Coast to Capital

Coronavirus (COVID-19) Economic Impact Assessment

Final Report

August 2020

HATCH

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Executive Summary

The Coast to Capital Local Enterprise Partnership (LEP) sits at an important intersection between 14 local authorities, regional partner organisations, 106,000 businesses, education providers (including the Universities of Brighton, Chichester, Sussex and the Creative Arts), a national park, an international airport and two ports.

The region's economic output (GVA) is estimated to have been £58bn in 2019 which makes it one of the most important areas in terms of national economic contribution. Nominal GVA growth over the 2010-2019 period averaged 3%, a rate above the national average of 2.1%.

Britain's economy is likely to suffer the worst damage from the COVID-19 crisis of any country in the developed world according to the OECD. It is estimated that UK GVA will contract by anywhere between 11% and 15% in 2020. The path of the downturn and trajectory of recovery will differ greatly by region.

The Coast to Capital area is better placed than many others going into the crisis:

- A well-diversified sectoral mix including high-value, high growth established clusters;
- A highly educated workforce with higher than average earnings;
- Vibrant town centres with healthy commercial rents and turnover; and
- Low unemployment numbers and rates.

Nevertheless, COVID-19 will have a profound impact on the Coast to Capital economy, particularly given the considerable economic role of (and impact of COVID-19 on) Gatwick Airport. In May, Gatwick Airport was seeing just 1% of the flights made at the same time the previous year. Moreover, industry experts predict that up to 50 million jobs in the global aviation industry could be lost due to the pandemic, evidence of which is already seen with British Airways, Virgin and the airport itself announcing redundancies.

It is estimated the Coast to Capital area could lose up to 17% of GVA during 2020. To recover that lost output and return to pre-COVID-19 GVA levels by 2029, regional GVA growth would need to at least double to 6% by 2026.

Executive Summary

As we move further into the COVID-19 crisis, it is becoming clear that the economic damage wrought will be greater than was first predicted.

The number of insolvencies in the Coast to Capital area rose 90% between May and June. 68% of all hospitality and leisure businesses are in suspended hibernation with the majority unable to predict when they will come out. Half of all businesses had less than six months of cash reserves in May.

In terms of value lost, the education sector which contributes 6% of regional GVA is in worst affected, with the Institute of Fiscal Studies estimating Higher Education providers, including Universities of Brighton and Sussex, could lose up to half of yearly income over the next four years. Other specialist sectors are also badly hit, particularly the visitor economy.

One third of the economically active population in the Coast to Capital area have already been directly impacted by COVID-19: 23% are in receipt of the Job Retention Scheme (JRS), many of whom work in retail and hospitality; 8% are in receipt of the Self-Employment Income Support Scheme (SEISS). 3% are on job seeking-related benefits.

As the JRS and SEISS schemes are brought to a close in October along with the Government's moratorium on commercial landlords seeking eviction notices, the unemployment rate is predicted to rise significantly. In the meantime, job vacancies across the region have dropped 30% since lockdown began.

In Crawley alone, 44% of the economically active population are being paid directly by the Government through JRS, SEISS or benefits. This is a direct result of the collapse in passenger air travel at Gatwick Airport and the knock-on effect on direct and indirect jobs. Flight volumes are not forecast to recover for another 4 to 10 years.

The challenge that Coast to Capital LEP faces, along with the government and local partners, is twofold. First, to limit the damage to individual sectors, businesses and individuals where possible in the immediate term. Second, to lay the groundwork for catalytic and sustainable economic growth in the medium-term.

Coast to Capital has already established a strong framework around the five foundations of productivity (business environment, people, places, infrastructure and ideas), which identified a series of structural challenges which over the long term have been restricting overall productivity growth. Together with the accelerated economic impacts brought about by COVID-19, described in this report, this framework can be adapted as the basis for economic recovery.

Separate summaries for each of the foundations of productivity can be found within the study.

2. Study Context

Study Approach

To fully explore the economic impact of COVID-19 on the Coast to Capital area, the work is comprised of three main parts.

1. Economic effects: assessment of current and projected impacts of COVID-19 on the economy, including economic output (GVA), businesses, labour market and take-up of Government schemes
2. Wider effects: assessment of broader economic, social and environmental impacts of COVID-19 across the five foundations of productivity; business environment, people, places, infrastructure and ideas
3. SWOT analysis: consideration of the main strengths, weaknesses, opportunities and threats facing the economy, for each of the five foundations

The work was undertaken during June and July 2020, with a review in August. All statistics and analysis reflect the most up to date data and intelligence available at the time. Unless otherwise specified, sector analysis has been undertaken using 1-digit SIC codes.

This study complements other Hatch-produced COVID-19 impact assessments undertaken in the area, namely, those for the Greater Brighton Economic Board, Gatwick Diamond Initiative and Coastal West Sussex Partnership.

Key indicators within this project will be reviewed in 6 months, to account for further, evolving impacts of COVID-19 on the Coast to Capital area.

The five foundations of productivity are taken from the UK Government's Industrial Strategy, 2017

Study Geography

This assessment focuses on the whole Coast to Capital area; a network of functional economic hubs that covers 29 defined urban centres in the triangle between Croydon, Chichester and Brighton in the South East of England.

For the purposes of this study, the area has been defined in statistical terms by the following 14 local authority areas:

1. Adur
2. Arun
3. Brighton & Hove
4. Chichester
5. Crawley
6. Epsom and Ewell
7. Horsham
8. Mid Sussex
9. Mole Valley
10. Reigate and Banstead
11. Tandridge
12. Worthing
13. Lewes
14. Croydon

In line with Coast to Capital's Local Industrial Strategy (LIS) evidence base, the London Borough of Croydon and district of Lewes have been considered within data collection and mapping, reflecting their economic relevance. They have not, however, been included in aggregate Coast to Capital level data.

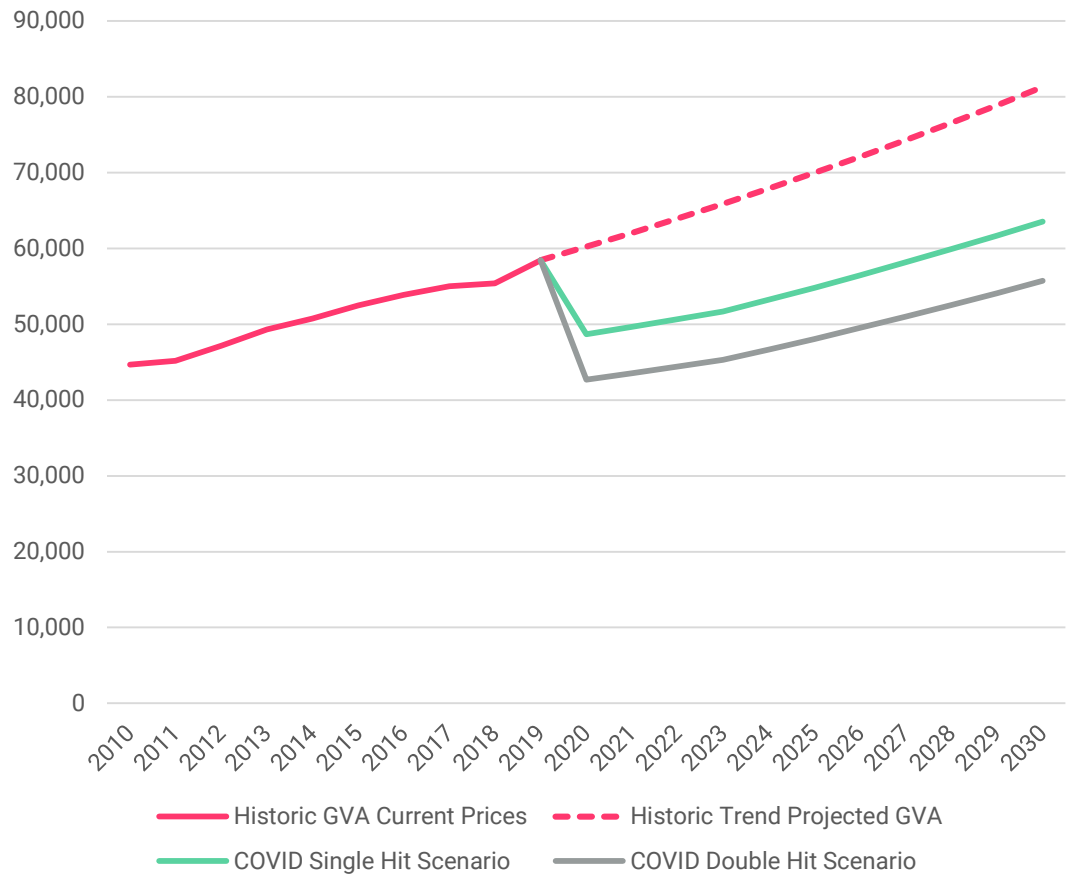
Coast to Capital Urban Centres Research, by Hatch Regeneris, 2019, identified 29 distinct urban centres with defined economic geographies and populations of more than 10,000

3. Economic Impact Assessment

Economic Output

The OBR Reference Scenario estimates that the region will experience a 17% loss of output in 2020, meaning the area will be more significantly impacted than the UK economy as a whole…

Coast to Capital GVA Impact of COVID-19 (£m in 2020 prices)



Source: ONS, OBR, OECD, Hatch analysis, July 2020 (Excluding Lewes and Croydon)

The Coast to Capital economic output (GVA) is estimated to have been £58bn in 2019. This makes it one of the largest LEP areas in terms of economic contribution. Despite easing of lockdown and the return to work for some sectors, it is still not possible to forecast the impact of the pandemic on GVA with any certainty; there continue to be too many unknowable factors.

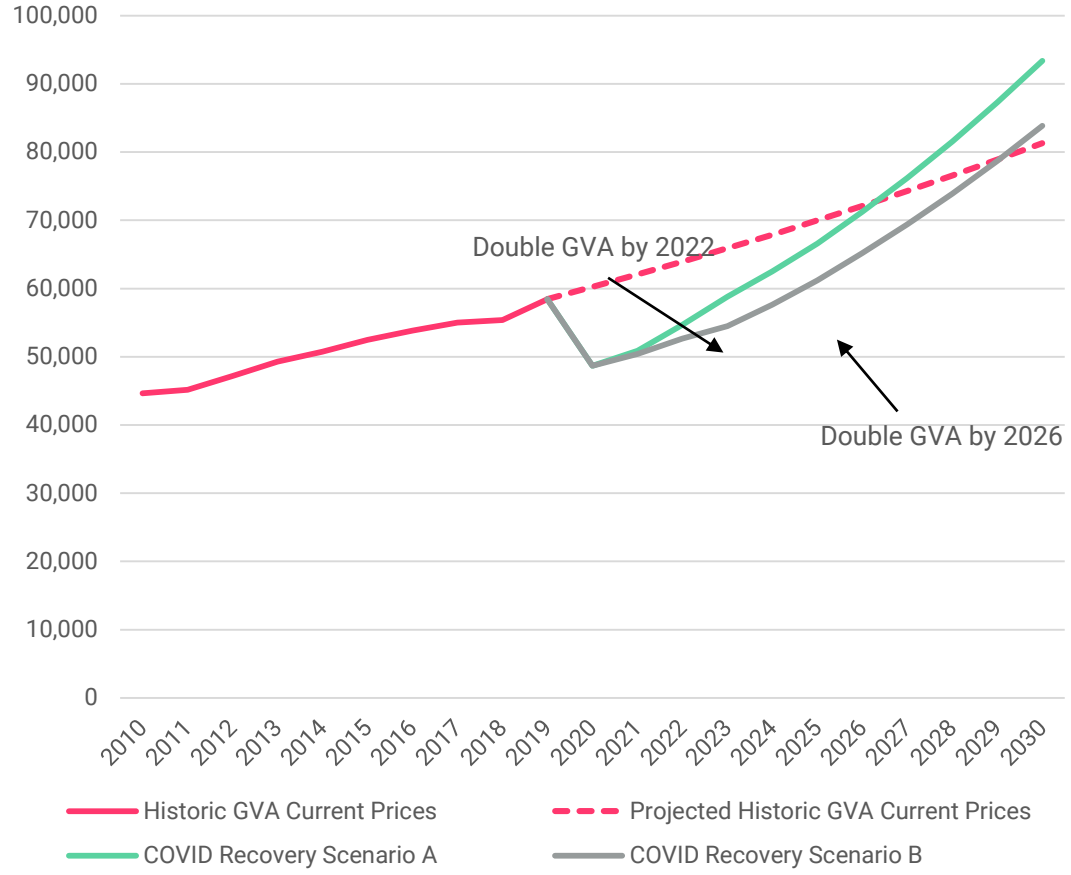
For the purposes of providing a central estimate of the impact on Coast to Capital, we have use Office of Budget Responsibility (OBR) and Organisation for Economic Co-Operation and Development (OECD) inputs.

We have built a model that uses the OBR's initial sectoral impact estimates for Q2 2020 and rolled the loss rates out for four quarters on a decreasing basis to reflect the likely path of recovery. This approach reflects the U-shaped recovery that most economists are now predicting. In the event of a second lockdown, a second scenario (Double Hit Scenario) has also been considered. Given recent events in Leicester, the now looks more possible.

The model shows that the Coast to Capital area is estimated to experience a £9.8b (17%) contraction in GVA in 2020 (against a national average of 15%) based on a single lockdown scenario. This would increase to an estimated loss of 26% should a second lockdown occur. A V-shaped recovery, although currently not widely anticipated, would lead to an estimated loss of 12%.

A renewed focus on increasing output and improving productivity will be vital as doubling historic GVA growth rates by 2022 will enable the region to re-join its pre-COVID-19 growth trajectory in 2026…

Coast to Capital COVID-19 Recovery Scenarios (£m in 2020 prices)



Source: ONS, OBR, OECD, Hatch analysis, July 2020

To provide an estimate GVA growth required across the region to recover, we have modelled the trajectory of the historic nominal growth rate (3% over the last nine years in 2020 prices) to show the projected GVA growth trend in a pre-COVID-19 world.

As illustrated in the adjacent graph, should the Coast to Capital area manage to double its historic growth rate (6%) by 2022, the region would re-join its pre-COVID-19 growth trajectory by 2026 (Scenario A). More conservatively, if the doubling of the GVA growth rate was achieved by 2026 (with a steady increase), GVA would reach its pre-COVID-19 trajectory in 2029/30 (Scenario B).

It should be noted that these are not forecasts but are indicative of the growth rates required to make up for the 2020 GVA loss and get back on the pre-COVID-19 growth pathway.

It follows that sectors and businesses will need to be supported not just to prevent damage and permanent scarring in the short-term, but also to find new and innovative ways to increase output and improve productivity.

Business Environment

Business Environment Summary

This section sets out the immediate impacts of COVID-19 on the business environment. The analysis shows some interesting trends that are unique to the Coast to Capital area.

There has been a 99% reduction in air traffic at Gatwick Airport which contributes an estimated £3bn of GVA to the region (5% of the total). This has had an immediate impact on the business ecosystem around Crawley. As of June, there has been nearly 100,000 jobs furloughed in the districts and boroughs around the airport. Additionally, according to the Manor Royal Business Survey, businesses in Manor Royal Business District that focus on exports are seeing a significant drop in revenue.

The Coast to Capital area has a good sectoral mix that reflects the trends in the South East, with particularly strong location quotients in Finance and Insurance and ICT. As would be expected, businesses in these two sectors tend to be larger and in the SME category, as opposed to Micro category. Early evidence indicates that a cluster of businesses from these two sectors have been made insolvent in May and June. This should be observed closely as these businesses tend to generate high GVA and are larger employers.

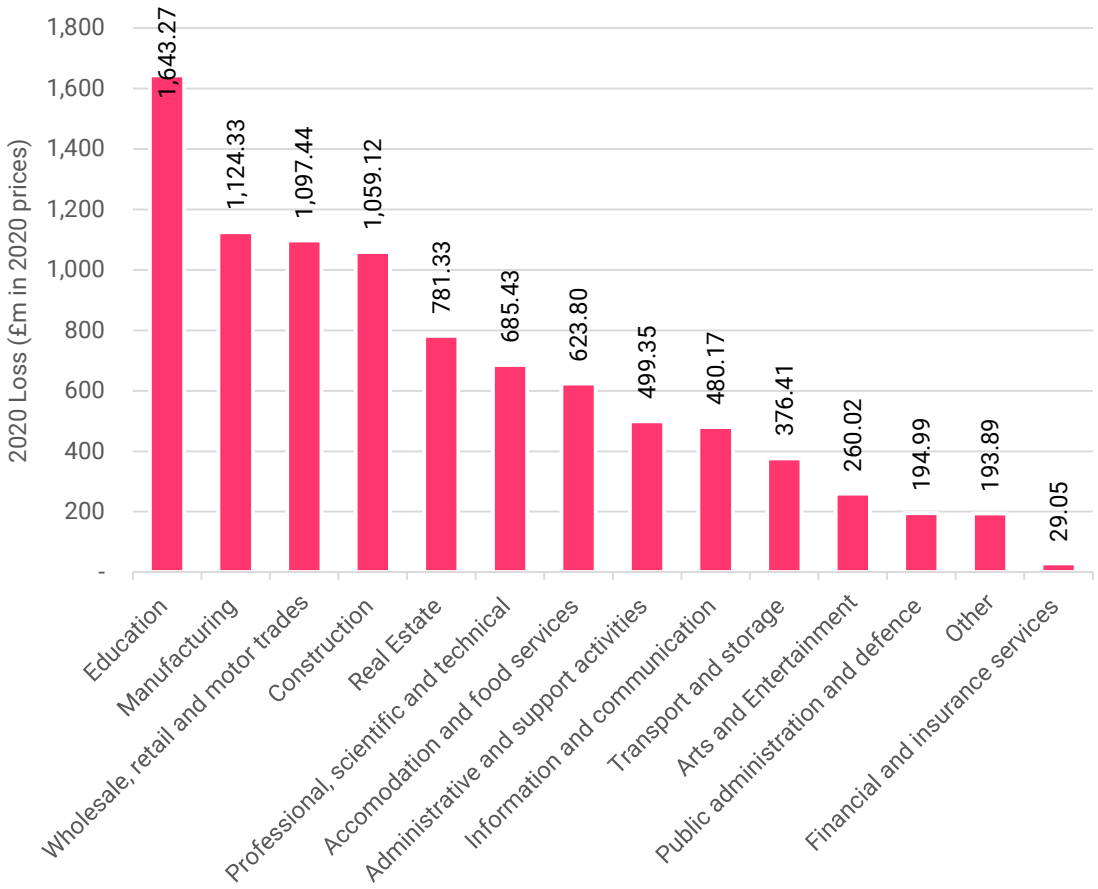
The region also has a higher proportion of businesses that are structured as sole traders or sole proprietorships. This reflects the concentration in agricultural businesses in rural West Sussex and the Greater Brighton City Region's strength in performance and fine arts. There may be a relationship between the higher concentration of businesses structured in this way and financial fragility, as one in three businesses report they have less than three months cash reserves.

Despite the ongoing difficulties, there has been a remarkable growth in business creation during the lockdown period with the majority of businesses being established in Brighton & Hove. This reflects both the growing entrepreneurial cluster in the city and may also be an early indicator that Brighton residents who previously commuted to London are setting up businesses locally to continue to work from home.

Reflections of the medium and longer term impacts of the pandemic on the area's business environment are set out in the SWOT analysis (Section 4).

The impacts will be more acute for certain sectors, with Coast to Capital's education sector experiencing a £1.6bn loss in 2020…

Total Value of Sectoral Losses



Source: ONS, OBR, OECD, Hatch analysis, July 2020

Our analysis identified that, in terms of value, the greatest sectoral loss will be in the education sector at £1.6 million. This includes higher education, further education, and private educational institutions, such as language schools.

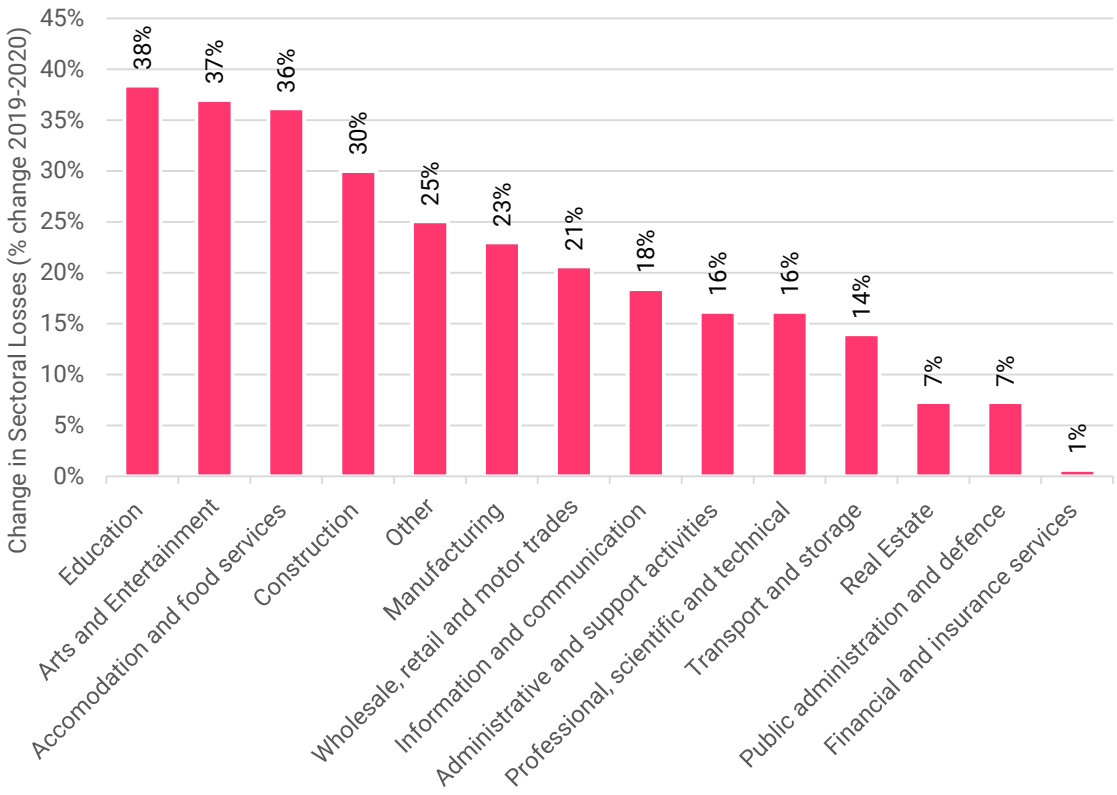
Given the continued uncertainty regarding the education sector's return to pre-COVID-19 operations, the sizable loss in GVA is concerning. Universities and schools are striving to adapt and prepare for the coming academic year, however, surveys and discussions with educational bodies highlighted that international students are unlikely to attend in the autumn. This will have a significant impact on the sector and the multiplier effect of spending across the region. In addition, nurseries and child-care businesses are also finding it difficult to adapt and ensure safe-ways of reopening businesses.

