

Economy and Enterprise Overview and Scrutiny Committee

30 October 2020

Impact of COVID-19 on the Regeneration, Economy and Growth Service Grouping



Report of Amy Harhoff, Corporate Director of Regeneration, Economy and Growth

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 The report provides members with background information on the impact of COVID-19 on key areas of the Regeneration, Economy and Growth Service Grouping prior to a presentation by Amy Harhoff, Corporate Director of Regeneration, Economy and Growth.

Executive summary

- 2 Members will recall that at the meeting of the committee held on the 23 July 2020 a report and presentation from the Interim Managing Director of Business Durham was considered detailing the economic impact of COVID-19. The report and presentation provided members with detail of lockdown and the immediate response, the emerging insights of the economic impact and recovery planning with the majority of the detail provided focusing on the business sector.
- 3 In addition, members also considered at the meeting their future work programme and it was agreed that the Corporate Director of Regeneration, Economy and Growth should be invited to the next meeting of the committee to provide an overview of the impact of COVID-19 on key areas of the Service Grouping.
- 4 Arrangements have been made for the Corporate Director of Regeneration, Economy and Growth to attend the meeting on the 30 October 2020 to deliver a presentation focusing on:
 - The impact of COVID-19 on the services within the Regeneration, Economy and Growth Directorate

- The emerging economic impact of COVID-19 on the County's economy
- An update on resilience and recovery plans

A copy of the presentation is attached as Appendix 2.

Recommendations

- 5 That the Economy and Enterprise OSC consider and comment on the information provided in the report and presentation provided at the meeting.
- 6 That the Economy and Enterprise OSC receives a further progress report detailing the impact of COVID-19 on key areas of the Service Grouping at a future meeting.

Background

- 7 The Regeneration, Economy and Growth Directorate comprises the following services:
 - Transport and Contract Services
 - Culture Sport and Tourism
 - Development and Housing
 - Corporate Property and Land
 - Business Durham
- 8 The Directorate leads the council's strategic approach to creating more, better paid jobs and is responsible for delivering major regeneration and investment projects such as developments at INTEGRA 61 at Bowburn, Jade Business Park adjacent to Dalton Park, the Forrest Park development at Newton Aycliffe, NETPark at Sedgefield, Milburngate in Durham City, the Aykley Heads strategic employment site, and the Towns and Villages regeneration programme.
- 9 The Directorate also leads the Council's strategic role in relation to housing, transport, asset management and planning matters in the county, as well as providing key services for communities including essential travel services and public transport access, leisure centres and libraries, and supporting our cultural and tourism sectors, and businesses in the wider economy.

Impact of COVID-19 on REG Service Group

- 10 Since the start of the COVID-19 pandemic in March 2020, the Regeneration, Economy and Growth Directorate has been at the forefront of the response to the crisis, delivering direct support to businesses and individuals in the County that have been affected, assessing the ongoing economic impact, and leading the Council's work on developing resilience and recovery plans.
- 11 A summary of the impact on the individual services within the directorate is as follows:

Transport and Contract Services

- 12 The two impacts of COVID on the County's transport network has been a reduction in demand for people to travel, yet with additional resources required to assist with the social distancing of those that remain.
- 13 Currently traffic levels remain at 85–90% of the volume of pre-Covid levels compared with the same period last year. Peak hour traffic congestion and delay has not yet returned to normal levels. Traffic levels on Milburngate Bridge in Durham City for instance were only at 75% of the normal volume between 8 and 9 am in September 2020 compared with the same period last year.
- 14 Similarly the current passenger levels are at around 55% of pre-Covid levels and whilst Durham Park and Ride had returned to 50%, this figure dropped further to only 30% with the announcement of additional local lockdown measures.
- 15 On average, cycling figures have doubled across the County with a number of "emergency" cycle measures introduced in record time. The highest increase has been on the A167 at Chester Moor, up 300%. The increase in cycling is exceeded by public expectation and we continue to receive a large number of requests for improvements in walking and cycling.
- 16 Home to school travel continues to require significant attention with additional services being introduced to allow greater segregation when children are travelling. An increasing number of concerns from parents and schools with regard to social distancing at the school gate are also being received with some parents apparently unwilling to observe previous protocols and advice re parking. In some instances, enforcement is being stepped up.

