clearer, SELEP will review the priorities identified in the Economic Strategy Statement and the draft Local Industrial Strategy and in line with Government's plans, this will inform our longer-term response to economic recovery and growth.

However, there are some areas that we know will need particular support if the SELEP economy is to bounce back strongly from this economic crisis.

These include:

- **supporting businesses to adapt, recover and grow**, including through our successful Growth Hub, a new business support fund targeted at SMEs and a further £1m to extend our Sector Support Fund programme to help those most affected;
- the **re-skilling of our workforce, supporting people back into the labour market** and helping businesses to adapt to new ways of working, with a skills fund to address emerging needs, promotion of additional

Government support for programmes such as apprenticeships and traineeships and trailblazing work to improve digital skills through our Digital Skills Partnership;

- driving forward **innovation, research and development** to help stimulate the economy and increase productivity, including collaboration across our nine universities and through the SELEP Major Projects Group which brings together the nationally significant infrastructure projects across the South East;
- promoting and enabling **clean recovery** in the future planning of our towns and communities, which will include delivery of 40% of the UK's garden communities programme and investment in 12 of our communities through the Towns Fund and Future High Streets Fund and supporting our coastal communities;
- addressing gaps in **digital connectivity**, ensuring that SELEP has the skills and infrastructure required to support this across all areas including our coastal and rural communities;

- **accelerating planned growth** through investment of £85m Getting Building Funds to deliver projects by March 2022 which will boost the economy and provide much needed jobs, as well as supporting our major projects to deliver long term economic and social benefits;
- helping to tackle the **implications of Brexit** for industries across SELEP, particularly those such as ports and logistics which will be heavily impacted; and
- continuing a **strong dialogue with Government**, as a LEP and as part of Catalyst South and national LEP network, to ensure that the opportunities and challenges we have in supporting economic recovery are clearly understood.

In addition, the four federated areas of the LEP, Success Essex, Opportunity South Essex, Kent & Medway Economic Partnership and Team East Sussex, are considering localised impacts and developing local recovery plans.



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