While the manufacturing sector has experienced a large loss, many manufacturing businesses are returning to work with production lines changed to ensure social distancing. Many are, therefore predicting that this loss will be temporary with demand recovering to pre-COVID-19 levels quickly.

As expected, of those sectors where social distancing is difficult, the impact has been large – particularly in the retail and construction sectors.

Several key sectors have experienced seismic proportional losses - whilst sectors such as construction are poised to bounce back quickly, others may require additional targeted support…

Change in Sectoral Losses (% change 2019-2020)



Source: ONS, OBR, OECD, Hatch analysis, July 2020

The education sector is also the hardest hit sector on a proportional basis, experiencing a 38% loss in GVA between 2019 and 2020.

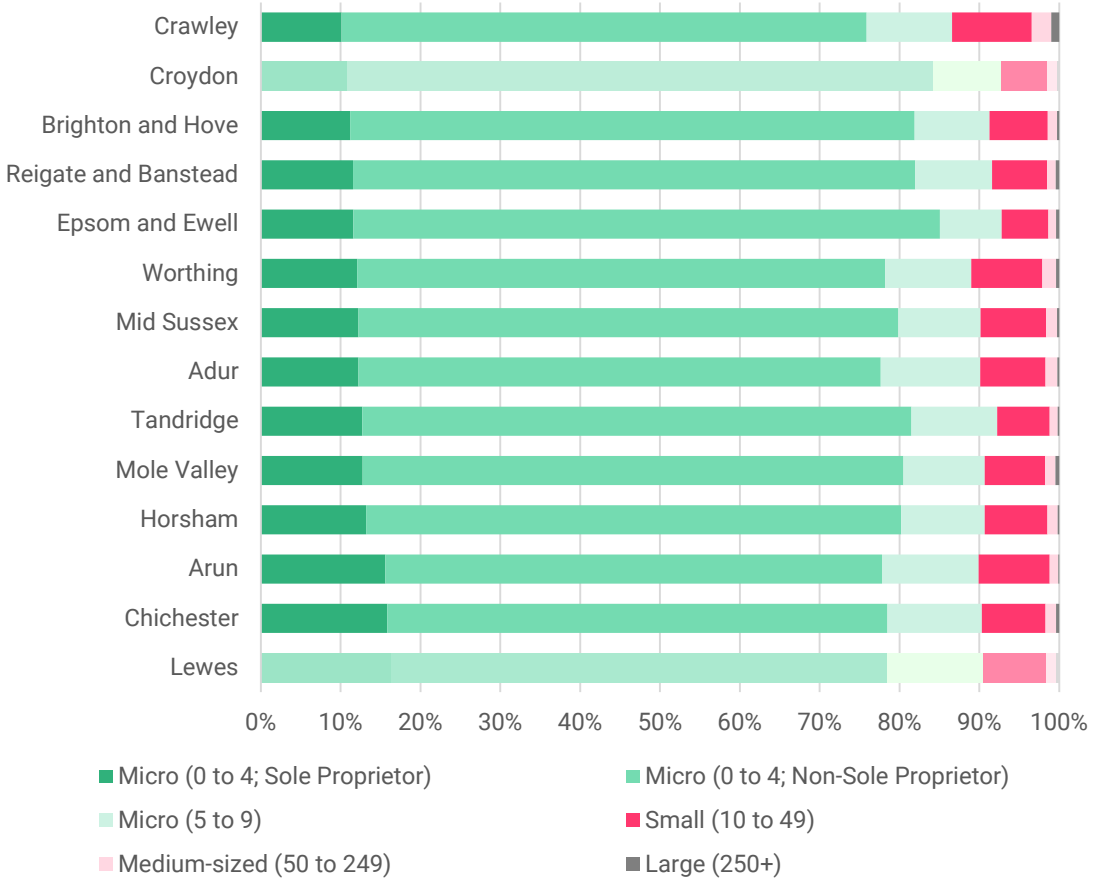
Arts and entertainment and accommodation and food have taken a similarly large hit, experiencing 37% and 36% losses in GVA, respectively. Given the strong reputation of these sectors in the region, both individually and jointly, a coordinated effort to provide support to these sectors would not only be helpful but would preserve Coast to Capital's character and contribute to the recovery of the area.

Many construction sites suspended work within a couple of weeks of lockdown. Work is now resuming and therefore the losses identified should be recoverable at a quicker rate than other sectors.

There will be a balance between supporting the sectors that have experienced the greatest monetary loss (and therefore drive GVA growth) and those that have experienced a large proportional loss and drive the region's differentiation and character.

Businesses exposure to COVID-19 will be heavily influenced by size and maturity…

Breakdown of Coast to Capital Businesses by Size and Local Authority, 2019



Source: ONS, UK Business Count, June 2020

Similar to the UK, the majority of businesses (90%) across Coast to Capital are micro businesses, defined as having less than 10 employees. This differs in some areas of Coast to Capital, such as Crawley where there is a higher proportion of small, medium and large businesses (reflecting the business base at Manor Royal).

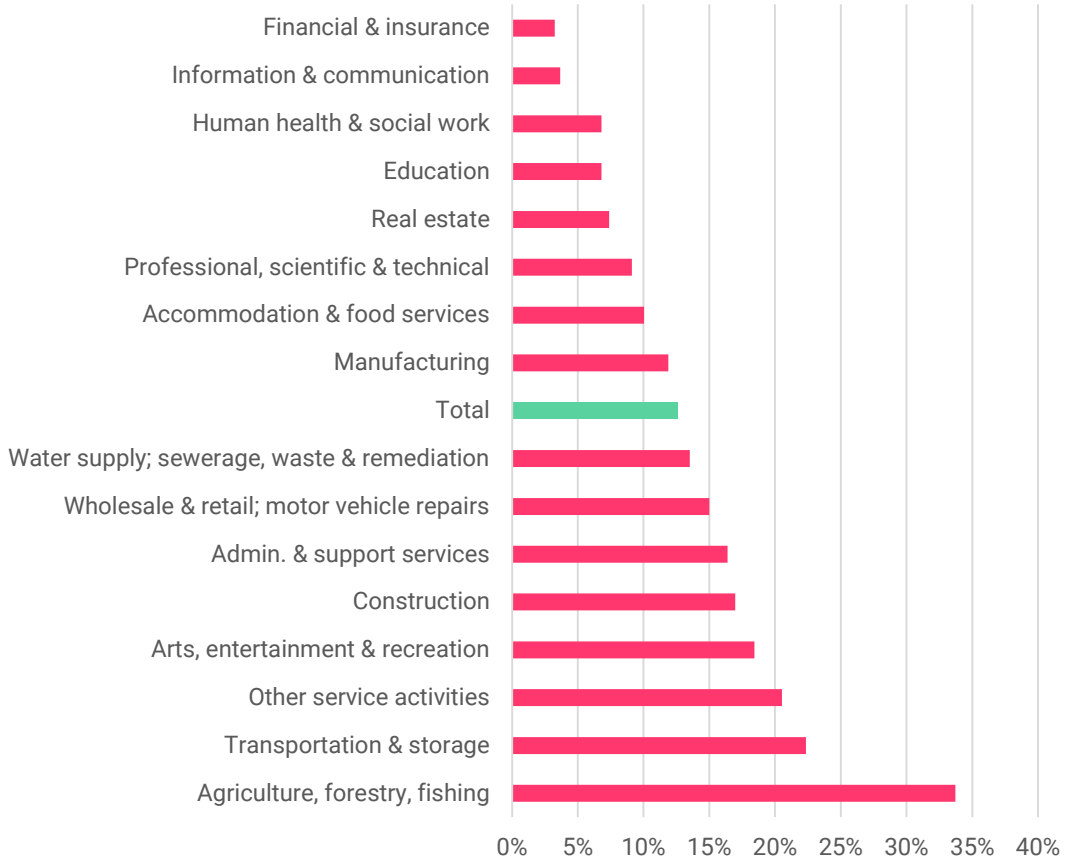
Of these micro businesses, a vast majority employ less than 5 people, and of those employing less than 5, a substantial minority are sole proprietor businesses – with this latter category accounting for over 10% of total businesses across all districts. Sole proprietorship is discussed in greater detail overleaf.

The challenges facing businesses during COVID-19 will be, to some extent, dependent on the size and maturity of the company. This could have implications on the following:

- Turnover – smaller businesses are likely to have smaller turnovers and be less financially stable as a result.
- Running costs – larger businesses are likely to have more overheads and fixed assets which allow for restructuring and cost-cutting in the short term.
- Employee base – by nature larger businesses will employ more staff and will face greater challenges in terms of staff retention following the end of the furlough scheme.

Some sectors are highly dependent on small, sole proprietor companies which could increase Coast to Capital's exposure to a prolonged economic downturn…

Proportion of Sole Proprietor Companies with fewer than 5 employees out of all businesses by sector, Coast to Capital, 2019



Source: ONS, UK Business Count, 2020

Sole proprietor companies are those owned by a single individual. Often the sole proprietor is paid through company dividends and as such have not been able to access government support such as the Job Retention Scheme (furlough/salary support).

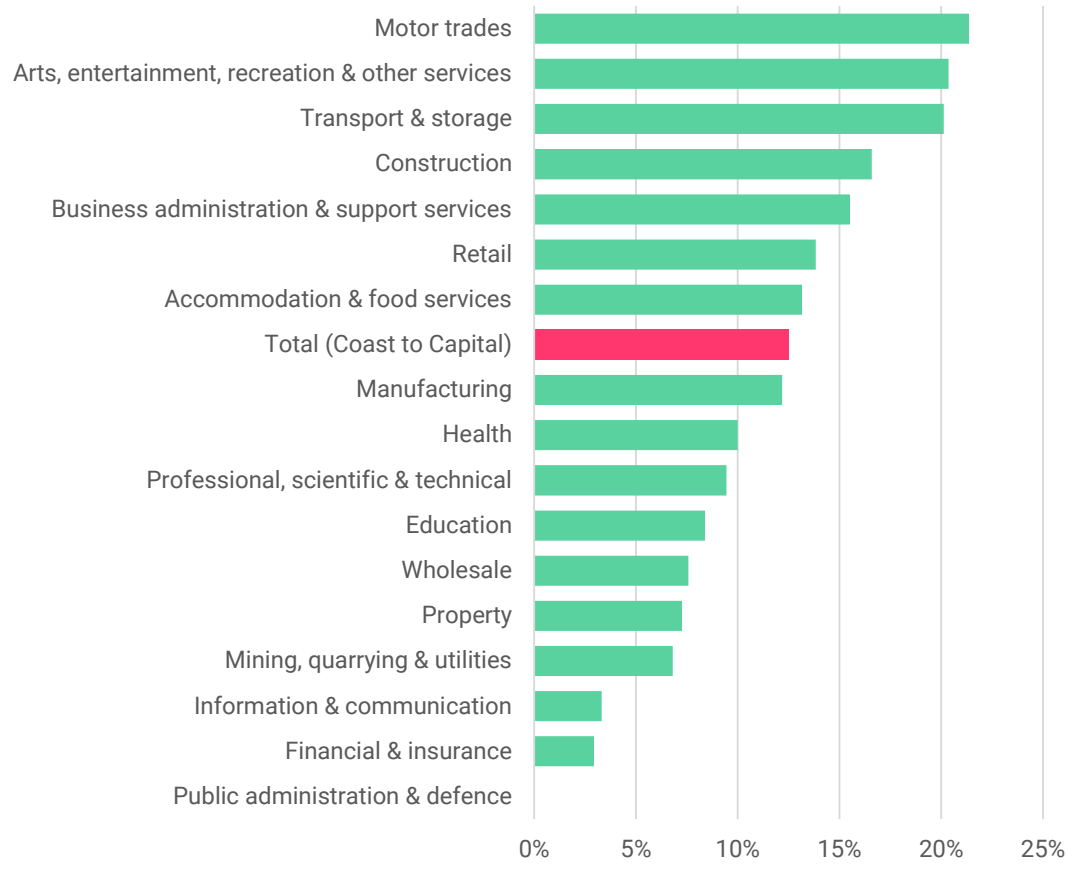
13% of Coast to Capital micro businesses are structured as sole proprietor companies. There is a risk that these companies will have limited cash flow and may be especially vulnerable.

There may be a particular vulnerability in the agriculture, forestry and fishing sectors where 34% businesses are sole proprietor and micro-sized. Many have been hit by the lack of demand in food products required by the education sector and food retail outlets, many of which remain closed, especially in areas that rely on the office-related lunchtime economy.

In key sectors such as transportation and storage, arts, entertainment and recreation, construction and wholesale and retail, the proportion of these vulnerable businesses out of the total sector is above 15%, indicating that these sectors may require targeted, local support.

Sole traders account for over 1 in 10 businesses across the region and will be integral to the region's economic recovery…

Percentage of Coast to Capital Sole traders by sector, 2019



Source: ONS, UK Business Count, June 2020

Sole traders are individuals who run their own businesses as self-employed persons. 12% of the Coast to Capital business base is made up of sole traders. This differs by sector, with around 1 in 5 businesses operating as sole traders in motor trades, arts, entertainment and recreation, and transport and storage.

Sole traders are likely to be less fragile than sole proprietors as self-employed sole traders are able to access the Self Employment Income Support Scheme (SEISS) if they meet the criteria.

Despite this, sole traders in some sectors such as motor trading could face ongoing difficulties as increasing unemployment over the coming months depresses consumer demand. There is also a particular risk for non-essential sole trader retailers and accommodation and food providers for the same reason.

11,000 businesses temporarily closed during lockdown, with the hospitality, leisure and recreation sector most significantly affected…

Estimated number of businesses temporarily closed in Coast to Capital by sector, 18th - 31st May 2020

Source: ONS, Business Impacts of COVID-19, Wave 6, May 2020

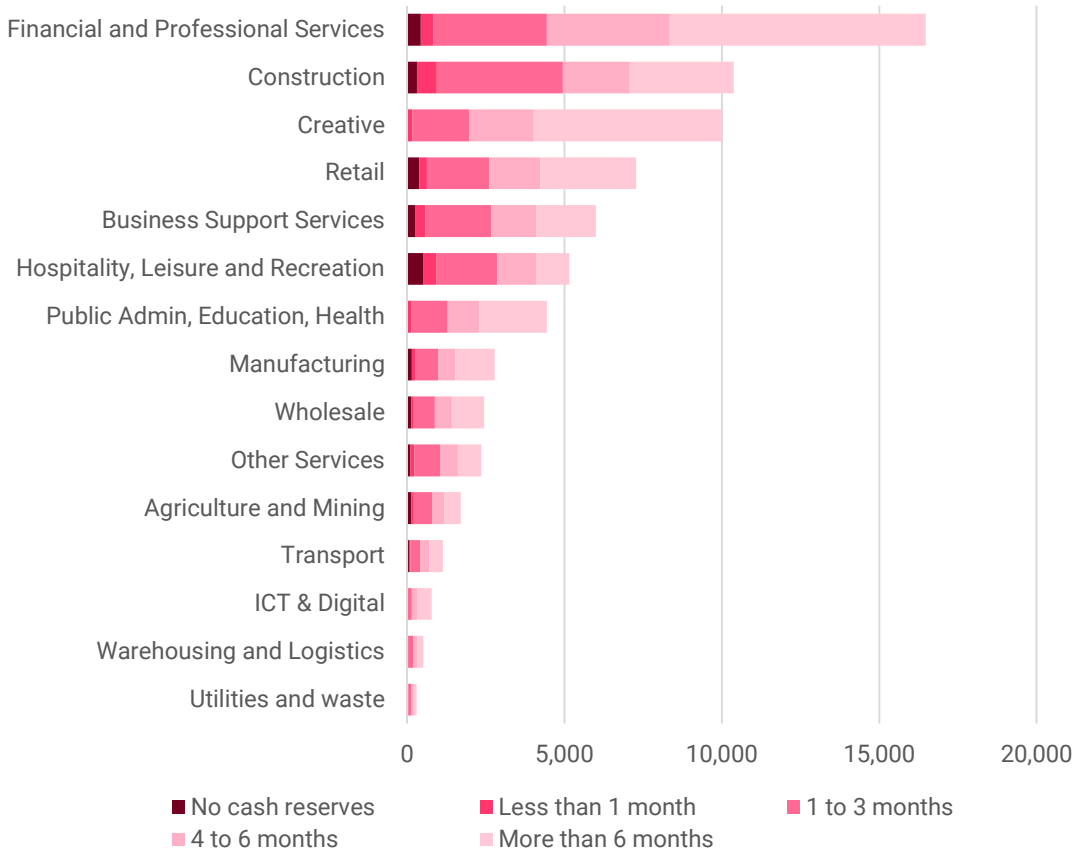
The ONS has been running regular surveys on the trading activities of businesses nationally. The data has not yet been released on a regional basis, although it is broken down by sector. As the Coast to Capital area broadly reflects a similar sectoral make-up, Hatch have applied national rates to the Coast to Capital area in order to estimate the number of businesses that have ceased trading (temporarily or permanently) in the LEP area.

Using this approach it is estimated that 13% of businesses (11,000) have suspended trading activity since the outset of COVID-19. The impact has been particularly acute for the hospitality, leisure and recreation sector with an estimate of over 4,000 businesses closed. Other sectors with large potential closures include construction (c.2,000 businesses) and retail (c.1000 businesses).

The latest ONS survey results (Wave 10, July 2020) indicates that 10% of businesses remain in hibernation and continue to suspend trading activity. The majority of these are in the accommodation and food sectors (30% remain non-trading) and the arts, entertainment and recreation sector (50% remain non-trading).

1 in 4 businesses have 1 to 3 months' worth of cash reserves and 1 in 10 have less than a month meaning that many of these businesses would struggle should there be a second lockdown or prolonged adverse trading conditions…*

Number of Coast to Capital businesses broken down by cash reserve status and sector, 18th - 31st May 2020



Source: ONS, Business Impacts of COVID-19, Wave 6, May 2020

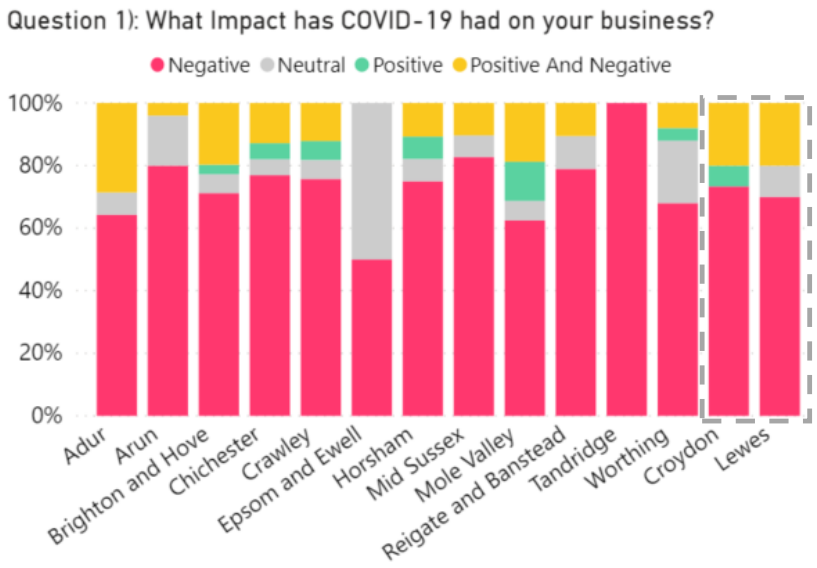
The ONS business survey provides information on the cash reserve position of businesses by sector. To estimate the proportion of businesses in the Coast to Capital area that currently are, or are likely to experience cash flow issues, the sectoral survey results have been applied to the Coast to Capital business base.