Culture, Sport and Tourism

- 17 COVID-19 has caused significant impact, and many services have not resumed or are resuming under restricted conditions.
- 18 The Festivals and Events Programme has been affected through cancellation of all physical events and festivals in 2020 resulting in impact on income and profile. In venues there are substantial income losses (approx. £200k (pro rata) per month) and long-term issues with performance activity– audience confidence remains an issue as well as lack of available programme due to businesses/organisations in the sector folding during last six months.
- 19 Digital content has been developed and has been offered free of charge to keep some access to services available, however, this is not sustainable, so further work is required on how a digital offer is developed and positioned moving forward.
- 20 In leisure centres, the current service operation has had to be redesigned to maintain staff and service user safety, resulting in lower customer capacity and higher staffing levels. This, in addition to the significant loss of income during the lockdown closure, has impacted the service's revenue position.
- 21 Normal well-being activities were stopped during lockdown and the delivery team were redirected to support the community hub in essential supplies, community support and advice. Some pre-Covid activities are now resuming but resources continue to be prioritised to support the community hub as necessary.
- 22 During the height of lockdown, over 400 staff from across the service were furloughed, however the service still managed to contribute the following to the Covid response:
 - Large numbers of staff redirected and retrained to maintain essential services such as Children's Centres, Crematoria, Refuse and Recycling collection as well as significant support to the community hub
 - Re-negotiation of leisure contracts to enable supplier relief
 - Set up of a food distribution network to support the community hub across the County. Initially to look at addressing where food supply issues may arise as a result of the Covid situation. This was primarily around the population identified as vulnerable and needing to shield, together with households where Covid was identified and people were self-isolating. This area of work is continuing but has now moved into the area of food poverty as the economic impact of the virus is emerging.

- 23 COVID-19 has had a devastating effect on the tourism and hospitality sector and since March 2020 Visit County Durham's work has focused on supporting the County's visitor economy sector businesses through the pandemic. Further detail on the work undertaken and the impact on the sector is provided in a separate report which will also be presented to Members at the meeting on 30 October 2020.

Development and Housing

- 24 Within the Development and Housing Service, Housing Solutions worked closely with housing providers and partners during COVID to ensure no one was sleeping rough. There are now a number of rough sleepers in temporary accommodation with complex needs who require move-on accommodation with support. The lifting of the eviction ban as from 21 September 2020 will place additional demands on the service as the main reason for people contacting Housing Solutions for advice is as a result of the serving of a notice in the private rented sector. Work is ongoing to address these challenges.
- 25 The Employability Durham service has seen significant difficulties delivering its contracted ESF Employment support programmes. During the initial lockdown, Job Centres moved to a light touch arrangement with their clients and ceased all face to face contact. As a result, the main source of referrals ceased and many of the unemployed clients who also work with Job Centres declined support in line with their Job seekers conditionality of underlying health conditions. During the lockdown period, many of the employment advisers volunteered for roles working within the Community Hub to support local residents.
- 26 The Employability Team now continue to support all existing clients wherever possible through online and telephone support with many examples of clients progressing into new roles which have arisen through the pandemic. The ongoing lack of access to community facilities combined with recent introduction of local restrictions still prevents face to face support. An increasing feature of the team's work has been increased collaboration with other employment support programmes and support as part of the Rapid Response Service for redundancies and marketing of Jobs Fuse County Durham, a new service from National Careers Service aimed at supporting people made redundant or at risk of redundancy through COVID.