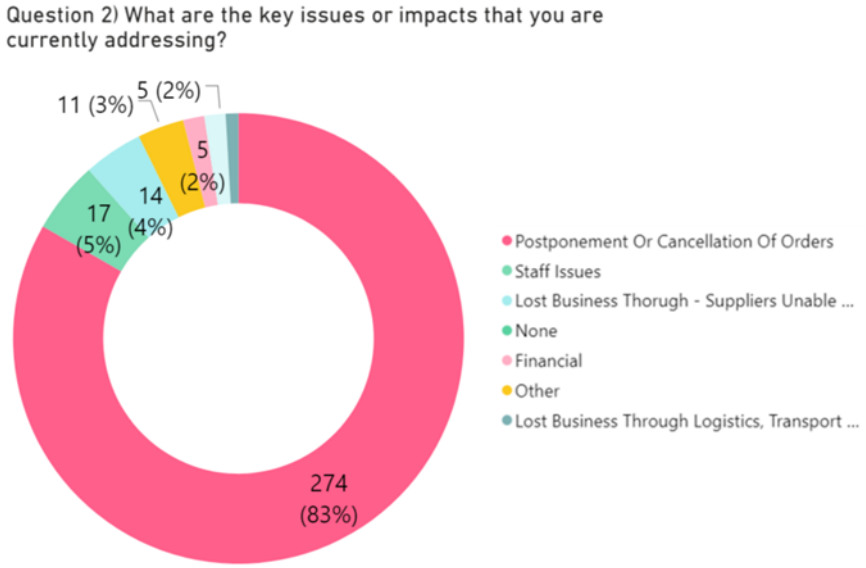
This analysis indicates that in May, around 1 in 3 businesses (c.30,000) had 3 months' or less worth of cash reserves, and 1 in 15 (6,000) had less than 1 month or no cash reserves*. As of July, the situation had improved with businesses taking cost-savings measures and 1 in 4 businesses (22,500) reporting 3 months' or less of cash reserves (Wave 10).

Businesses in sectors such as construction, manufacturing, food delivery and real estate will have a greater likelihood of survival as those sectors have most likely have already begun to exit lockdown. On the other hand sectors like education, retail and hospitality, leisure and recreation will have faced a greater delay in the resumption of trade, placing greater pressure on cash flow. This will disproportionately affect urban centers such as Brighton which have a high proportion of these sectors.

The challenge for all businesses will be to find alternative ways to resume operation quickly to drive revenue, whilst also adapting to new modes of working within social distancing rules.

Whilst COVID-19 has had a negative impact on the majority of businesses, there is a key role for the LEP to provide guidance on remedial activities to support resilience, recovery and growth…





The Coast to Capital COVID-19 Business Impact Assessment Survey (undertaken by Coast to Capital) assessed the impact of COVID-19 on local businesses from March to May 2020. Of the 329 business responses received:

The majority of businesses stated having been negatively affected by the pandemic, irrespective of business size, location and import/export activity.

Large and medium-sized and exporting businesses reported themselves to be more positively affected than their smaller, non-exporting counterparts.

The greatest business impact identified was the postponement or cancellation of orders, with just over four out of five companies (83%) identifying this as the key issue the company is addressing.

In terms of immediate solutions, two thirds (67%) of businesses were trying to identify new markets, customers, partner or channels. Just under one in five (19%) companies were implementing staff redundancies/furlough.

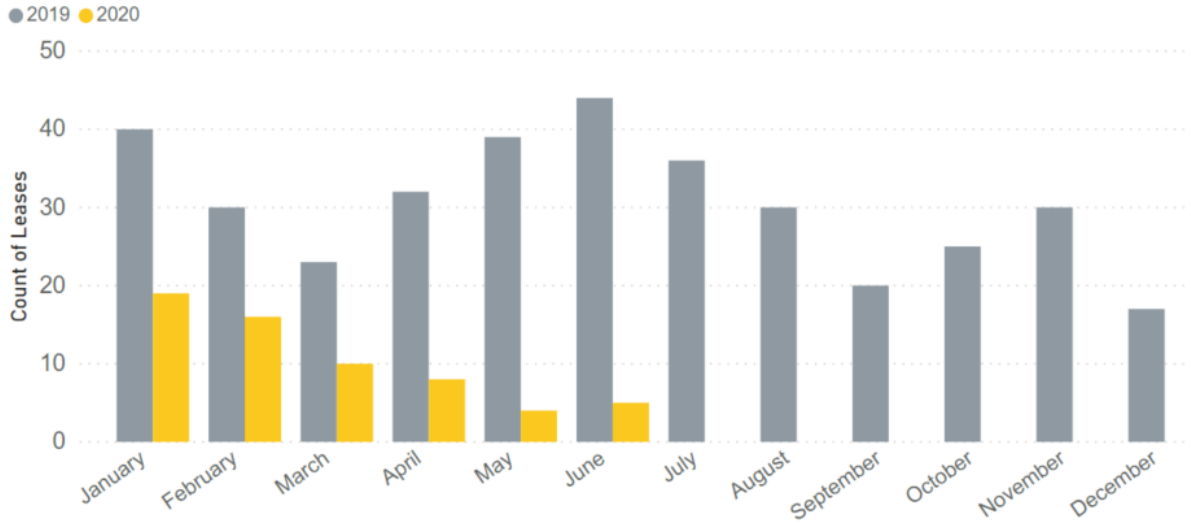
More than half of companies reported not having any remedial action planned for the future. It is unclear if this is because businesses do not require further action or because they are uncertain of the future of the business.

This suggests a key role for Coast to Capital in providing guidance on remedial activities for businesses in the medium-term future, with a particular focus on smaller, non-exporting businesses.

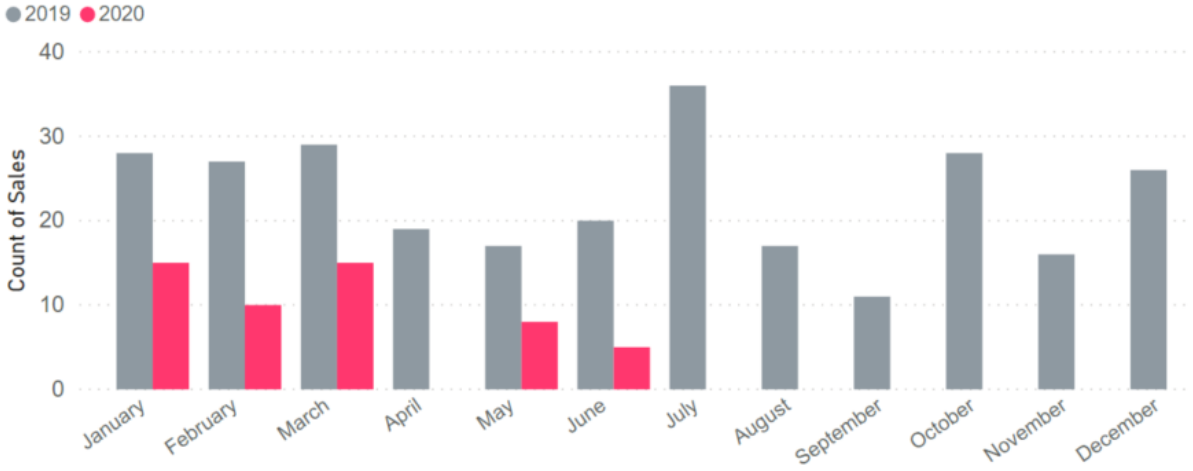
Data source: Coast to Capital, COVID-19 Business Impact Assessment Survey, March-May 2020

Significant drop in commercial property deal flows, with uncertainty around the future of work resulting in investment and leasing decisions being paused…

Commercial lease transactions in Coast to Capital area by month



Commercial sales in Coast to Capital area by month



Data source: CoStar and Hatch analysis, June 2020

Coast to Capital began the year with a substantial reduction in commercial property transactions compared to the preceding year. It is worth noting that this downturn began before a lockdown was expected in the UK.

Following a low in May, a slight rebound in commercial leases was experienced in June. This is likely to be driven by the retail sector and, potentially, increased confidence as the lockdown eased. Commercial sales have also been lower this year, although not to the same degree as leases. Also noteworthy is the lack of any commercial sales across the entire Coast to Capital area in April, as per CoStar.

According to the Royal Institution of Chartered Surveyors (RICS), both investors and occupiers are increasingly nervous, with the retail property market the most hesitant. Moreover, in the coming months, the office market is expected to fall, as businesses forgo new office leases in favour of informal workspaces or formalized home working.

Strong uptake of government economic support packages across all hardest-hit sectors which gives businesses a chance to ride out the lockdown…

The British Chambers of Commerce Coronavirus Business Impacts Tracker is the UK's largest independent business survey. The latest weekly survey collected data up to July 2020 and provides insight into how businesses have used financial support schemes from the government.

70% of firms are using the Coronavirus Job Retention Scheme (JRS) and 85% of those have received payment. It is estimated that 40% of the entire private sector workforce is currently being paid through the JRS.

Business surveys undertaken in July indicate that one third of all businesses have indicated that they intend to make staff who are currently being furloughed redundant.

This will have significant impacts on unemployment rates and is a tremendous risk to furloughed individuals in retail (where an estimated 72% of staff have been furloughed at some point) and accommodation and food (where up to an estimated 95% of staff have been furloughed at some point).

The take up of the Government's two loan programmes has been less successful. 59% of firms had no plans to apply for government bounce back loan scheme. This is likely for two reasons. Businesses that are already undergoing significant declines in revenue are less inclined to compound the situation by increasing debts. Secondly, banks have proven less likely to grant loans to distressed businesses.

Proportion of businesses using government initiatives by sector, May 2020 (National level data)

	Accom and Food	Arts, Entertainment and Rec	Construction	Digital	Education	Manufacturing	Prof, Scientific And Technical	Public Health	Transportation And Storage	Wholesale and Retail Trade
Coronavirus Job Retention Scheme	95%	86%	89%	48%	58%	73%	73%	45%	82%	79%
Business Rates holiday	82%	60%	16%	10%	8%	14%	13%	16%	21%	44%
Deferring VAT payments	86%	64%	55%	51%	27%	46%	68%	20%	59%	61%
HMRC Time To Pay scheme	42%	30%	29%	14%	8%	18%	17%	8%	23%	23%
Accredited finance agreements	21%	18%	10%	5%	5%	10%	11%	2%	12%	9%
Gov-funded small business grants / loan schemes (England)	19%	18%	3%	3%	2%	3%	2%	7%	5%	12%
Gov-funded small business grants / loan schemes (Devolved)	5%	4%	4%	-	-	2%	2%	3%	2%	4%
The business has not applied for any of these initiatives	1%	6%	7%	31%	36%	20%	16%	47%	11%	11%

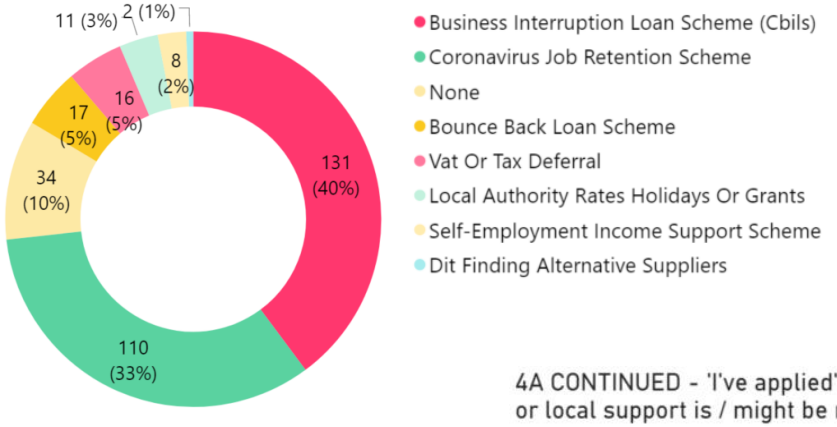
Source: ONS, Business Impacts of COVID-19, Wave 6, May 2020

Job Retention Scheme and CBILs have been the most widely used support package, however only 28% of respondents who applied said that the support has been helpful…

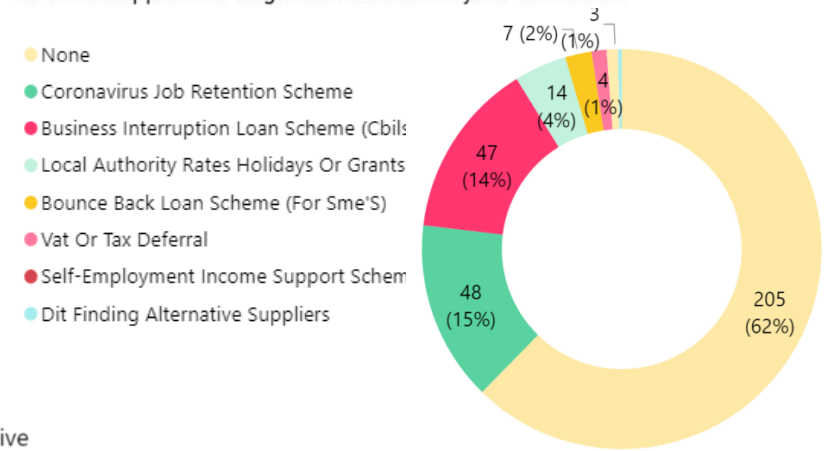
Coast to Capital's COVID-19 Business Impact Assessment Survey, found mixed take up of government or local support schemes amongst the 329 businesses surveyed:

- 90% of respondents identified at least one government and/or local support scheme which was relevant to their business, however a majority (205 firms; 62%) did not apply for any form of support.
- 40% of all respondents felt that the Business Interruption Loan Scheme was the most relevant to their business. 14% of businesses applied for this scheme.
- The JRS was considered relevant by a third of all businesses. The scheme was the applied for by 15% of survey respondents.
- The DIT Finding Alternative Suppliers was considered the least relevant form of support to LEP businesses, with only two businesses citing its relevance and only one firm applying for this form of support.
- Of those that applied for support, 28% found the support helpful (positive).

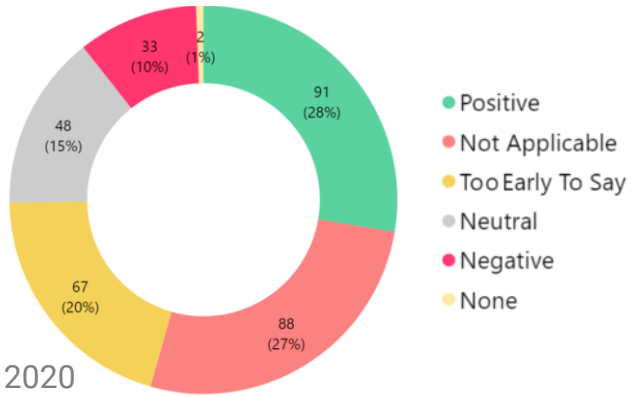
4A) What current government or local support is / might be relevant to your business?



4A CONTINUED - 'I've applied') What current government or local support is / might be relevant to your business?



5) If you have applied for any government support schemes, have they been helpful?



Source: Coast to Capital, COVID-19 Business Impact Assessment Survey, May 2020

Issues around funding eligibility has meant that some Manor Royal businesses have not received support…

The Impact of COVID-19 on Manor Royal (surveys undertaken during March to June 2020)

Evidence from the 84 business respondents of the Manor Royal business surveys shows that the impact of COVID-19 has not been uniform. Importantly, the survey confirms the aforementioned vulnerabilities of small companies and specific sectors.

- Vulnerable businesses (i.e. those reporting to be 'significantly less busy' /'not trading') tend to be small companies and those that operate in the hospitality and leisure (90%), wholesale and retail (87%) and information and communication (75%) sectors.
- 65% of companies feel 'confident'/'very confident' that they will survive, whilst 25% are unsure. The remainder are not hopeful of survival. Larger companies and those operating in the professional, scientific and technical, transportation and storage and information and communication sectors are more confident of survival. The least confident of survival are companies in the hospitality and leisure sector.

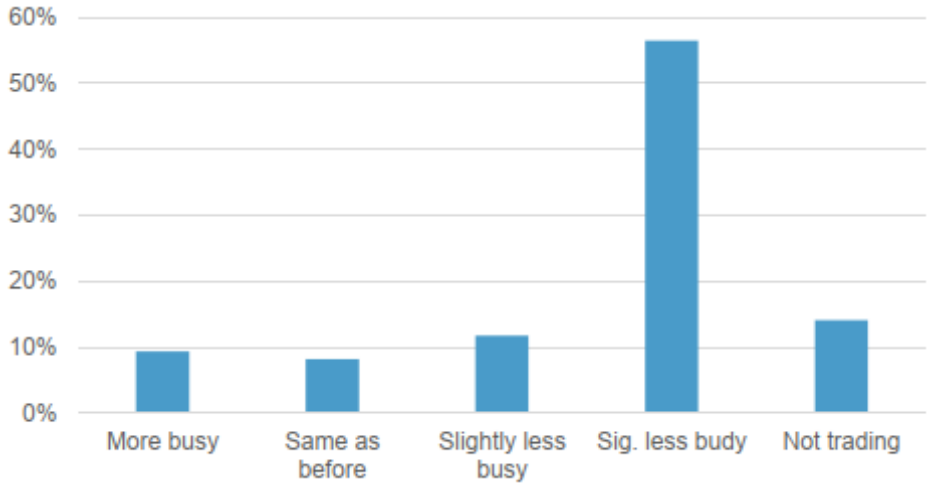
98% of Manor Royal business are SMEs with 59% in wholesale, transport and manufacturing sectors. This is concerning as a number of businesses have reported that they do not qualify for government grants.

There were two particular barriers to government support schemes cited:

- government support too focused on retail, leisure and hospitality firms on high streets and town centres
- "rateable value" as qualification for financial help is an inappropriate indicator of a business's success/health.

Manor Royal businesses stated the low uptake of government loan schemes reflected the increased risk associated with adding debt when business survival is uncertain. Similar sentiments were voiced regarding the VAT and rate deferments.

How busy is your business now compared to pre-COVID-19?

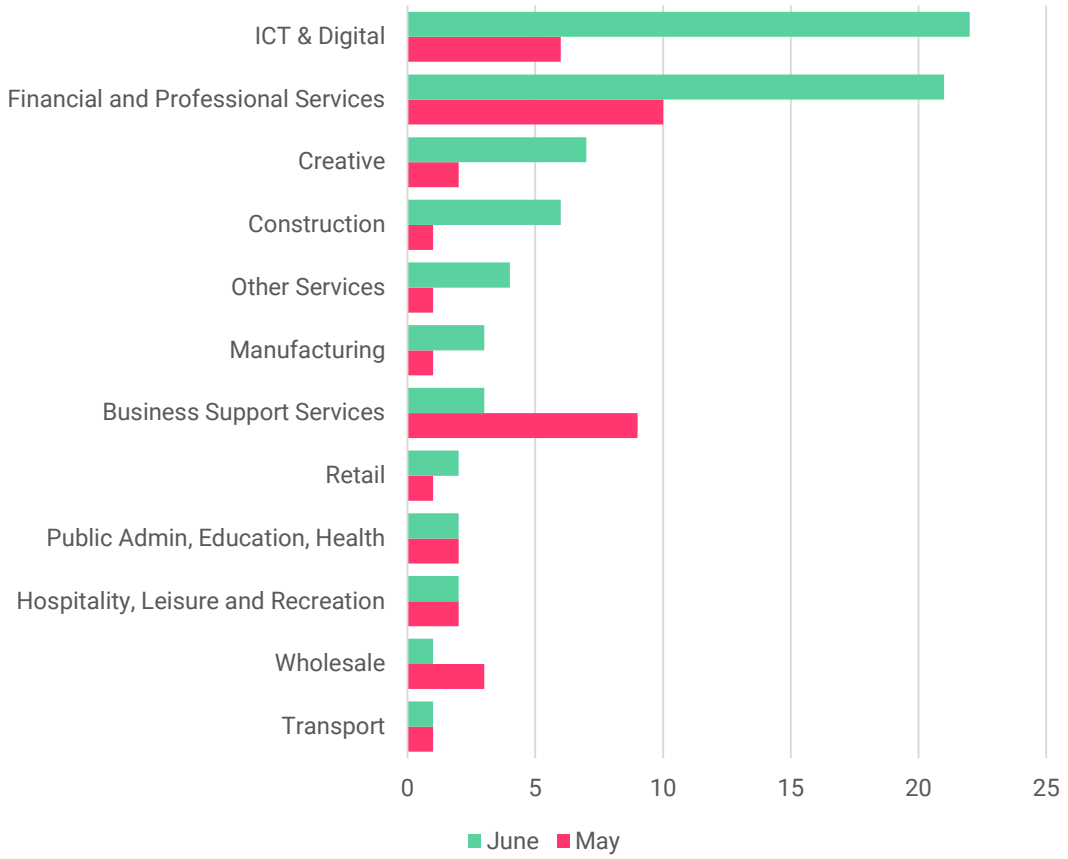


n = 84 respondents

Source: Manor Royal BID, COVID-19 Impact Assessment, June 2020

Emerging evidence of increasing insolvencies which should be monitored closely as government support programmes cease…

Corporate insolvencies and liquidations (May and June 2020)



Source: The Gazette, Monthly UK Insolvency Statistics, July 2020 (Hatch Analysis)

A full list Coast to Capital corporate insolvencies and liquidations recorded in May and June 2020 is provided in Appendix I.

The Gazette provides an official public record of business insolvencies, instances where businesses can no longer meet their financial obligations.

Using Companies House data to match Gazette records, analysis shows that 74 companies were declared insolvent or liquidated in June compared to 39 in May. This is above the average of 4-5 for previous months before COVID-19. The largest proportions of insolvencies were in Brighton & Hove (40%) and Croydon (20%), areas home to the largest numbers of businesses.

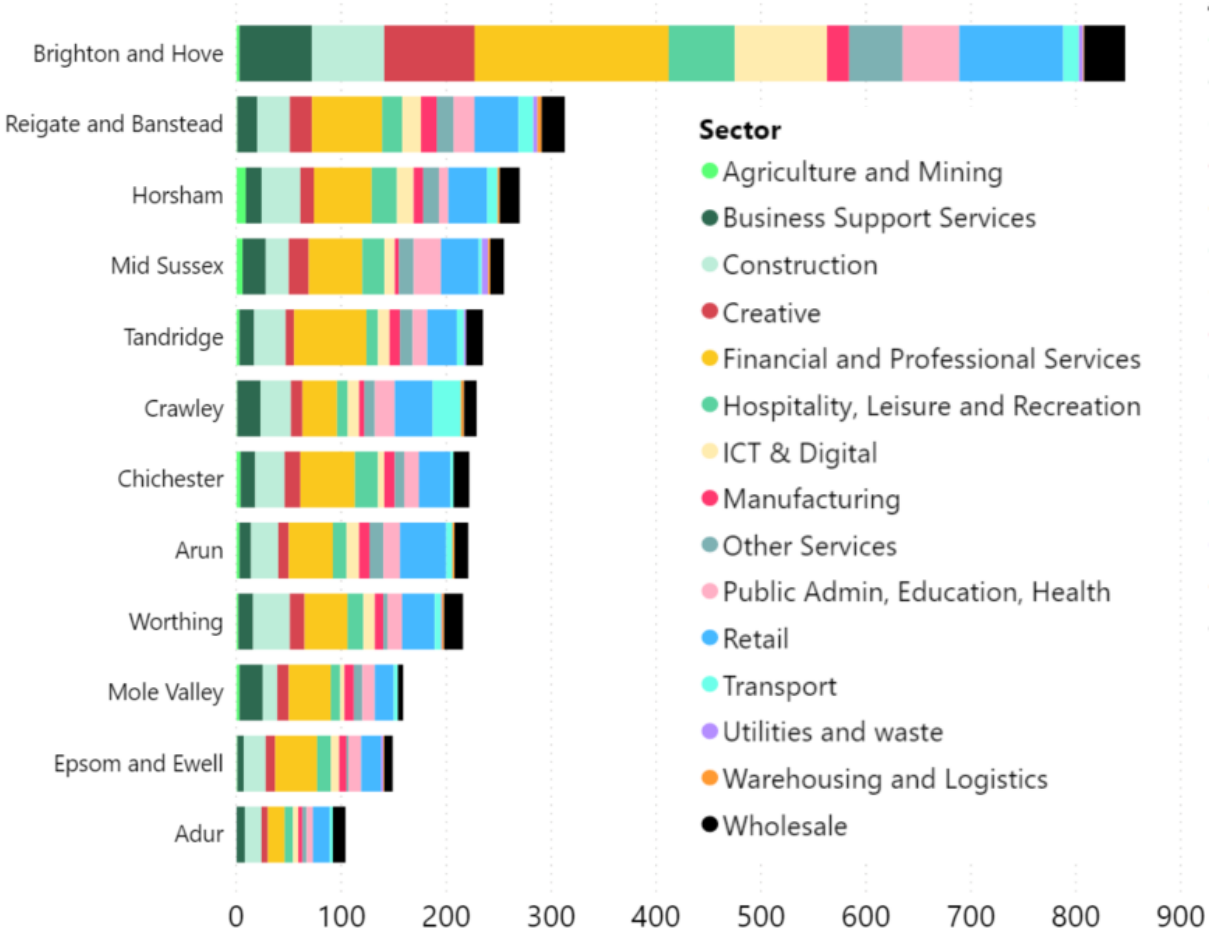
The highest number of insolvencies were registered by businesses operating in ICT & Digital, professional services and business support services sectors. This includes a large number of consultancy activities who likely saw a downturn in activity and clients as COVID-19 became an increasing issue in February and March.

Despite being most affected by closures, the hospitality, leisure and recreation sector have a relatively small number of insolvencies registered. This could be due to business actions outlined on previous pages, with high rates of temporary closures and high take up of government support enabling businesses in this sector to stay afloat.

As government support schemes come to an end, there is increasing potential that the number of insolvencies in the retail, hospitality, leisure and recreation and food sectors will rise.

Despite challenging trading circumstances, 3,467 new companies were created between March and June, evidencing the region's entrepreneurial spirit which can drive future growth and increase productivity…

New companies registered in Coast to Capital by location and sector (March to June 2020)



Source: FAME, June 2020

Despite the increasing number of aforementioned insolvencies, the Coast to Capital area has seen a considerable number of new business registrations. Data from Fame, shows that a total of 3,467 new companies were created between March and June 2020, which suggests positive entrepreneur confidence in the business market.

The greatest number of business registrations were located in Brighton & Hove, far outstripping any other district within Coast to Capital. Brighton & Hove's specialism as a hub for software developers, gaming and digital services, contributed to the 88 new ICT and Digital sector companies registered in the district. This is more than all the newly registered ICT and Digital sector companies in the remaining Coast to Capital districts combined.

Overall, the top three sectors which saw the greatest number in new companies were:

1. Financial and Professional Services
2. Retail
3. Construction

The sectors with the least registrations include 'utilities and waste' and 'warehousing and logistics' sectors, which made up less than 1% each of the new companies created in the region. A sectoral breakdown of new companies is provided in the 'Ideas' section of this report.

HATCH

People

People Summary

This section sets out the immediate impacts of COVID-19 on the Coast to Capital population and labour market. By early August 2020, approximately 5,400 COVID-19 cases and 1,240 COVID-19 deaths had been confirmed in the Coast to Capital area. The long-term health impacts of COVID-19 are still unknown, however the physical and mental effect of the pandemic is likely to impact on the workforce's ability (considering social distancing requirements and personal vulnerabilities) and desire to return to workplaces.

The Government has put in place a variety of schemes to support employment including the Job Retention Scheme (JRS) and Self Employment Income Support Scheme (SEISS). When the numbers of economically active residents across Coast to Capital on these two schemes are added to those claiming job-related benefits the number comes to 330,000 or 35% of all economically active residents.

It is inevitable that this figure will rise given that Alternative Claimant Count figures (defined as those claiming unemployment benefits and required to look for work, taking into account Universal Credit and Jobseeker's Allowance) are time lagged. In addition, it is likely that many employers will make currently furloughed workers redundant as the scheme is lifted.

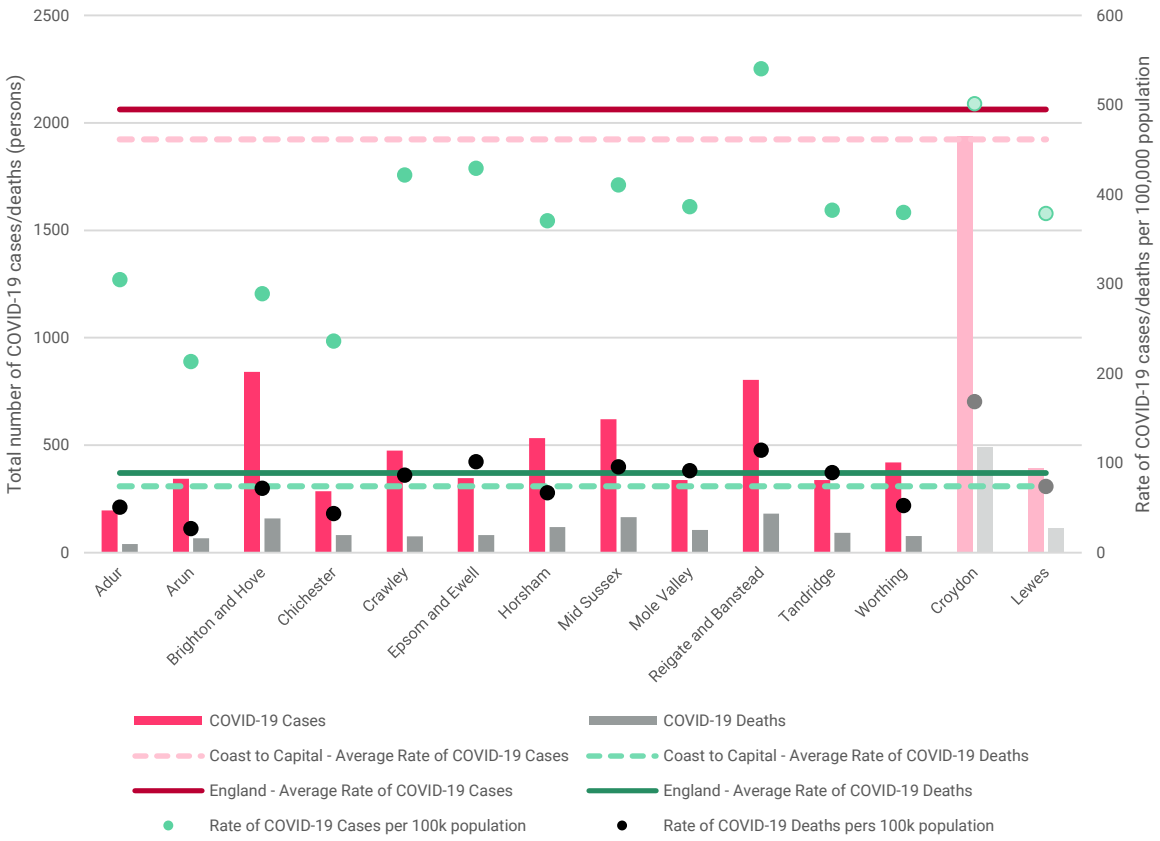
It is worth noting that the percentage impacted is fairly consistent across all local authorities, with the exception of Crawley where 44% of the population is already on JRS, SEISS or claiming job-related benefits. This illustrates the profound impact of Gatwick airport's decreased activity on the local economy.

The evidence shows that there has already been an immediate and sharp impact on young residents with 20% of all people between the ages of 18-24 receiving job-related benefits. National-level data indicates that 25% of people in this age group have been furloughed. Taking these two figures together, indicates that about 45% of all young people in the labour market across the Coast to Capital area are already being impacted by COVID-19.

For those seeking alternative employment, there are still vacancies being advertised, although latest data shows just 37,000 vacancies. To give a sense of the scale of the employment challenge, in March there were already 30,000 people claiming job-related benefits and this was arguably before redundancies related to COVID-19 began in earnest. This means that if a large number of the 220,000 people on JRS are made redundant there will be a large gap between people seeking work and available vacancies.

The Coast to Capital area is performing better than the national average in terms of COVID-19 infection and death rates, however areas of concern are identified at the district level with Reigate and Banstead being the hardest hit…

Coast to Capital COVID-19 cases and deaths (as of mid-August 2020)



Source: Public Health England, Coronavirus (COVID-19) in the UK, August 2020; ONS, Deaths Involving COVID-19 by Local Area and Deprivation, July 2020

As of mid-August, approximately 5,540 COVID-19 cases and 1,240 COVID-19 deaths have been confirmed in the Coast to Capital area. While the long-term health effects of the virus are currently unknown those at higher risk from coronavirus include older people and people with pre-existing health conditions. Other social factors increase risk, such as areas of deprivation and people from BAME backgrounds.

Within the Coast to Capital area, Brighton & Hove (841) and Reigate and Banstead (804) have experienced the highest number of confirmed cases, whilst Reigate and Banstead (181) and Mid Sussex (164) have the highest number of confirmed COVID-19 deaths.

Coast to Capital is performing better than the national average, when rate of cases / deaths per 100,000 population is considered (as shown in the adjacent graph). However, five districts have higher than national average rates of COVID-19 deaths, namely Epsom and Ewell, Mid Sussex, Mole Valley, Reigate and Banstead and Tandridge. Reigate and Banstead is the only district within Coast to Capital to have a higher than national average rate of COVID-19 cases.

Between March and June 2020, 20% of all deaths within the Coast to Capital area were related to COVID-19. This is below the national proportion of 23%. It should however be noted that COVID-19 deaths as a proportion of all deaths was higher than the national proportion for half of Coast to Capital's districts, including Crawley (24%), Epsom and Ewell (30%), Mid Sussex (27%), Mole Valley (24%), Reigate and Banstead (30%) and Tandridge (24%).

Local health exposure to COVID-19 is determined by the proportion of the population aged over 70 and population densities, with 3/4 Coast to Capital districts being 'most exposed'…

Coast to Capital Health Exposure to COVID-19

Area	% Aged 70+	Population Density
Adur	Most Exposed	Exposed
Arun	Most Exposed	Exposed
Brighton and Hove	Least Exposed	Most Exposed
Chichester	Most Exposed	Least Exposed
Coast to Capital	Least Exposed	Exposed
Coastal West Sussex	Most Exposed	Exposed
Crawley	Least Exposed	Most Exposed
Epsom and Ewell	Least Exposed	Most Exposed
Gatwick Diamond	Exposed	Exposed
Horsham	Exposed	Least Exposed
Mid Sussex	Exposed	Exposed
Mole Valley	Most Exposed	Least Exposed
Reigate and Banstead	Least Exposed	Most Exposed
Surrey County	Exposed	Exposed
Tandridge	Exposed	Least Exposed
West Sussex County	Exposed	Least Exposed
Worthing	Exposed	Most Exposed

A Hatch-produced COVID-19 Socio-economic Impact Exposure Tool indicates that, on a scale ranging from 'most exposed' to 'least exposed', Coast to Capital is considered 'exposed' to the health impacts of COVID-19 on account of population density across the region.

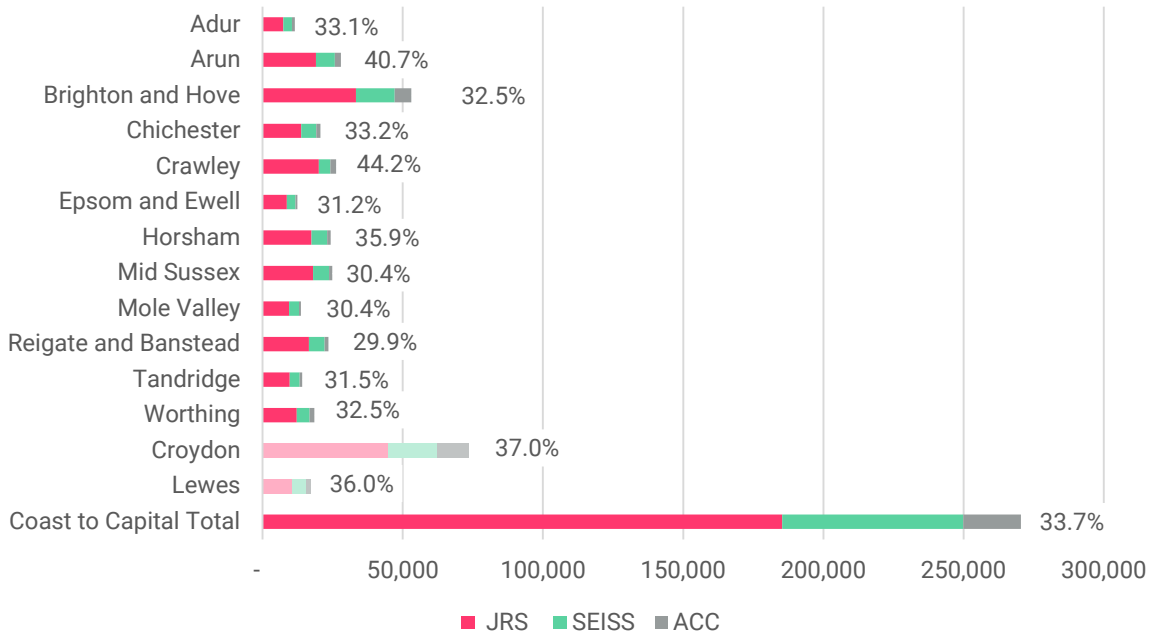
This is illustrated in the previous graph which shows Brighton & Hove having the highest number of confirmed cases and deaths compared to other, less densely populated districts.

Coast to Capital has an aging population, with the proportion of those aged 65 and over increasing by 0.6 percentage points in the last five years (compared to 0.2 and -0.7 percentage points for children (aged 0-15) and working-aged adults (16-64) respectively). On account of the proportion of the population aged over 70, Adur, Arun, Chichester and Mole Valley have been identified as 'most exposed'.

Source: Hatch, Socio-Economic Impact Exposure Tool, July 2020

Local economic exposure to COVID-19 is reflected through the proportion of employees on government support schemes, affecting over 44% of Crawley's economically active population…

Proportion of employees on government support schemes (Total number using latest data)



Source: Office of National Statistics (ONS), CJRS Statistics, Self-Employment Income Support Scheme Statistics and Alternative Claimant Count, February – June 2020

The impact of COVID-19 on employment has been considerable, however the true gravity of the impact is currently unknown given government support schemes which are supporting employments that would most likely have become redundancies.

Analysis of the Coronavirus Job Retention Scheme (JRS), Self-Employment Income Support Scheme (SEISS) and Alternative Claimant Count (ACC) shows that a third (33.7%) of Coast to Capital's economically active population has been impacted by the implementation of the lockdown.

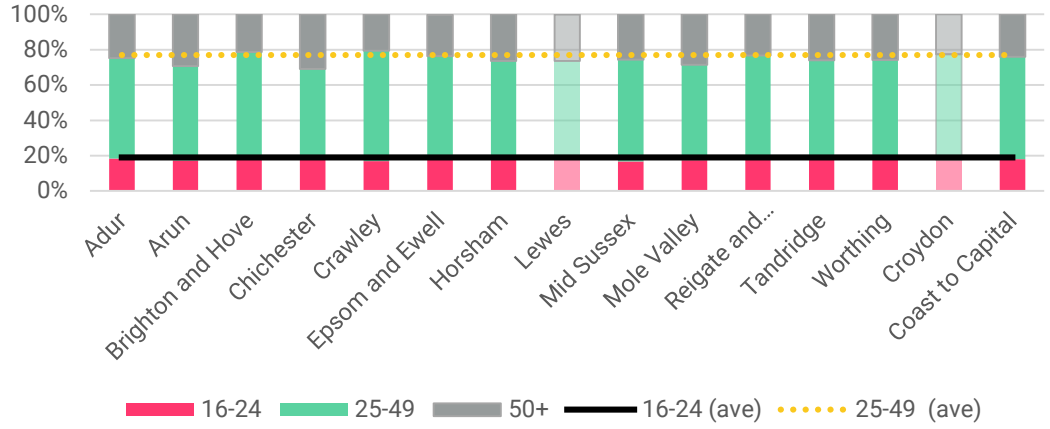
Whilst Brighton & Hove has seen the greatest number of employees accessing government schemes, it is in Crawley where the impact of the pandemic has hit the hardest, with 44.2% of the economic active population affected. This is likely being driven by furloughing within businesses which are directly and indirectly related to Gatwick airport (including the airport itself).

As Coast to Capital specialises in sectors that have been greatly affected by the pandemic, e.g. air transport, advanced engineering and manufacturing, and creative arts and entertainment activities (Economic Profile, 2019), the high impact rates identified are unsurprising.

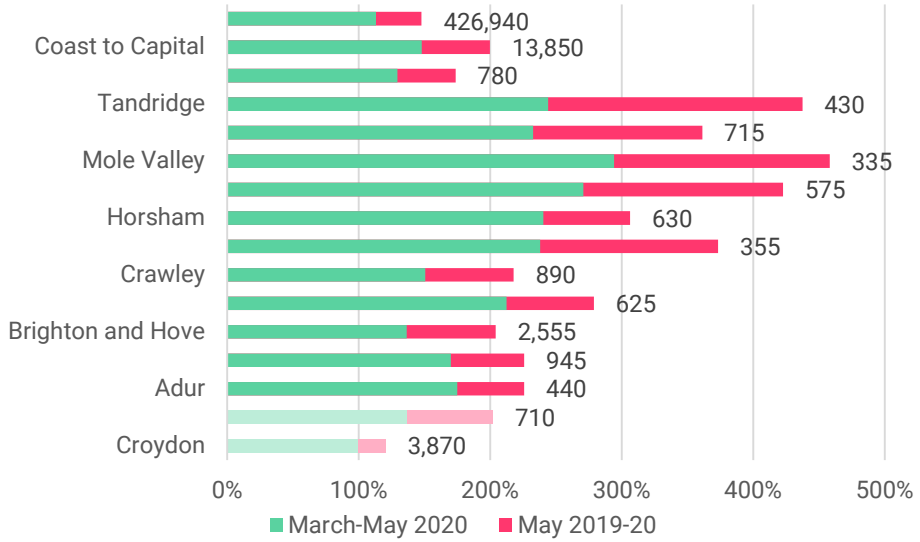
As government support is removed over the coming months, the greatest risk is that individuals currently supported by the JRS will be made redundant (moving on to the ACC). Additional support should therefore be given to hardest hit districts, in particular Crawley and Arun.

Low unemployment rates at the start of the pandemic means that Coast to Capital is starting from a relatively strong position…

Breakdown of claimants by age group (Percentage distribution by age in May 2020)



Change in claimant count (%) by area, with total claimants in May 2020 (label)



Source: ONS, Claimant Count, June 2020

The charts show the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit and are required to seek work and be available for work. The bottom chart shows change over time, and the top chart shows the age composition of claimants in May 2020.

Coast to Capital has seen a greater growth in claimants between March to May 2020 and May 2019 to 2020 than England. However, as is evidenced by the large percentage increases in Mole Valley and Tandridge, this reflects a lower starting unemployment rate pre-COVID-19 rather than a disproportionally large increase in unemployment across Coast to Capital.

The age profile of claimants is broadly similar across districts within Coast to Capital, with 16-24 year olds making up just under 20% of total claimants, and 25-49 year olds making up just under 60%. As such approximately 75% of claimants in the LEP area are below the age of 50.