- 27 For Durham Employment & Skills (DES) delivery of accredited and non- accredited skills training ceased for much of the March-July 2020 period reducing income. Some Employability Durham clients did take up telephone / online 1-2-1 skills taster courses and support sessions (unfunded). External delivery is now re-commencing after Government ruling on Education and Learning activity as DES deliverers part of the Council's Adult Learning Contract under which the Council effectively holds FE College status. Priorities for delivery in October include Customer Service / Logistics employment routeway activity in support of recruitment at Amazon and other emerging opportunities.
- 28 The International Relations service saw all school international travel programmes and language exchange events cancelled for March-July 2020 due to lockdown school closures and travel restrictions. Due to ongoing uncertainty around international travel, schools have indicated they are unwilling to participate in travel programmes for 2021, and instead the team are looking to reshape programmes to support language development, soft skills and cultural awareness.
- 29 The Community Economic Development team has seen a shift in its work from project oversight and physical delivery to retail business support as on-site works were halted due to COVID-19 and the Government released support to retail and hospitality businesses. This included £469,000 through the Reopening High Streets Safely Fund, and provided a focus for a multi-service group that was drawn together to oversee town centre operations and co-ordinate reopening plans. Four retail support officers and an additional communications post secured through the funding has resulted in over 600 retail businesses being supported with visits and advice since August 2020. Emerging programmes are now being reshaped to support retail business resilience and access to new markets, and the team is seeing a significant upturn in business support requests, especially from property owners seeking to invest or convert units and new retail businesses seeking premises and support.

Corporate Property and Land

- 30 Building and Facilities Maintenance has been affected since the outset of the pandemic. All four Building Services teams (Repairs and Maintenance, Construction, Building Design and Project Management) operate as trading services rather than budgeted services. With profit targets to achieve, the impact of COVID on 2020/21 year end projections for the four teams indicates a £2m loss compared to their combined target outturns. The loss impacts on the service's ability to generate its required revenue contributions.

- 31 A reduction in workload due to the pandemic also means there is not enough work in the 2020/21 programme to keep the workforce fully employed. With the continued impact of COVID, it is unlikely that there will be any significant opportunities during the current financial year to generate additional work.
- 32 The Catering Team have been furloughed since the beginning of COVID. The furlough scheme is scheduled to end at the end of October 2020. Human Resources are engaging with catering employees with regard to emergency redeployment work.
- 33 Other areas of the service have been very busy managing the PPE cell and deliveries as well as ensuring that all of the buildings that the Council occupies comply with all necessary measures to ensure the health and wellbeing of staff and visitors.

Business Durham

- 34 Business Durham staff have been kept very busy since March 2020, responding to business enquiries, delivering direct support to businesses and gathering intelligence to monitor the impact on businesses in the County, as well as supporting the Council's Business Rates Team to deliver the Government support grants. All of Business Durham's properties have remained open throughout and there has been no noticeable impact on occupancy levels or rental income to date, although the situation continues to be monitored closely. Further detail on Business Durham's work is provided in a separate report which will also be presented to Members at the meeting on 30 October 2020.

COVID-19 Economic Impact and Resilience/Recovery Work

- 35 The REG Service Grouping has taken the lead in work to assess the economic impact of COVID-19 and in developing resilience and recovery plans, working closely with other key partners through the County Durham Economic Partnership.

Economic Impact

- 36 The full economic impact of COVID-19 will not be known until long after the end of the pandemic, but businesses and employees are facing real challenges now. There is a wide range of information and data on the emerging economic impact, some of which is national, and some is drilled down to regional and local level. Whilst some of the data is timely, much lags by a number of months.

37 From the data available we know that:-

- 9,563 businesses in Durham were provided with one-off, immediate support through the Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and Local Authority Discretionary Grants Scheme, with over £104 million being paid out to businesses.
- 2,310 businesses have taken up the opportunity of business rate reductions or discounts totalling £50 million.
- At the beginning of the pandemic 231,500 people were employed in the County and in July 69,000 employees (32.2%) of these had been furloughed under the Job Retention Scheme (JRS). This scheme is being phased out and will be replaced by the Job Support Scheme from November 2020.
- In June 2020 5.5% of the working population totalling 13,600 people were unemployed in the County. Due to the furlough scheme being in place, the impact on unemployment was not yet evident in the data, but significant increases expected.
- In August the 'Claimant Count' in Durham had increased by 67% to 21,870 from a pre-Covid 19 figure of 13,090 in March.
- Unemployment is increasing with younger people being impacted more adversely
- Areas of higher deprivation are more likely to be adversely impacted
- The visitor economy, hospitality sector and cultural sector was hit the hardest by total lockdown and continues to be impacted with significant restrictions on operations under recently introduced local restrictions.
- Many manufacturing companies have continued to operate throughout, albeit some at reduced capacity, and are gradually increasing the numbers of staff returning to work from furlough. A number of firms have seen new opportunities in adapting or innovating new products to support the healthcare sector supply chain, and others involved in supplying home improvement products and services have also seen increased demand.