As mentioned previously, the proportion of people aged 65 and above has increased by 0.6 percentage point in the last five years compared to 0.2 for children. This indicates that there are more people exiting the Coast to Capital workforce than there are entering it. Moreover, the proportion of working age people declined by 0.7 percentage points which suggests there are economically active people leaving the region entirely. With fewer workers, increases in joblessness will have a considerable effect on the region.

Job postings have been in decline since the start of the pandemic, with 30% less postings in June compared to the same month in 2019…

Total Coast to Capital job postings across all sectors

Source: Emsi Analyst, July 2020 (Hatch analysis)

Job vacancies in Coast to Capital and beyond are highly cyclical, typically with an increase in job postings across all sectors in the region during the summer months as the leisure and tourism sectors require more labour. Data indicates that the pandemic's ensuing economic uncertainty has depressed the number of job postings.

The number of vacancies across Coast to Capital has been in decline since the start of the pandemic with the latest figures showing 30% fewer vacancies in June 2020 compared to the previous year.

Similar trends are being experienced when individual sectors are examined (on the following page):

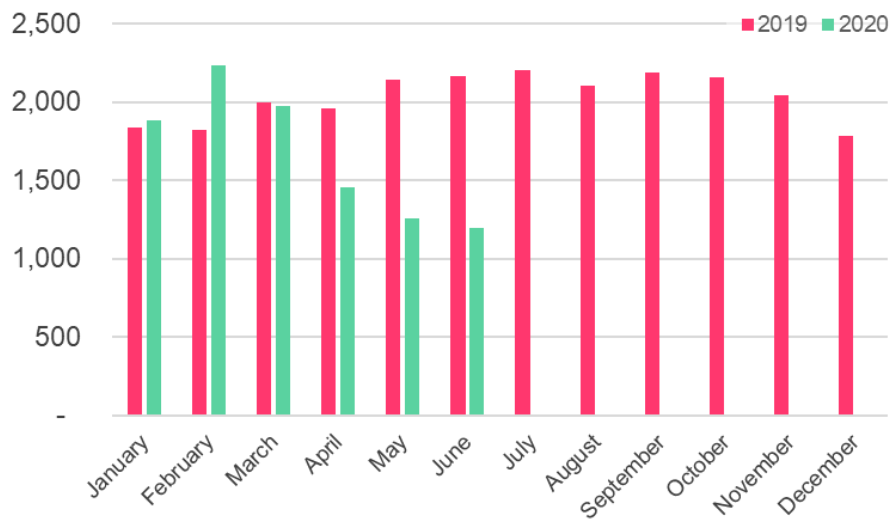
- there has been a marked decline in traditional summer jobs such as those in retail and the arts, entertainment and recreation sectors. This will disproportionately affect younger people who typically fill these roles. Coastal towns and commercial hubs, like Brighton and Crawley, which would usually experience an influx of activity over the summer months will be mostly affected by the downturn in summer jobs.
- the decline in professional, scientific and technical vacancies may reflect hiring freeze policies which companies have implemented in the weeks since lockdown.

Conversely, vacancies in the education sector seems to be running counter to the pandemic recruitment cycle, which is intriguing because:

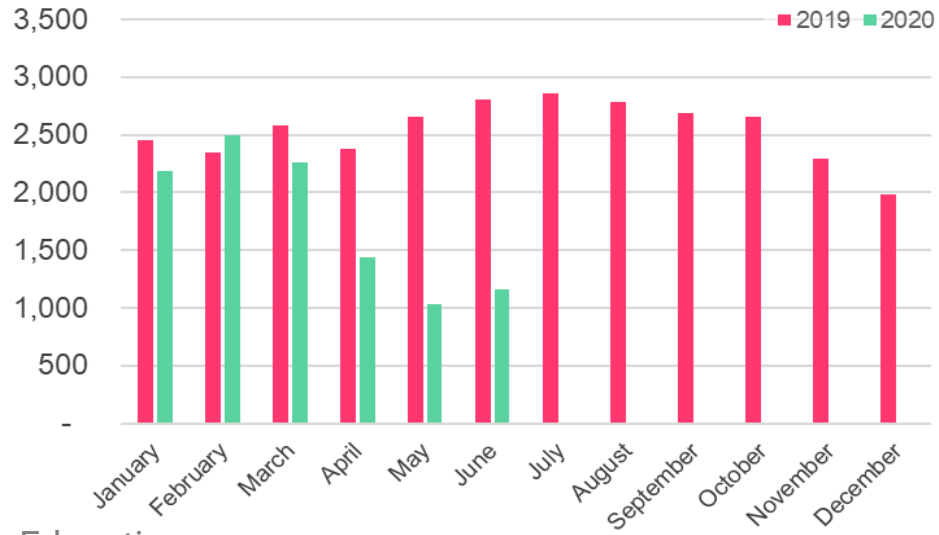
- large GVA losses are projected for the education sector; and
- this suggests industry confidence is bouncing back as lockdown eases

Despite being one of the hardest hit in terms of output, education postings have remained relatively resilient since the start of the pandemic compared to other sectors…

Arts, Entertainment, Recreation



Retail



Professional, Scientific & Technical

Education

Source: Emsi Analyst, July 2020 (Hatch analysis)

Places

Places Summary

This section provides a brief overview of the immediate impact on places. Google Mobility data shows that for workplaces located in the Coast to Capital area there has been a 70% decline in attendance at workplaces. The 30% that have continued to attend work are likely to be essential workers. Many of those not attending work will have either been furloughed (as 40% of all private sector employees are currently on furlough) or working from home.

The longer firms delay moving staff back to offices, the greater knock-on effect on high streets and town centres that rely on the lunch-time economy and footfall. This will have a significant impact on the largest urban centres in the Coast to Capital area, Brighton & Hove and Crawley. To give a national comparison, on 10th July, just 10% of all staff who work on the Canary Wharf campus were attending offices.

It is inevitable that there will be significant high street scarring in the short term. Insolvency data for the Coast to Capital area shows that as of June, few local retailers and restaurants have gone insolvent. The government's furlough scheme combined with the ban on landlords making businesses insolvent to recover unpaid rent has kept many business afloat. However both of these schemes expire in Q3 2020 and there will likely be a raft of retailers and restaurants that are unable to survive. Furloughed staff will be laid off and landlords, most of who agreed to defer Q2 rent will require the payment of Q2 and Q3 rent in Q3, in what is being called the 'rent apocalypse'.

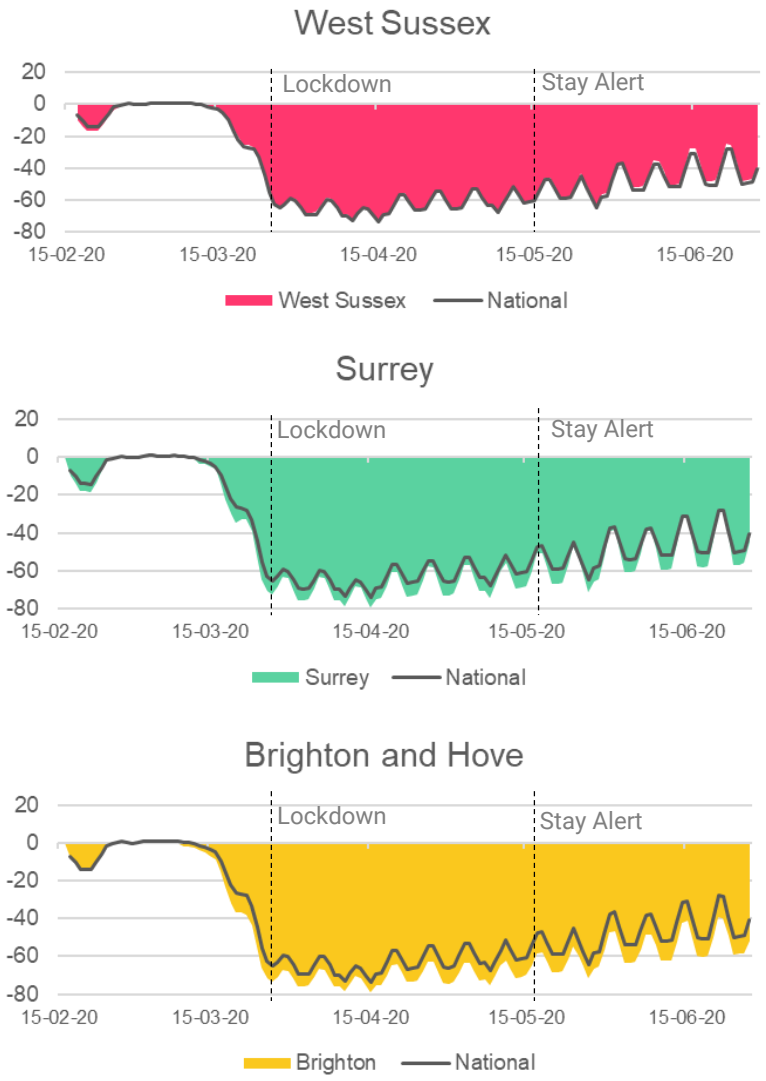
In addition, several national casual dining chains (almost all private equity backed), including Byron and Wagamama, are currently in discussions with receivers. Should agreements not be reached with creditors many of these chains (many of which have a presence on the Coast to Capital area's high streets) will go into liquidation. Finding a coordinated way to establish temporary or meanwhile uses, working with major landlords, will be critical. There is a growing trend towards the use of multipurpose retail outlets that allow multiple uses during the day, which could support the creative sector, particularly in Brighton & Hove.

This section also explores the particular local and sectoral challenges for the three main economic sub-regions in the Coast to Capital area:

- Crawley and the Gatwick Diamond have been disproportionately impacted due the reliance of the area on Gatwick airport for jobs, with 45% of workers claiming some form of financial support (including furloughing) from Government;
- Brighton and the surrounding areas are somewhat protected by sectoral diversity, but where there is increased demand for certain specialisms, like software development, it is countered by a steep decline in others, such as tourism and the arts;
- Other coastal and rural areas have their own unique challenges, with a higher proportion of businesses in coastal towns unable to trade during lockdown and severe shocks for horticulture companies, compounded by closures of restaurants and festivals.

Mobility is down significantly across the area, however West Sussex has seen the quickest return to work since lockdown restrictions have been eased…

Workplaces Mobility



Source: Google, COVID-19 Community Mobility Data, June 2020

Since February 2020, Google has recorded the daily movements of people to six proxy locations, namely:

- Workplaces
- Retail and recreation
- Grocery and pharmacy
- Parks
- Transit Stations
- Residential

The mobility statistics are measured against a baseline of 0, which is the median mobility value from the five-week period before COVID-19 (3 January – 6 February 2020). Data has been collected for the three geographies which best represent the Coast to Capital area, namely, Brighton & Hove, Surrey and West Sussex.

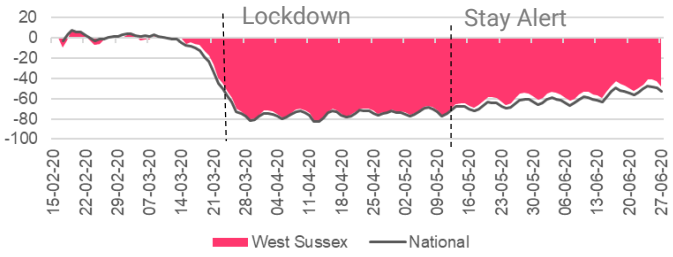
Data shows that, since lockdown, areas within the Coast to Capital area have experienced similar mobility trends for each of the six location proxies, but with some variation in the degree of deviation from respective baselines.

The charts show an average decline of 70% in people at their workplaces during full lockdown. The residual 30% is most likely to be made up of key workers in the health, essential retail, logistics storage and transport sectors. The easing of lockdown has seen an upward movement indicating a return to work for some members of the population, with West Sussex showing the quickest return to work (in line with the national trend) compared to Surrey and Brighton & Hove.

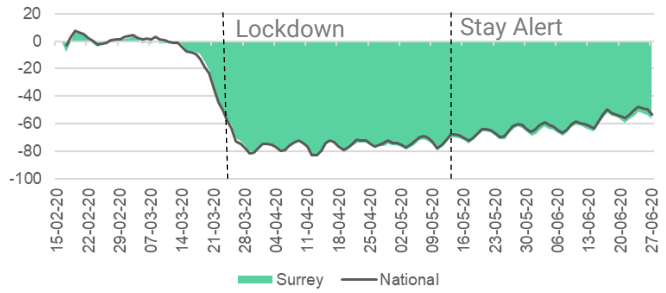
As lockdown restrictions ease, people are gradually beginning to visit non-essential shops again, which will be vital for the recovery of Coast to Capital's high streets and urban centres…

Retail and Recreation Mobility

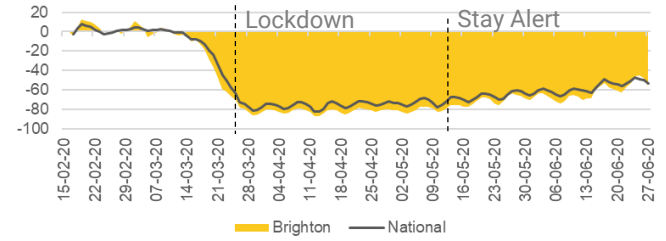
West Sussex



Surrey



Brighton & Hove



Coast to Capital experienced a persistent 80% decline in movements to non-essential retail and recreation locations throughout the lockdown period.

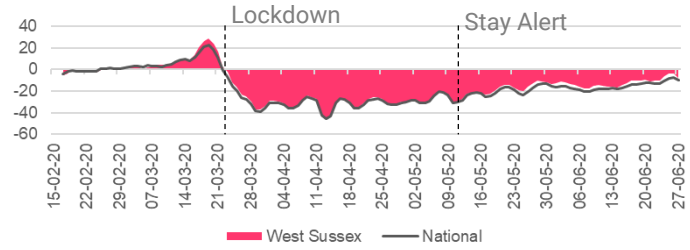
The easing of lockdown has seen a return to non-essential retail, particularly in Brighton & Hove and West Sussex. The return of shoppers to non-essential retailers will be crucial to monitor the recovery of high streets as lockdown eases.

It is worth noting that many retailers faced a rent payment date on the 24th June, with the Government committing to ensuring businesses cannot be made insolvent as a result of rent arrears. Leaseholders (across all sectors) have expressed concerns about the arrangement as many will owe the 2nd quarter of rent during the 3rd and 4th quarters, essentially doubling the rent owed.

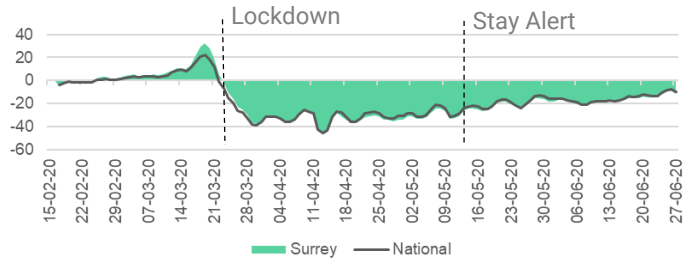
While grocery stores and pharmacies were able to trade during the lockdown, there has also been a decline in the number of visits to these facilities, down by 30% for West Sussex and Surrey and 40% in Brighton & Hove. It should be noted that many customers have reduced the number of visits, but have increased their spend per visit.

Grocery and Pharmacy Mobility

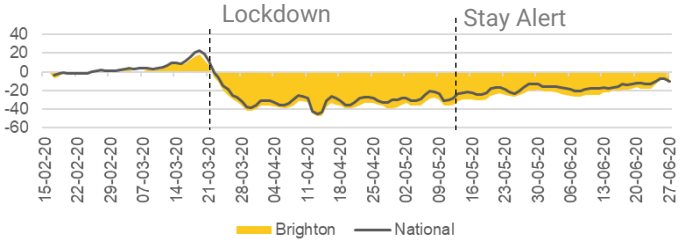
West Sussex



Surrey



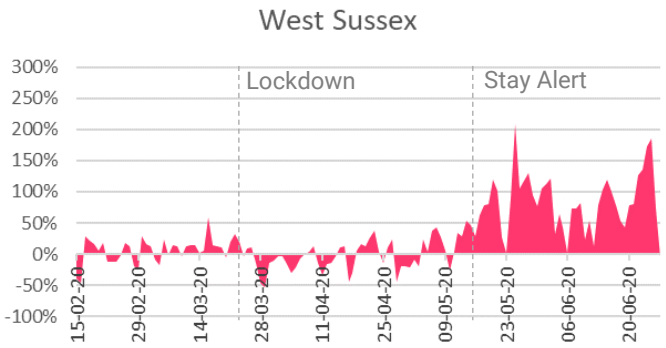
Brighton & Hove

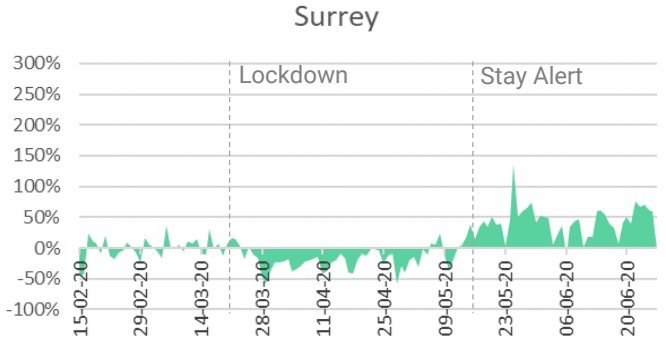


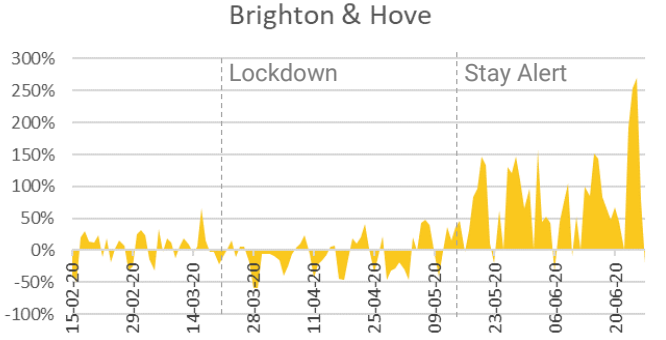
Source: Google, COVID-19 Community Mobility Reports, June 2020

Lockdown led to most residents following the guidance to stay at home…

Parks Mobility





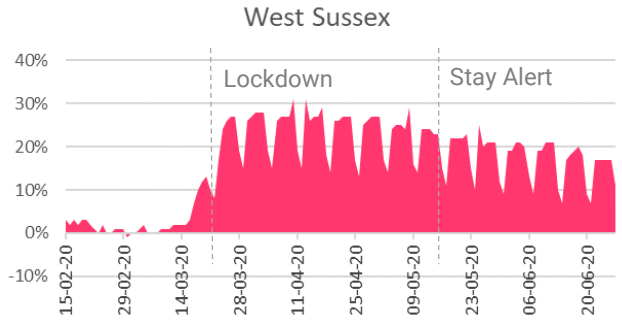


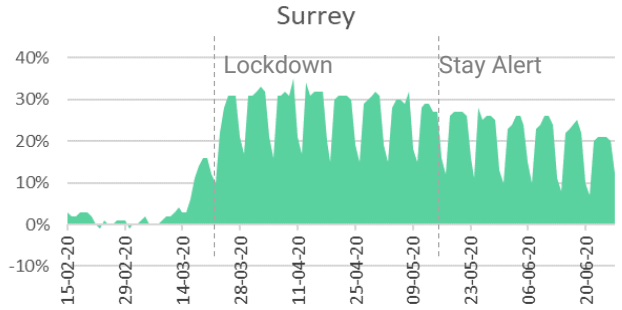
The lockdown restricted the population to one form of outdoor exercise per day.

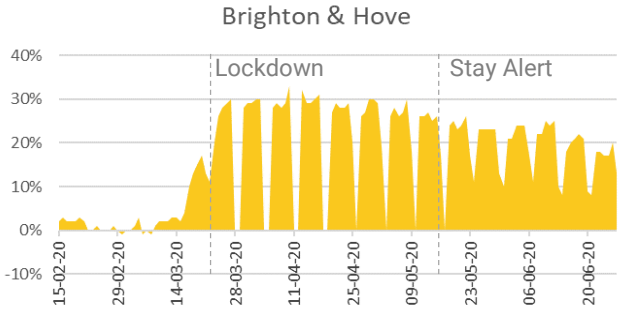
The graphs to the left evidence that, despite the warm weather during the lockdown period, residents in Coast to Capital adhered to these restrictions. Park visitations have increased post-lockdown. Surrey residents have not made use of local parks as much as their counterparts in West Sussex and Brighton & Hove. While this could be due to apprehension surrounding the pandemic and/or the number of homes with private garden space, further analysis should be given to the quality and quantity of public parks in Surrey-based communities.

The graphs on the right side show the people were in their homes 30% more during lockdown than pre-COVID-19 times. Corresponding with workplace movements (discussed earlier), West Sussex residents began reducing time spent at home before the easing of lockdown. Latest figures suggest that West Sussex and Brighton & Hove residents are in the home 50% less than they were during the lockdown period.