- Although nationally, the number of furloughed workers has almost halved from its early May peak of 8.9 million to 4.8 million in late July, hard-hit sectors like hospitality and leisure are still hugely reliant on the Job Retention Scheme that is due to end on 31st October 2021.
- Almost 10,000 County Durham businesses have taken out loans totalling £353 million through the Government-backed Coronavirus Business Interruption Loan Scheme and the Bounce Back Loan Scheme.

Business Resilience and Levels of Employment

- 38 Grants and other financial support, together with the furlough scheme have softened, and in some cases delayed, the full impact of Covid 19 on businesses. But with the Job Retention Scheme coming to an end, there is a widespread expectation that increased redundancies will lead to higher unemployment and increasing business failures. Although the Government has announced the Job Support Scheme which will come into effect from November, this requires businesses to pay staff for hours that are not being worked and feedback from businesses indicates it is unlikely to be sufficient to enable them to retain staff, particularly in the hardest hit sectors.
- 39 In June 2020 the level of unemployment in Durham was 5.5% representing 13,600 people. Although more up to date data is not available for Durham, at both a regional and national level the numbers of people who are unemployed has increased. Nationally 16-24 year olds have been most adversely affected. There is nothing to suggest that these trends will be different in Durham.
- 40 Business sectors that have been particularly impacted by Covid 19 are:
- Retail, hospitality and cultural sector : where the initial lockdown has massively impacted on demand, major brands going into administration and current restrictions continuing to present cash flow challenges. Durham City is facing significant challenges with increasing numbers of empty retail premises. Nationally, the fall in furloughing in July was driven by retail workers returning to work. The proportion of retail workers on furlough fell by 40 per cent during the month (from 29% of workers to 17%).

- Visitor economy : initial lockdown brought the visitor economy in the county to a standstill and the phased release has resulted in businesses starting up but continuing to face the challenges of reduced demand associated with confidence and social distancing, and resulting cash flow issues. The situation has been compounded by the introduction of local restrictions and we are now seeing redundancy consultations in the County's tourism and visitor attractions, such as Beamish Museum.
- Public transport : Affected substantially by lockdowns and travel restrictions. The main challenges are public confidence, social distancing and fewer customers leading to pressures on profitability. As at September 2020 the level of bus usage was at 50% of pre-Covid levels, and a loss of some train and bus services across the county is a possibility.

Agile Resilience Plan

- 41 It is clear that the economic impact of the pandemic on businesses and employment in the County has already been significant, and that the full extent of the impact has yet to be realised. With the recent rise in cases and the introduction of local restrictions, businesses continue to face challenges in being able to return to normal trading, and are experiencing increased costs of adapting workplaces and methods of operation at the same time as suffering reduced levels of income.
- 42 The key priorities for the next few months are to support the resilience of businesses and employees in County Durham during a period when the pandemic is still with us all. The North East Covid 19 Economic Response Group references this period as 'Living with Covid' when the key objectives are to manage transition and economic stabilisation, before moving into the recovery phase at a later stage.
- 43 The County Council, together with the County Durham Economic Partnership, has therefore developed an Agile Resilience Plan providing a pragmatic and positive approach to supporting the resilience of businesses and employees. The plan comprises 4 key priorities:
- Resilient Businesses
 - Resilient People
 - Resilient Visitor Economy
 - Resilient Town Centres

- 44 A series of actions are being taken forward within each of the 4 priority areas, as follows:

Resilient Businesses
<ul style="list-style-type: none">◦ New Business Recovery Grant Scheme to be funded by DCC (subject to member approval)◦ Digital Drive County Durham programme to provide fast track grants service to businesses to take up digital technology◦ Launch catalogue of business support available to businesses in the County (from all public sector providers)◦ Undertake promotional campaign during Autumn 2020 to encourage businesses to take up support available◦ Supporting Supplier Relief◦ Durham Mental Health and Wellbeing Training Hub for SMEs launched◦ Implement Social Value and Local Wealth Building programme◦ Durham Business Opportunities Programme commissioned 1:1 support for micro and small businesses to help with adapting and identifying new markets.◦ Promote take-up of ERDF funded programmes, including University Internship programme and IIP – Industrial PhD programme for SMEs, to enable SMEs to explore new market opportunities.◦ Webinar on energy efficiency for start-ups to ensure running costs kept to a minimum◦ Complete key strategic site infrastructure (Aykley Heads, Jade, NETPark) to support businesses, inward investment and growth
Resilient People
<ul style="list-style-type: none">◦ Employment/ Youth Hubs to be established in areas of high unemployment, initially Bishop Auckland, Peterlee and Stanley◦ Campaign to communicate the support available through DurhamWorks, Durham Advance, LINKCD, National Careers Service and ROAD to help young people and adults access employment

- Develop £4m Youth Futures Foundation bid to support young people aged 14-24 who continue to experience extreme labour market disadvantage.
- Promote take up of opportunities in Government Plan for Jobs including:
 - Kick Start programme and establishment of DurhamWorks as employer intermediary.
 - Traineeship and Apprenticeship incentives to business.
 - Pilot Intensive Youth Support Service via DurhamWorks.
 - Redundancy Support Service for Apprentices
- Introduce Supported Employment Service in County Durham to support people with disabilities access paid employment
- Increase capacity to provide targeted employment and skills support to those age 25 and over
- Submit bid to extend Durham Advance from April 2021 to support the progression towards the labour market of disadvantaged and marginalised residents
- Community Led Local Development (CLLD) Mentoring programmes to be extended and to include digital skills support

Responding to Redundancy

- Rapid Response Service (multi agency) in place to support employers and those in risk of redundancy.
- Promotion of Jobs Fuse County Durham service and support available
- Business Durham and partners to increase capacity to provide advice and support for increased levels of start-up enquiries
- Develop County Durham portal for business start-up advice
- Mobilise start-up provider network to encourage more efficient working in order to meet anticipated increase in demand for start-up support

Resilient Visitor Economy

- Comms and Marketing campaign
- Develop an apprenticeship levy 'passport package' to support SME and micro businesses in Culture, Tourism and Visitor Economy sectors.

- VCD working in partnership with industry partners, County Durham Economic Partnership, Business Durham, DCC teams, North East Tourism Alliance, North East LEP, sector bodies, Visit England/Visit Britain, England's DMO network to develop recovery plans and strategies
- Communications signposting to:
 - Government and official sources of support, advice, guidance and financial support
 - Funding and grant programmes
 - Industry training delivered by partners and third parties
- VCD Destination Marketing

Resilient Town Centres

- Communications and Marketing Campaign
- DCC Community Economic Development Team employing additional 3 retail business advisers to assist with reopening, restarting and ongoing support for retail businesses
- Digital High Street programme to utilise new technology and explore the opportunities of local apps to enable local businesses to connect with residents and encourage local shopping
- Up to £20m Town and Villages Initiative
- Bishop Auckland Future High Street / Stronger Towns Funds (up to £50m)

- 45 Partners are meeting regularly, focusing on delivery of these actions and identification of additional gaps and support measures required as they arise, recognising that the situation continues to change on an almost daily basis.
- 46 At the same time the Council continues to work in close partnership with the seven North East Local Authorities to lobby Government for a package of additional support measures for the North East, and to ensure that the regional interventions are relevant for the County Durham Economy, and that the Region's voice is heard at a national level.

Conclusions

- 47 Overview and Scrutiny members will be aware of the impact of COVID-19 on key areas of the Service Grouping, activity undertaken to mitigate the impact and future recovery plans.
- 48 It is intended that the committee will continue to monitor the impact and progress made in relation to recovery plans with a further progress update report coming to a future meeting of the committee.

Background papers

- None

Other useful documents

- None

Appendix 1: Implications

Legal Implications

Not applicable

Finance

Not applicable

Consultation

Not applicable

Equality and Diversity / Public Sector Equality Duty

Not applicable

Human Rights

Not applicable

Climate Change

Not applicable

Crime and Disorder

Not applicable

Staffing

Not applicable

Accommodation

Not applicable

Risk

Not applicable

Procurement

Not applicable