Residential / Home Mobility







Source: Google, COVID-19 Community Mobility Reports, June 2020

Communities with high compositions of retail, hospitality and tourism jobs will be most exposed to the economic fall out of the pandemic…

Function of Coast to Capital's Urban Centres

Categorisation	Evidence	Urban centres
Primary Productivity Drivers	• Large population • Large number of jobs and high proportion of working age residents • Contains the area's key commercial destinations • Large clusters of high value employment	• Croydon • Brighton & Hove • Crawley
Sub-Regional Economic Hubs	• Smaller populations and overall job numbers • High proportion of high value employment • High proportion of working-age residents • Significant amount of the sub-region's commercial space	• Worthing • Chichester • Burgess Hill • Haywards Heath • Horsham • Reigate & Redhill • Dorking • Epsom and Ewell • Leatherhead
Service Focused Hubs	• Higher amenity and lower knowledge economy employment • Lower economic density • Typically less commercial space	• Seaford • Peacehaven • Newhaven • Lewes • Shoreham by Sea • Lancing • Littlehampton • Bognor Regis • Selsey • East Grinstead • Horley • Banstead • Coulsdon • Purley • Warlingham • Oxted

Source: Coast to Capital, Local Industrial Strategy Evidence Base – Urban Centres Research, October 2019

Coast to Capital's Urban Centres Research identified 29 urban centres across the area and categorises them according to their function (as seen in the adjacent table).

As mentioned earlier, densely populated centres, such as the Primary Productivity Drivers, have experienced the highest number of COVID-19 cases compared to more rural locations. Moreover, due to high concentrations of retail, hospitality and airport related business (amongst others) as well as a higher proportion of working age residents, Coast to Capital's Primary Productivity Drivers are likely to experience the highest number of job losses compared to centres in the rest of the region.

This is confirmed in a Centre for Cities analysis which considers the likely economic fall-out from COVID-19 of approximately 60 cities, in terms of jobs affected in the short- and medium-term. The study identified Crawley as the city 'most exposed' to the pandemic, with over half of its jobs either in vulnerable or very vulnerable sectors (e.g. aviation, exporting sectors, tourism and hospitality). Interestingly, the study identified Worthing as one of the least affected centres.

Coastal towns have however been greatly exposed to the economic damage caused by the lockdown, effects of which were worsened by the seasonality of local economies. The Social Investment Business reports that coastal areas have experience some of the largest drops in local spending, as well as the highest rises in unemployment do to the retail, hospitality and tourism composition of their economies. As such, coastal towns, particularly smaller ones which may have been struggling prior to the pandemic, are likely to require additional assistance to recover.

Crawley and the Gatwick Diamond have been disproportionately impacted…

Impacts and Challenges

Crawley and the wider Gatwick Diamond region have been badly hit by the dramatic fall in flights from Gatwick airport. In April 2020, the airport saw an estimated 1% of April 2019 flight volume. The knock-on impact of this on Crawley was almost immediate; 45% of workers are either on furlough, claiming self-employment income support scheme (SEISS) grants, or in receipt of job-search benefits.

The challenges to the area will be ongoing:

- It looks unlikely that Gatwick airport will reach the same flight volumes for several years as airlines including Virgin Atlantic have quit the airport;
- The UK government's rolling quarantine programme looks likely to remain in place until a vaccine is found. The sudden announcement of quarantine measures for specific countries could put people off travelling;
- The increasing likelihood of a Brexit on 31st December 2020 without an EU trade deal in place may cause international companies with operations in Manor Royal to relocate; and
- The ending of the furlough scheme in October could lead up to half of all jobs being lost. (Centre for Cities)

Sectors

In addition to the impact on Crawley, COVID-19 has also had a significant impact on Manor Royal Business District, a major industrial centre and employment hub in the South East:

- It is estimated that aviation will not return to pre-COVID-19 levels for between 4 to 10 years. This is the result of rolling quarantines as well as the reduction in consumer spending resulting from job losses and the recession;
- The logistics sector has experienced a binary impact. Businesses involved in the transport of food and medical equipment have experienced a boon. Businesses involved in the supply, and specifically exports or non-essential goods have experienced a sharp decline;
- Regional financial and businesses services firms have experienced a shift in demand to support restructuring and cash-flow reprofiling. Business services companies involved in marketing and branding activities have been an almost total collapse of demand; and
- New digital clusters based in Crawley, including the health data modelling, have seen an increase in demand by agencies and application designers.

Brighton and the surrounding areas are somewhat protected by sectoral diversity…

Impacts and Challenges

Brighton and the surrounding areas have been impacted by COVID-19, but less so than some of the neighbouring regions. This is partially explained by the area's diverse sectoral mix and high proportion of professional services businesses that have continued to operate during the lockdown period. However, the area's businesses tend to be smaller on average and this introduces some fragility.

The challenges to the area will be:

- Ensuring the ongoing viability of the area's small, high-value professional services businesses. Many have only a few months/weeks cash;
- Protecting the area's independent retailers and food providers. Again, many of these businesses have low cash positions and whilst the summer has provided some revenue, many of these businesses may struggle to survive the winter or a second lockdown event; and
- The area has a higher rate of self-employment than average. This may reflect the fact people move to the area from large cities and set up as contractors. It is widely expected that the recession may continue for up to two quarters and this would likely reduce demand by companies for contractors at the same time the SEISS is curtailed.

Sectors

While many sectors in the Greater Brighton City Region have been impacted negatively, unlike other areas, there have also been clusters that have benefited (and will continue to do so) as a result of the virus.

- The creative arts and performance sectors have been badly hit by COVID-19. All festivals were cancelled, and festival operators and their supply chains have essentially lost a year of revenue;
- On the flip side, Brighton's gaming development cluster has experienced a boon during lockdown with high demand for the products created and for the skills of Brighton's developers as growing gaming companies compete for new staff;
- The tourism sector is at the heart of Brighton. Repealing lockdown enabled many visitors, especially from cities like London, to visit Brighton over the summer months. However, as most were day visitors, the spend per individual was significantly lower; and
- The education sector has been badly hit and the impacts will be felt through the next year. This is due to childcare, nurseries and schools being closed during lockdown. Over the coming months the impact will be on private colleges and universities as the number of international students falls.

Coastal and rural areas have unique challenges…

Impacts and Challenges

Coastal communities have been forecast by Centre for Towns to be the hardest hit communities. This is derived from the higher concentration of businesses that were unable to trade during lockdown (40% in Worthing and 60% in Bognor Regis) and are now limited as a result of social distancing protocols.

The challenges to the area will be:

- Businesses that support the visitor economy, many of which are SMEs experienced profound cash-flow impacts during lockdown. Ongoing social distancing requirements make it a challenge to recover revenue as fewer customers can be provided for, despite the increase in domestic visitors during the last few weeks, and as a result insolvencies are expected to increase;
- Large employers in the Coastal West Sussex area, many of whom are involved in manufacturing, furloughed workers. With demand for some products low, especially those that are exported, there is a risk that these firms will make some furloughed workers redundant when the scheme is wound-up in October; and
- The coastal areas also have a higher than average rate of self-employment and the closure of the SEISS may lead to financial stress for some individuals and families.

Sectors

The Coastal West Sussex area has an array of different sectors, some of which have been more heavily impacted.

- The visitor economy will continue to experience difficulties. Many businesses were unable to make sufficient revenue during the summer months to survive the winter months. These businesses contribute to the character of the area and their survival will be important if the area is to recover next summer;
- The creative and performing arts sector continues to be impacted;
- Several coastal towns have benefited from the Brighton overspill and as a result there are strong clusters of creative digital businesses. Many of these businesses are small in size and may require support, particularly those that support marketing, an area where all corporate spending has dried up; and
- Horticulture has also experienced a severe shock. The sudden closure of restaurants, festivals, garden centres, schools and workplaces created an oversupply of some perishable products, despite the increase in household food purchases.

Infrastructure

Infrastructure Summary

This section provides a brief overview of the immediate impact on infrastructure. This productivity foundation has fewer short-term, negative consequences on the economy. With that said, investment in digital, green energy and active travel infrastructure will enable the Coast to Capital area to compete for new residents and businesses in the medium-term and will be essential for the region's economic recovery.

Most critical will be investment in fibre optic broadband that enables speeds beyond 900Mbps. This is often referred to as 'Full Fibre' broadband. As more businesses apply AI and robotics in sectors ranging from agriculture to aerospace, Full Fibre in business campuses and major employment sites is becoming not just a differentiator, but a pre-requisite. More places are investing in Full Fibre with CityFibre delivering Fibre to the Premises (FTTP) and in some cases Fibre to the Home (FTTH) in 25 UK cities and towns.

The region has long suffered from rail lines that are less reliable than those found elsewhere. With the likely move towards greater home-working, the number of rail journeys is forecast to decline dramatically. Before COVID-19, up to one third of all Brighton & Hove employed people commuted into London. Even if people commuted for just three days a week instead of five, the impact on Southern Rail's revenues would be dramatic. Nevertheless, it would be helpful to improve the rail service to allow the region to compete with other areas of the South East for London residents looking to relocate.

With new distancing and hygiene requirements in place for the use of public transport, including the wearing of face masks, car use is increasing from the lockdown level as workplaces re-open. Indeed, mobility data from Google demonstrates that the increase in people returning to the workplace does not correlate exactly with increasing use of public transport post-lockdown. This will increase pressure on the road network, with use potentially rising above pre-lockdown levels and agitating congestion spots such as the A27 in Chichester.

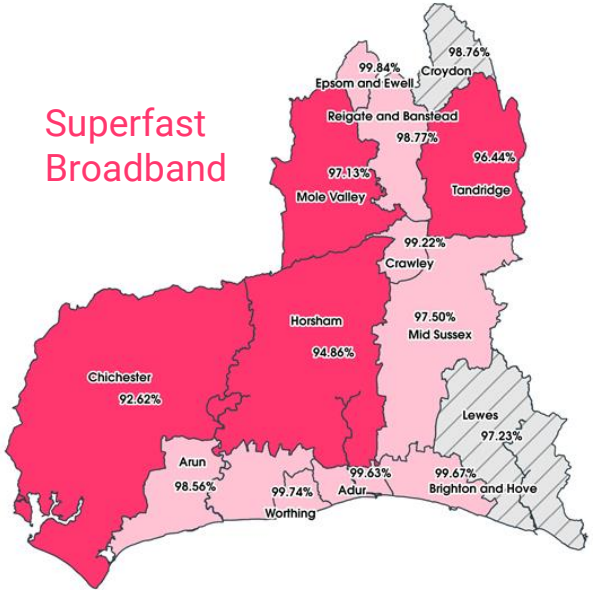
It is possible that this pressure will be off-set by the amount of people continuing to work from home, though only if the region's digital infrastructure can meet the increased demand for reliable and fast broadband to residences.

'Active travel' (i.e. walking and cycling) also has an important role in the post-lockdown transition back to the workplace, as it can simultaneously offset increased pressure on the road network, facilitate workers who wish to return to the workplace but may be unable to use public transport, and address health and environmental challenges. Provision of Dutch-style cycle lanes or other demarked cycle paths, especially along arterial routes, would help to consolidate the increased take-up of cycling observed during lockdown.

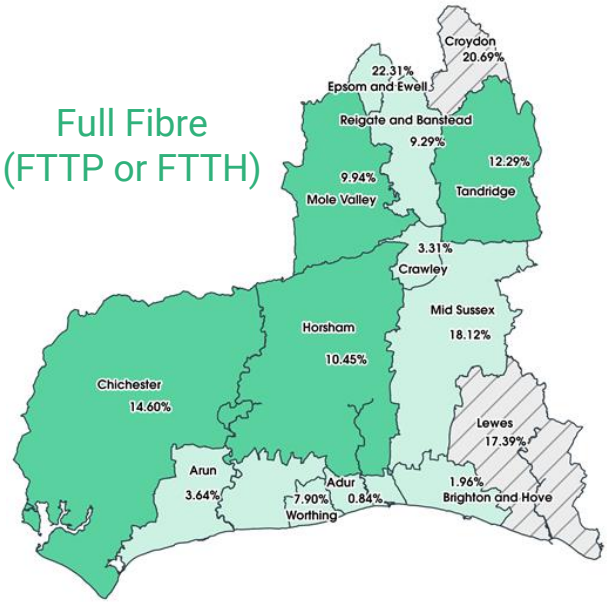
CO_2 emissions reduced by 36% nationally during lockdown and whilst this is changing as lockdown eases, there is definite potential to use clean recovery to lessen environmental impacts and stimulate a green economic recovery.

Pursuing Full-Fibre connectivity at key economic hubs will be vital to safeguard and enhance regional competitiveness…

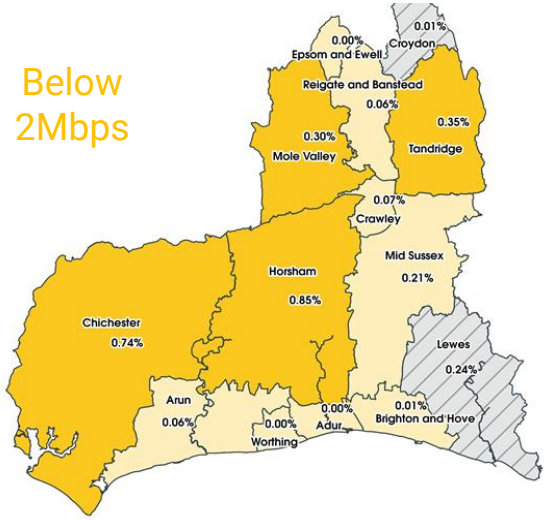
Superfast Broadband



Full Fibre (FTTP or FTTH)



Below 2Mbps



The Coast to Capital area has equivalent coverage rates of superfast broadband to England with 98% of all homes reaching 30Mbps or higher. On the flip side, an equivalently low proportion of sites have speeds of 2Mbps or lower at under 0.5%. However, it is notable that the coverage rate of Full Fibre (speeds of 900Mbps or higher) is slightly lower (11%) than the England average of 14%.

When thinking about the medium-term economic recovery, this will be important. Many sectors are exploring innovations such as the application of AI to manufacturing operations. However, in order to do this, Full Fibre to the Premises (FTTP) is a pre-requisite. The gaming development cluster in Brighton, data mining cluster in Crawley and e-sports cluster in Chichester would benefit from FTTP. Many businesses at Manor Royal have bemoaned the slow broadband speeds and the campus would gain a competitive advantage by providing the highest speeds possible.

Firms in the agricultural sector, often the areas with the lowest speeds, are increasingly benefitting from the use of robotics in applied hydroponics, which also requires Full Fibre connectivity.

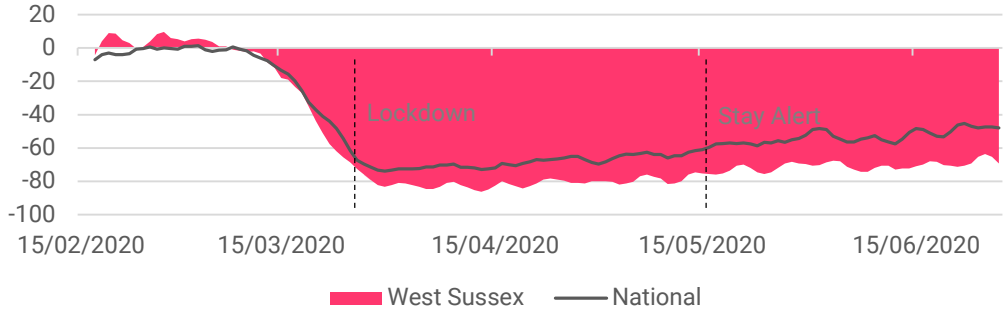
In addition to the industrial needs of some firms, access to Full Fibre and broadband speeds above Superfast to residences will be increasingly important with working patterns for certain sectors (particularly professional services) shifting towards remote working.

Source: Think Broadband, Local Broadband Information, June 2020.

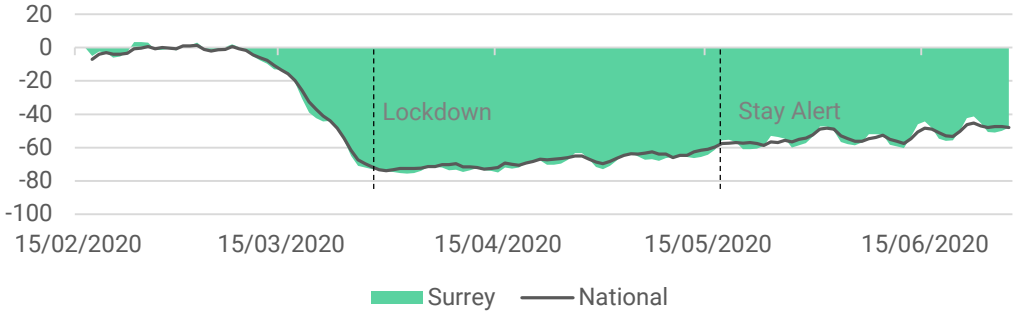
Note: darker shaded areas indicate weaker performance against the England average

Public transport usage has remained significantly below the pre-COVID-19 baseline, with evidence suggesting that people are opting to use private transport to get to work, potentially exacerbating long-standing issues with the road network…

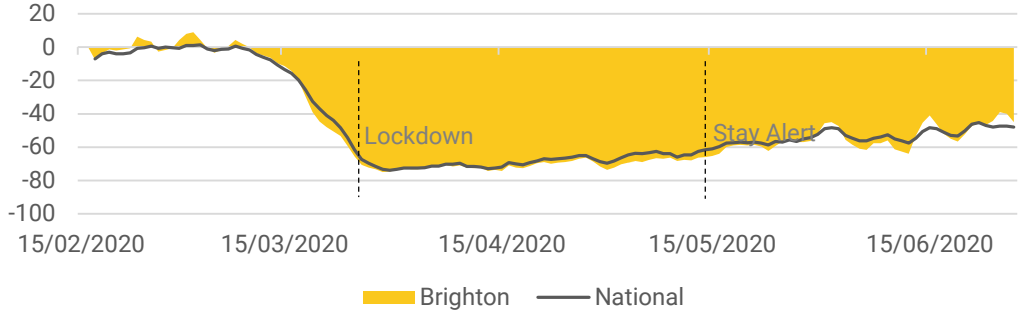
West Sussex



Surrey



Brighton & Hove



Source: Google, COVID-19 Community Mobility Reports, June 2020

The use of public transport began falling across the country in the days leading up to the lockdown announcement. Transit station usage (which considers movements to public transport hubs such as subway, bus and train stations, sea ports, taxi stands and car rental agencies) in the three Coast to Capital geographies fell and have followed a similar overall recovery pattern. There are however some differences in the rate of recovery following the easing of lockdown.

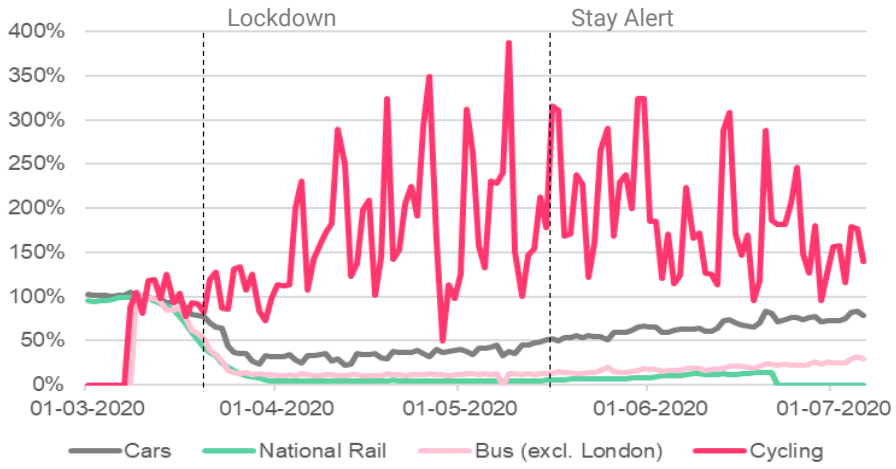
Compared to other areas, there has been a sharper recovery in the use of transit stations in Brighton & Hove. As this does not mirror workplace mobility trends experienced in the area (discussed earlier in this report), it is likely that people are travelling around the region by public transport to visit family and friends.

Conversely, station usage in West Sussex has had a slower recovery compared to its return to workplaces trend (discussed previously) – and compared to the national recovery rate. This suggests that residents are opting to travel to work using private vehicles instead of using public transport. At this stage, it is cannot be determined how long this shift in commuting behaviour will remain. It is notable that station usage in West Sussex remains more than 60% less than pre-lockdown. Should this trend continue beyond the short-term, greater maintenance or expansion of the road network could be needed, if alternative modes of travel such as cycling are not taken up or if people cannot continue to work effectively from home.

There is a unique opportunity to capitalise on increased uptake in cycling nationally, by providing active transport infrastructure to and within urban centres to spearhead a green recovery…

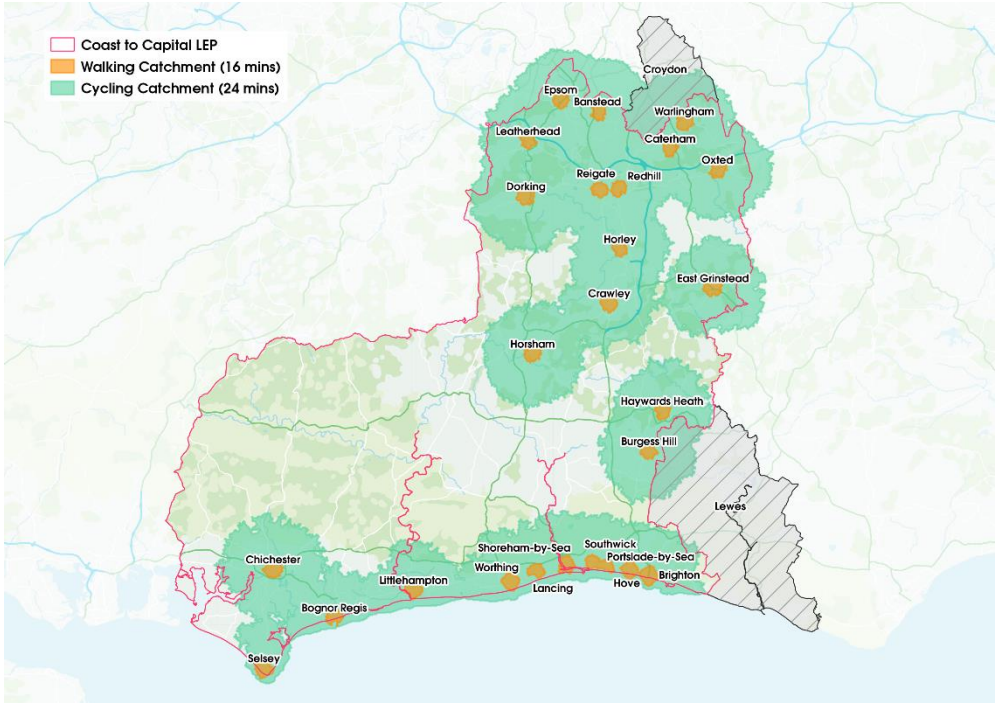
National data (below) shows that during lockdown, car, rail and bus usage decreased to less than half of typical usage for each mode prior to COVID-19. In contrast, the use of cycling has increased significantly, with usage tripling during lockdown compared to the weeks leading up to it.

While the easing of lockdown has seen an almost full recovery of car travel, the use of motorised public transport has remained persistently low. This suggests that people have switched to active and private transport. As restrictions are still in place across the country, the permanency of this shift in travel mode is yet to be determined. However, research has shown that disruptions can facilitate shifts towards more sustainable transport behaviours.



Source: DfT, COVID-19 Transport Use Statistics, July 2020 (Hatch Analysis)

The significant reduction in the use of public transport and uptake in cycling highlights the importance of quality active travel infrastructure in the country. Walking and cycling catchment areas around Coast to Capital urban centres have been mapped below. Using MSOA data, it has been identified that 864,900 people in the region live within a commutable walking distance of an urban centre, with an additional 612,900 people living within a cycling catchment area. Creating quality cycle infrastructure will not only encourage sustainable travel, but will have additional health, environmental and economic benefits.



Source: iGeolise, ONS, Mid-Year Population Estimates, June 2018

Limiting mobility has resulted in falling demand for energy which can assist carbon reduction commitments and provide the impetus for a green recovery…

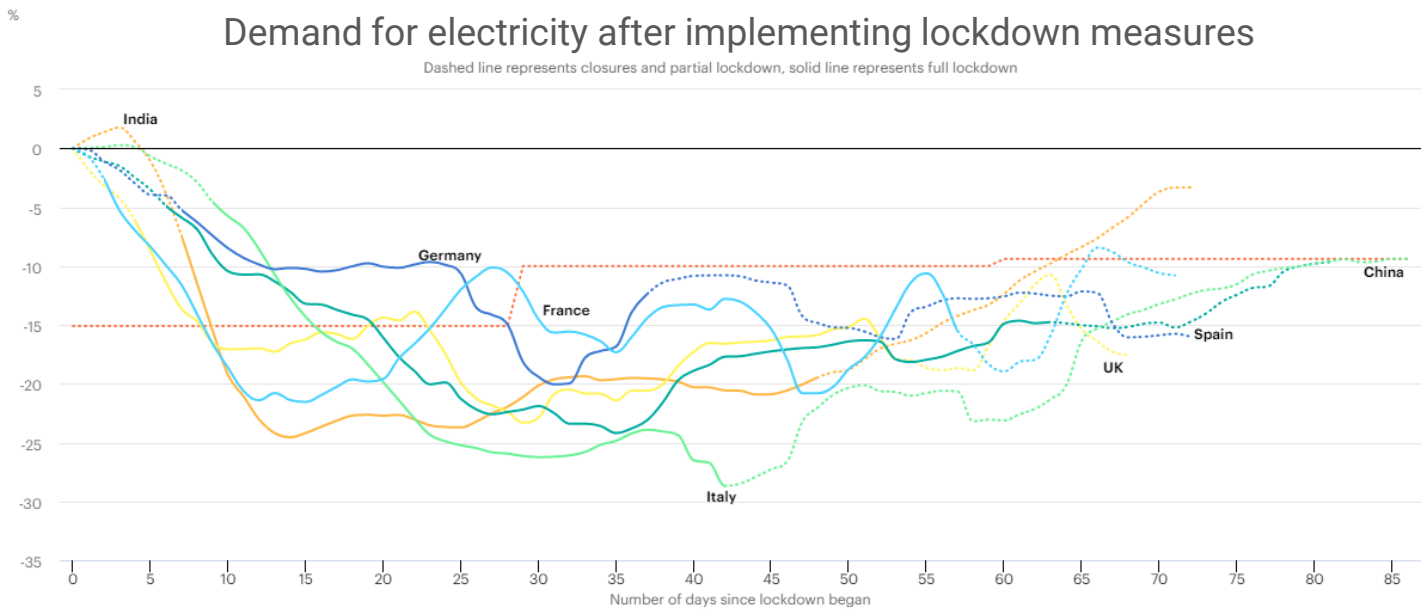
The imposition of lockdowns and changes in travel behaviour has had a knock on effect on the energy sector. Analysis done by the International Energy Agency (IEA) identified that the global reduction in the use of motorised transport has contributed to a 5% decrease in the demand for oil in Q1 2020. Overall, the global oil demand is expected to decline by 9% over 2020. The demand for gas and coal is also forecast to fall by 5% and 8% compared with 2019, respectively.

The IEA also found that, by the end of Q1 2020, lockdowns had reduced the global demand for electricity by 2.5%, even though most lockdowns had been in place for less than a month. Countries, such as the UK, which implemented full lockdowns experienced a 20% or more decline in electricity demand (as shown by the yellow line in the graph below). The daily electricity demand in the UK decreased by at least 15% during lockdown (after correcting for weather effects).

While consumption data is currently unavailable, in response to the reduced demand for electricity it is expected that the renewable energy sector will grow by 5% in 2020. A green recovery to COVID-19 is being promoted across the energy sector.

The IEA forecasts an 8% decline in global CO_2 emissions in 2020 as a result the above energy trends, which would be the largest reduction in emissions to date.

In the UK, daily CO_2 emissions reduced by 36% nationally during the strictest period of lockdown (24 March – 12 May) – with passenger and heavy goods vehicles seeing a 60% and 40% decline in emissions during this period. As lockdown eased, the total emissions decline was 27% below pre-COVID-19 levels. Overall, an estimated 11% decline in CO_2 emissions has been forecast for 2020 as a result of lockdown.



Source: IEA, Reductions of Electricity Demand After Implementing Lockdown Measures in Selected Countries, July 2020

Ideas

Ideas Summary

This section provides a brief overview of the immediate impact on the ideas productivity foundation. Innovation is instrumental to increasing GVA growth across the region over the medium term, especially if GVA is to be doubled (as discussed in the Executive Summary). It will be necessary both to increase the output of existing businesses using new technologies and approaches and to encourage the creation of new high-performance businesses.

The Beauhurst database indicates that the Coast to Capital area is already home to almost 900 businesses that are classified as high-growth and high-value. They range from university spin-outs to accelerator graduates to firms that have received several million in equity funding. Of that group, 18% have reported a surge in demand as a direct result of COVID-19 and 85% have reported no loss in key customer groups.

The data also shows that Brighton & Hove is a magnet for high-performance businesses. This is undoubtedly linked to the culture and character of the city, proximity to outdoors activities from swimming to hiking and the independent retail sector that reflects the values of many entrepreneurs. The flip side of having such a high concentration of high-performing, entrepreneurial businesses is that some go bankrupt, even without the challenge of COVID-19. During the lockdown period, just under 50 high-growth business based in Brighton are either experiencing critical impacts or have decided to close permanently.

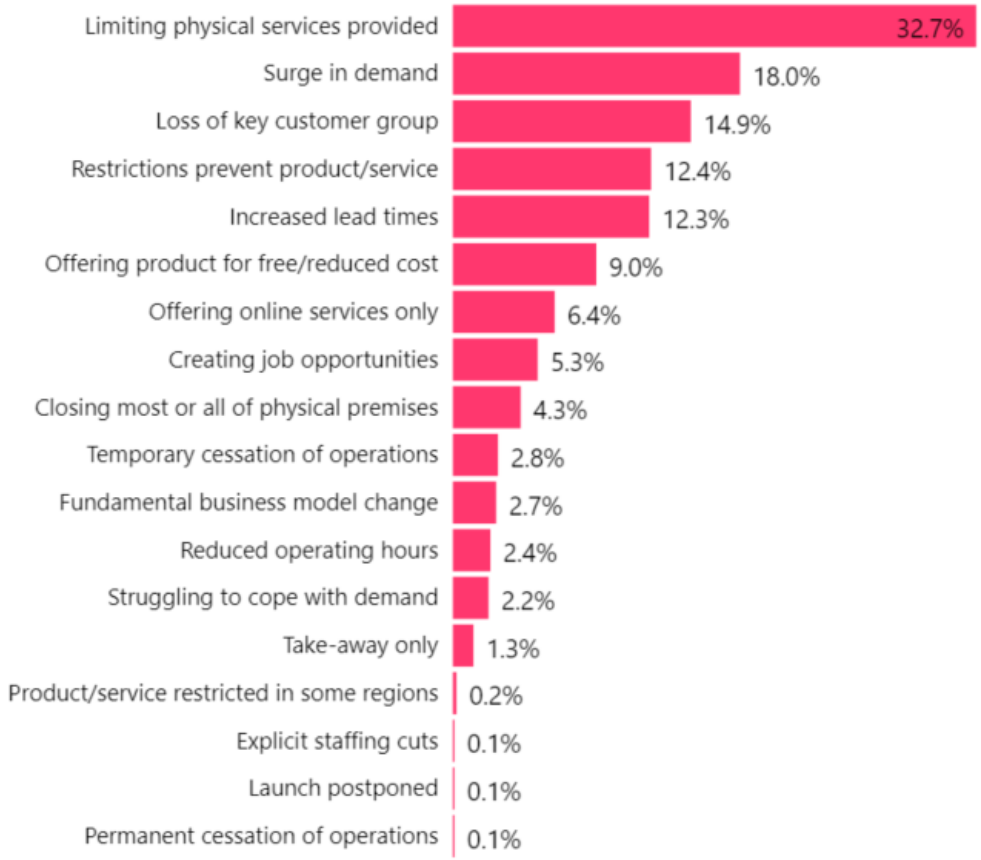
One of the more surprising findings of the analysis is the large number of businesses that have been formed since the COVID-19 crisis began in March 2020. An astonishing 3,467 new businesses have been created during lockdown in Coast to Capital, with the majority based in Brighton & Hove. The largest sector of company formation is Financial and Professional Services. A large proportion of Brighton residents who work in this sector commute to London. Some residents may have decided to set up boutique financial advisory or consultancy firms in place of London-commuting jobs. Furthermore, businesses across a range of sectors have been created across the whole Coast to Capital area during lockdown, which may reflect entrepreneurs identifying new and emerging business needs as lockdown continued, or furloughed workers having the time to dust-off old business plans.

UK businesses have often been criticised for not scaling-up as quickly as German and US companies. To ensure valuable businesses like these not just survive, but thrive, will be important.

Whilst the Coast to Capital area now possesses excellent research and development assets, such as its universities, it has experienced low levels of historic R&D spending relative to other areas. With new areas of opportunity emerging, such as the Brighton & Hove ICT and Digital Tech cluster, there is great potential to boost R&D spending through support of innovative businesses.

COVID-19 has had polarising impacts on Coast to Capital's high-growth companies…

Impact of COVID-19 on High-Growth Companies



No. of respondents: 846
Source: Beauhurst, COVID-19 Business Impact, June 2020

Beauhurst runs a database of high-growth companies* in the UK. In June 2020, the firm undertook a COVID-19 Business Impact Survey to determine the impact on high-value, high-growth businesses. Of the 29,000 UK businesses tracked, just under 900 are located in the Coast to Capital area.

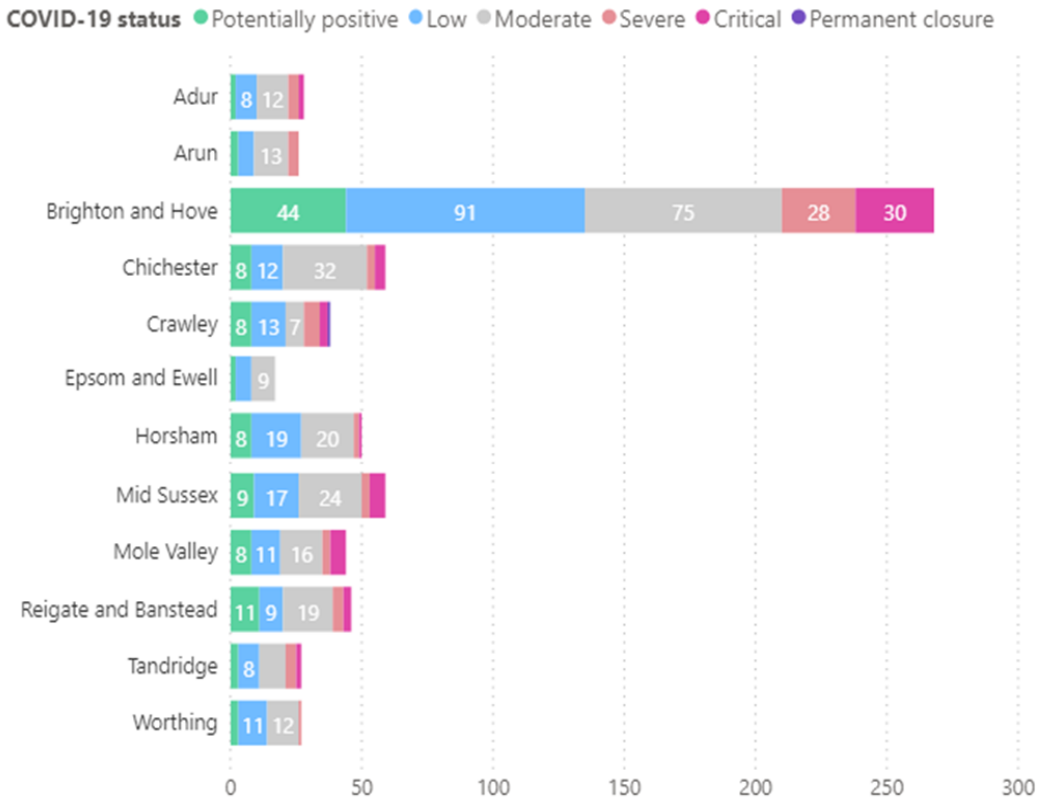
Of Coast to Capital's high-growth companies:

- Almost a third (32.7%) of companies stated having to limit the physical services they provide as a result of the pandemic. 4.3% cited closing most of all of their physical premises.
- The pandemic led to the temporary and permanent cessation of operations for 2.8% and 0.01% of companies, respectively.
- Encouragingly, 18% of companies experienced a surge in demand - the second most frequent impact cited. 2.2% of respondents identified as struggling to cope with demand and 5.3% were creating job opportunities.

* High growth companies are defined as those that have received equity/venture debt investment recipient, academic spinout, scaleup (OECD definition), accelerator graduate, completed an MBO, featured on UK high-growth list, innovation grant recipient.

64 high-growth companies stated the impact of COVID-19 has been critical; supporting these businesses to weather the ongoing economic downturn will be important for the region's future recovery and growth…

Business Activity Status of Coast to Capital based high-growth businesses as a result of COVID-19



No. of respondents: 846
Source: Beauhurst, COVID-19 Business Impact, June 2020

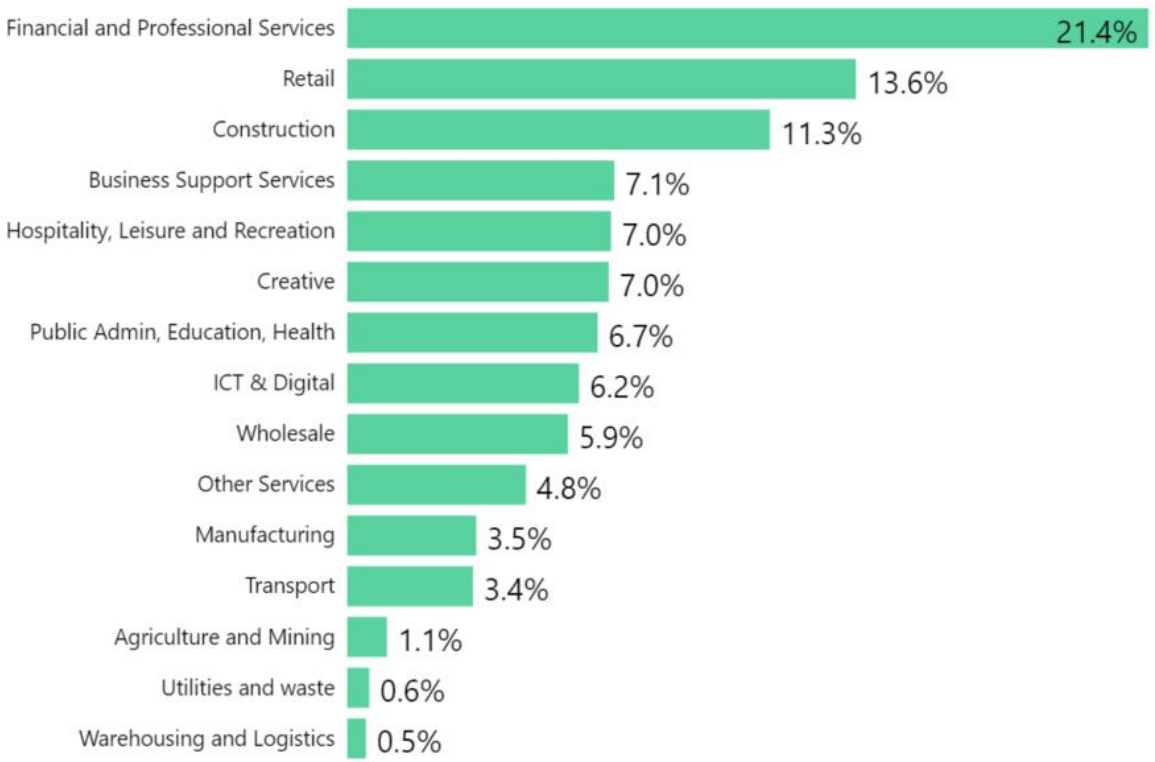
Overall, the Beauhurst survey found that innovative companies in the South East were more likely to experience a positive impact from COVID-19 than the rest of the country. Within the Coast to Capital area, the impact of COVID-19 on innovation in business has been more mixed:

- 79 companies have experienced severe impact, with an additional 64 have reporting a critical impact on their business
- Over a third have experienced a moderate impact
- Only one company has had to permanently close
- Nearly one in six companies experienced a 'potentially positive' effect as a result of the pandemic.

When the business activity status of companies is examined at the district level, the data reveals that the composition of statuses is broadly similar across Coast to Capital districts. This suggests that the geographical location of high-growth companies within Coast to Capital does not have a considerable role to play in the impact of the pandemic on business activity. In other words, there are no districts which are more favourable or disadvantageous to high-growth business during the conditions of this crisis.

Coast to Capital's new business registrations comprise a diverse mix of companies in potential high value activities which can help to drive growth…

Sectoral Composition of New Company Registrations



Abridged sectors ('…'): Financial and Professional Services; Hospitality, Leisure and Recreation; Public Administration, Education and Health; Other Services; Agriculture

Utilities & Waste; Warehousing & Logistics both <1%

Source: FAME, June 2020

The Financial and Professional Services, Retail, Construction and Business Support Services accounted for over half of new registrations.

As mentioned, specialisms have a role to play in the ability of new sector companies to be created. The ICT & Digital sector accounts for 6% of new companies in Coast to Capital, but make up 10% within Brighton & Hove. This underpins the resilience and potential of the city's digital cluster.

In Crawley, approximately 12% of new company registrations during this period are due to the Transport sector (four times the proportion across the LEP as a whole). Furthermore, the Retail, Construction and Business Support sectors also contributed more company registrations in Crawley relative to the whole LEP.

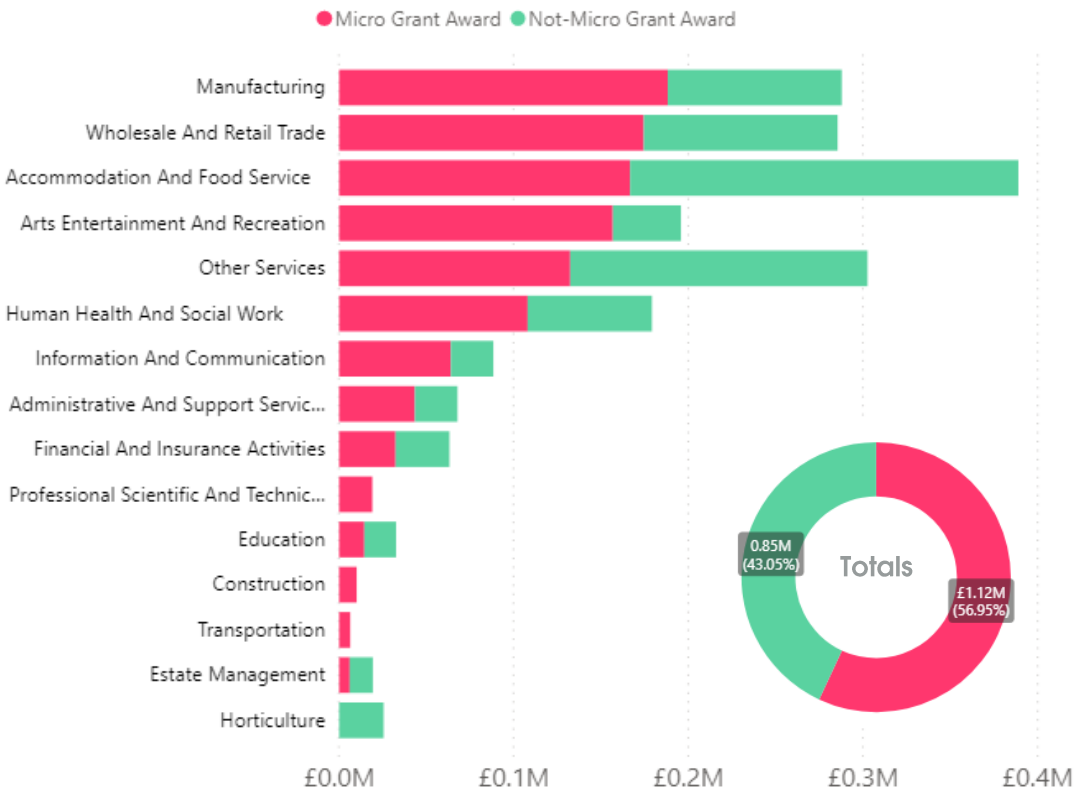
When individual SIC codes (i.e. by five digit SIC codes) are examined further, the three most innovative industries across all sectors are:

1. Management Consultancy activities (SIC 70229; 6% of new companies);
2. Retail sale via mail order houses or via Internet (SIC 47910; 5% of new companies); and
3. Computer Consultancy activities (62020) (3% of all newly registered companies).

Given social distancing requirements in retail shops, it follows that customers will shop via mail order, which has created the impetus for new online retail companies.

Future LEP support funding should be targeted at sectors worst affected by COVID-19…

Backing Business Grant Awards



Abridged sectors ('…'): Administrative and Support Services; Professional, Scientific and Technical Activities

Utilities & Waste; Warehousing & Logistics both <1%

Other services include: business tourism, translation, legal, business services, fire and security, aviation services, electrical, agricultural

Source: Coast to Capital, Backing Business Grants – Breakdown of Company Size, June 2020

Between March and June 2020, Coast to Capital supported businesses through the Backing Business Grant award scheme. In total 161 business were awarded just under £2 million of funding across all major sectors, although there was a substantial variance in the amount awarded to each sector.

Hatch have parsed this data by the size of the recipient business, separating Micro (fewer than 10 FTEs) from non-Micro businesses. It can be seen that Micro businesses enjoyed the majority of funding, although 43% of the total grant award went to businesses employing 10 or more people, despite Micro sized businesses making up approximately 90% of all businesses in Coast to Capital (with 15% of those Micro businesses being sole proprietorships). Accommodation and Food Services as well as Other Services accounted for almost half of funding to non-Micro businesses.

The Education and Construction sectors received relatively small sums of the Backing Business grants, however this is likely due the scheme being targeted at businesses with less than 50 employees.

The importance of the education sector (particularly higher education in Brighton and Sussex) in driving innovation is well understood. As such, it is clear there is further scope to support this sector, in addition to adjacent sectors such as Professional, Scientific and Technical Activities, which itself received less than £20,000 in total.

Building on spin-out success can help to enhance the region's innovation ecosystem and can play an integral part to rebuild lost output…

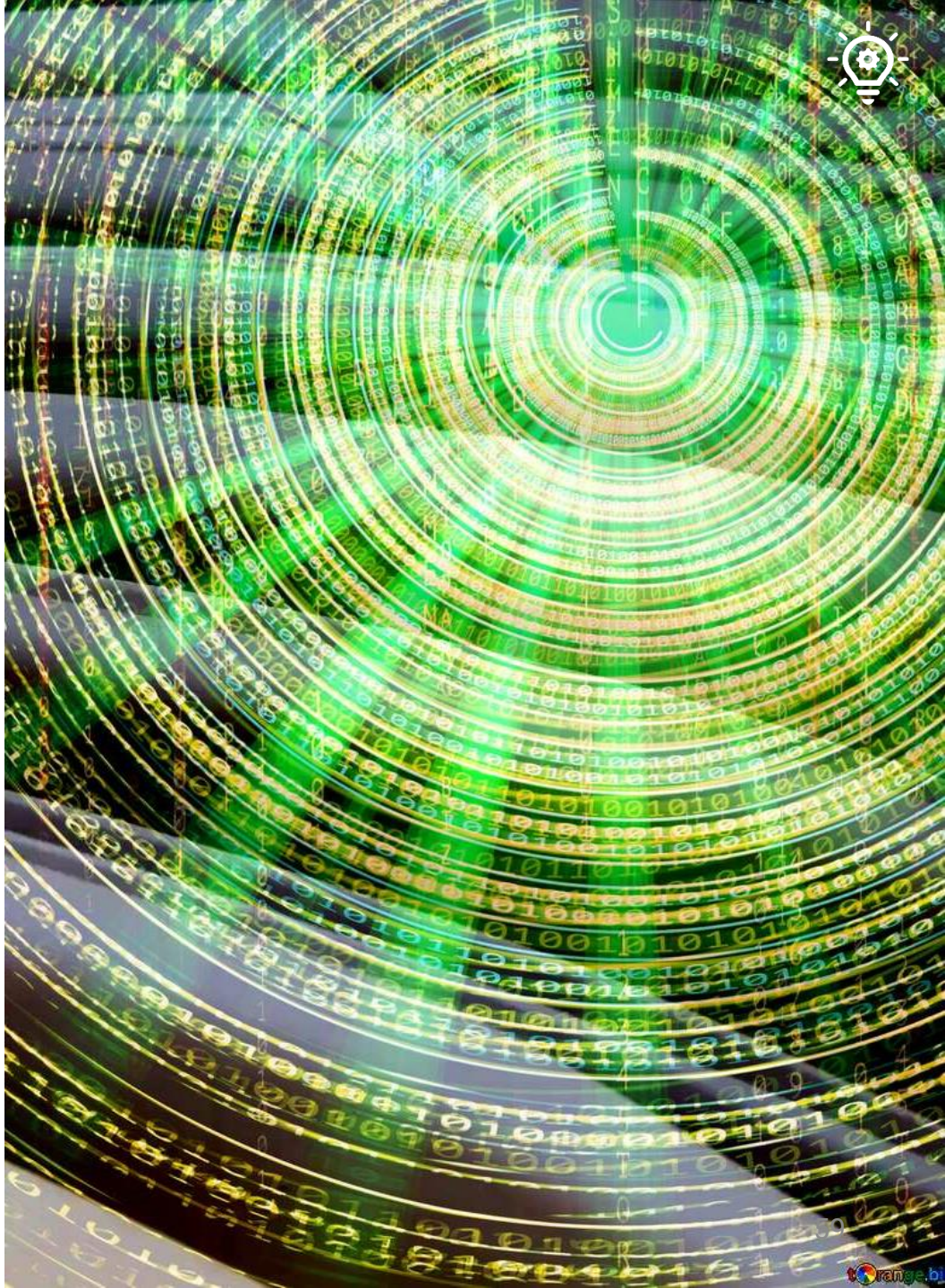
Recent events with university spinouts reinforces the quality of innovation within Coast to Capital.

Of the 12 high-growth university spinout companies registered in Coast to Capital and being tracked on the Beauhurst database, three are spinouts from a Coast to Capital-based university:

- TribeHive, Brighton & Hove (University of Sussex)
- Enterprise Therapeutics, Lewes (University of Sussex)
- Universal Quantum, Brighton & Hove (University of Sussex).

Universal Quantum is the most recent high-growth spinout, having spun out in December 2018. In its first round of venture capital fundraising, the company raised £3.6m - a strong indicator of investor confidence in the company's business.

Supporting high-growth spinout such as Universal Quantum to continue to operate going forwards will be crucial as these are organisations that are likely to considerably boost GVA in Coast to Capital.



5. SWOT Analysis

Business Environment

S
Strengths

- Financial and Professional services is Coast to Capital's largest sector by number of businesses and is most resilient to the effects of lockdown. Due to enhanced remote working capabilities, the vast majority (97%) of businesses have been able to continue trading throughout lockdown.
- The government's economic response may have enabled the region's worst affected sectors to avoid insolvency in the short-term. Despite being most affected by lockdown and social distancing restrictions, the hospitality, leisure and recreation sector only registered 4 insolvencies in May and June, but this is likely to increase in coming months.
- Whilst forecast to be the hardest hit in terms of economic output, the education sector in the region still appears to be relatively resilient. The number of education job postings remained at similar levels to 2019 throughout the first three months of lockdown, potentially indicating a resilient sector which can bounce back quickly.

W
Weaknesses

- Coast to Capital is a micro business-dominated economy with 86% of businesses having less than 9 employees. Business size is a key indicator of economic exposure to COVID-19, with smaller businesses typically less resilient in weathering economic downturns. This is reflected by 1 in 3 businesses have 1 to 3 months' worth of cash reserves and 1 in 15 have less than a month meaning that many businesses may not have the cash to see out a second lockdown.
- Several of Coast to Capital's key sectors are comprised of a significant number of sole traders who are more exposed to economic shocks and typically have less cash reserves. For example, whilst construction is Coast to Capital's second largest sector in terms of businesses, almost 1 in 5 (17%) are sole traders.
- GVA modelling reinforces the value of education to the Coast to Capital economy, seeing a £1.6bn loss in output in 2020. Should Coast to Capital manage to double its historic growth rate (i.e. 6%) by 2022, the region would re-join its pre-COVID-19 growth trajectory by 2026. Recovering the education sector will be key to recovery.
- Coast to Capital faces stiff competition if there is outward migration of businesses from London. As demonstrated through the LIS evidence base Commercial Property study, the region has a shortage of high quality commercial space compared to competitor areas such as the Thames Valley which contains multiple high specification business parks.

Business Environment

O
Opportunities

- Coast to Capital could benefit from people choosing to leave London in search of more residential space. This would increase the region's pool of highly-skilled labour which in turn is likely to attract businesses. There will be stiff competition from neighbouring areas including Thames Valley.
- Increased home working could drive demand for regional hubs for professional service firms. Shared, flexible workspace and innovation space can help to mitigate practical issues of working from home whilst being more conducive to more flexible lifestyles.
- Building on Coast to Capital's micro business-dominated economy there could be an opportunity for London-based professionals to set up locally as professional service sole traders in high GVA activities such as consulting.
- The Government's commitment to infrastructure investment (specifically green infrastructure) can help to assist regional recovery. Where possible, appointing local construction and renewables firms will maximise economic impact, providing local employment opportunities, retaining wealth within the local economy and contributing to a green recovery.

T
Threats

- Should Gatwick not recover there is a risk of the airport business cluster dispersing. Should there be a 4-10 years wait for slot traffic, the international nature of businesses based around Gatwick means that Brexit, coupled with limited flights, could create a perfect storm and culminate in relocations by international businesses to Europe.
- The impact of Brexit will likely cause some disruption to business activities as the UK adjusts to a new status quo outside of the EU. Any adverse impact, however short lived, coupled with a lack of business preparation on account of having to focus on surviving the pandemic, may significantly affect the recovery and indeed survival of already struggling businesses. This combined with Coast to Capital's historically low overall start up and business growth rates could constrain recovery.
- Neighbouring areas including Thames Valley are likely to target London-based businesses looking to reduce costs by moving outside of the city. The recent investment in state-of-the-art business parks may make it difficult for Coast to Capital to compete.

People

S
Strengths

- Coast to Capital has a well qualified local population with 46% of residents educated to degree level compared with only 39% nationally. In previous recessions, higher level jobs are typically more resilient to economic shocks.
- Brighton & Hove benefits from having a younger, well qualified population, with entrepreneurial skills and drive. This makes the population more resilient than elsewhere.
- The presence of four universities in the region attracts students and academic talent from around the world and creates significant graduate talent pool.
- Coast to Capital has a historically low unemployment rate compared to the national average and, of those who are economically inactive, 30% want to work (compared to 21% across England).

W
Weaknesses

- Analysis of the Coronavirus Job Retention Scheme, Self-Employment Income Support Scheme and Alternative Claimant Count data shows that the employment of a third (33.7%) of Coast to Capital's economically active population has been impacted by COVID-19. This has the potential to expose existing weaknesses with Crawley already having a lower employment rate than the national average.
- As unemployment increases, the number of vacancies across Coast to Capital are also in decline. Compared to June 2019, there are 30% fewer vacancies in the Coast to Capital area.
- This could worsen existing challenges around deeply embedded deprivation challenges, particularly in coastal areas and in some rural areas.

People

O
Opportunities

- A reduction in commuting during lockdown may make the concept of needing to commute to London less desirable or necessary. Local firms may become more attractive to the resident population wanting a better work-life balance and local centres could benefit from increased daytime footfall.
- Attracting young professionals to live and work locally can help to address long-standing challenges around an ageing population outside of commercial hubs. Steps to reimagine town centres will help to attract younger professionals to more urban centres.
- Whilst the impact of COVID-19 for young people in low wage jobs is forecast to be particularly acute, creating new opportunities to reskill in technology and innovation rather than generic FE provision will help create jobs, diversify the economy and stimulate productivity.
- This should leverage existing specialisms such as the gaming development cluster in Brighton as well as specialisms at the Universities of Chichester, Brighton and Sussex. It should be underpinned by the Skills 360° Board to retain oversight of skills requirements in a post-COVID-19 world and oversee the Skills Action Plan.

T
Threats

- A recession could lead to a more unequal region. In Coast to Capital, for every 10 people with a degree there is a person without qualifications. Evidence from previous recessions has shown that employment rates tend to fall more sharply for those with no qualifications than those with formal qualifications.
- People who have lost jobs in London, or decided on a lifestyle change, may choose to leave the South East. There is anecdotal evidence from Zoopla that property searches have increased 300% for people looking to relocate away from the South East (including London).
- There may be as yet unidentified impacts on the labour market. If subsequent local lockdowns were necessary this may further reduce capacity to work. Longer term health implications for older working age residents who have had COVID-19 may yet become evident.

Places

S
Strengths

- Coast to Capital's natural assets remain a key selling point and the region can benefit from balancing economic opportunity with a high quality of life. Since lockdown restrictions have been eased, visits to parks have increased significantly from the Google Mobility baseline.
- The strong entrepreneurial and professional service economy in Brighton & Hove means that the city and some surrounding places are proving more resilient. However, the large visitor and creative economy along with the education sector have been disproportionately affected.
- Overall, the region is home to 29 urban centres and the diversity of places and sector presence, along with proximity to London, can help to underpin the resilience of the economy and pace of recovery.

W
Weaknesses

- A sustained drop off in air travel could have significant implications for urban centres whose supply chains are built around a successful airport economy. Crawley is where the impact of the pandemic has hit employment the hardest, with 44.2% of the economic active population affected. Towns in Surrey and Sussex which rely directly on the airport are also affected.
- Coastal towns are generally more exposed to economic impacts of the pandemic, with higher levels of deprivation, more seasonal economies and a higher proportion of business that are unable to trade during lockdown (such as Worthing and Bognor Regis).
- Rural communities face similar issues to coastal areas but with horticulture business severely affected by sudden reductions in demand and outlets (such as garden centres) leading to large surplus of perishable goods and lost income.
- Whilst Coast to Capital's urban centres retained lower than average vacancies on the whole, a number of centres went into the crisis with a high proportion of retail voids. In 2019, Ewell had 17% retail vacancies which is likely to be exacerbated by COVID-19 in the medium-term with a number of retailers going insolvent in the coming months.

Places

O
Opportunities

- Coast to Capital is a net exporter of labour with almost a quarter of residents working outside of the region. COVID-19 is likely to increase levels of remote working and may reduce the attractiveness of London and create a more localised, higher skilled and self-contained labour market. This could help to redress the imbalance between workplace and resident earnings.
- Town centres across Coast to Capital would benefit from reimagined identity. Vacancies should be viewed as an opportunity to promote diversification, independent retail and meanwhile uses. Bringing property and landowners together could build consensus around the future of urban centres.
- Retaining productivity in Crawley and surrounding urban centres relies on diversification of the economy beyond the airport, building on specialism such as advanced manufacturing in Manor Royal. Investment in innovation space and networks would help to connect supply chains between small and large businesses and create opportunities to train and reskill local residents.
- Brighton & Hove is established as a leading UK entrepreneurial and digital economy. Demand and application not only for 5G but Quantum technology is a major opportunity for the city region to create a Quantum identity, leveraging and commercialising UK specialism at the University of Sussex.
- With fewer people travelling internationally, there is potential for Coast to Capital's tourism sector to increase its domestic market share.

T
Threats

- Crawley has the highest GVA per person of all local authorities in the region and a reduction to this will affect overall prosperity. The success of Gatwick is intrinsically linked to the vitality of Crawley and surrounding urban centres. Should a significant proportion of these roles be lost it is likely to affect its competitiveness as one of the region's primary productivity drivers.
- Impacts to the visitor economy across the Coast to Capital economy are severe. Despite the opportunity, financial and business support is needed to help often small and vulnerable businesses to survive and adapt.
- Losses to institutional investors in real estate are expected to increase. This may reduce the appetite by investors to invest in impacted town centres, like Crawley, over the medium-term as yields fall.

Infrastructure

S
Strengths

- Overall superfast broadband access is generally strong and in-line with the national average. 98% of properties in the Coast to Capital area have access to Superfast broadband compared to 97% nationally. Effective digital infrastructure will be vital to enable productive home working in the short, medium and long-term.
- The area has extensive road and rail connections to London and other regions, with strategic transport priorities identified by the Transport for the South East (TfSE) Transport Strategy.
- Consultation on enhancements of the Brighton Main Line is due to conclude in September 2020. Enhancement of this key transport corridor can help to enhance capacity, reliability and efficiency at a key time for when the general public will need to trust public transport again.
- Extensive natural capital in the area and advancements in clean energy development and adoption across sectors mean that the area is well placed to use clean recovery as a driver for sustainable growth and jobs.

W
Weaknesses

- Digital connectivity across Coast to Capital is variable, which may adversely effect business and community abilities to perform and ultimately negatively impact local economic growth, particularly in rural areas.
- If rail services are not improved, people may move out of the Coast to Capital area to be closer to jobs in London or other growth centres.
- Increased car usage within the area is likely to put increased strain on key pinch points on the road network, increase carbon emissions and reduce air quality. This will be further exacerbated if a larger proportion of the working population choose to drive into London.

Infrastructure

O
Opportunities

- Tackling remaining superfast broadband 'not spots' to ensure to level up rural and urban areas for digital connectivity.
- Investing in full fibre infrastructure to Manor Royal and other business hubs to increase competitiveness of the area's commercial property.
- Increasing the significance of ports and airports as major import/export gateways, taking advantage through emerging national policy to increase global trade, such as pursuing Freeport status.
- Incentivising sustainable travel choices to maintain confidence in public and clean modes of transport will reduce car dependency and carbon emissions. For example, by creating segregated and well connected cycle routes through towns.
- The Government's 'Retrofit' housing agenda, focused on upgrading older properties to meet modern environmental and efficiency standards, presents an excellent opportunity to improve the housing stock and fossil fuel dependency.
- Taking a sector-specific approach to 5G testbed status and building on the areas strengths in advanced manufacturing and horticulture, plans could be progressed to advance automation locally.

T
Threats

- Due to changing behaviours around port usage, there is a clear trend towards port consolidation. This will have implications for smaller ports such as Shoreham and Newhaven.
- Reductions in volumes of weekly commuting journeys could result in viability challenges for enhanced public transport provision and the viability of train operators.
- Increased car usage due to limitation or nervousness of using public transport will increase carbon emissions and delay progress on climate change commitments.
- A lack of coordinated infrastructure planning and investment for sustainable growth, particularly in Crawley and surrounding towns, will limit future productivity.

Ideas

S
Strengths

- Capital investment business grants which have helped businesses adapt to remote working could give recipients a competitive advantage should there be a second lockdown.
- Innovative companies will benefit from a crisis. Data showed that 18% of ambitious companies in Coast to Capital had experienced a surge in demand since lockdown. Further research should be conducted to identify these potential growth sectors to understand how local partners can support growth ambitions.
- Despite recent disruption, there has been 3,467 new business registrations across the area, with a significant number of new enterprises in Brighton & Hove. Across Coast to Capital, over one in five (21%) new registrations are in professional and financial services. Supporting new businesses through an effective scale-up programme as well as retaining established enterprises will be essential for driving medium term recovery.
- Coast to Capital is the 7th most economically complex and productive LEP in Great Britain, with a GVA per hour worked of £35.2 compared to the UK figure of £33.6m. This broad range of economic specialisms can help enhance resilience and drive COVID-19 recovery.

W
Weaknesses

- The effect of COVID-19 on the region's innovative companies has been mixed. Over 1/3 (37%) of Coast to Capital ambitious companies responding to the survey stated that Coronavirus had at least moderately affected them, with a further 9% being severely affected and 8% critically affected.
- Despite the number of highly innovative firms within Coast to Capital, there is low R&D investment in both the public and private sectors. Similarly, grants and research undertaken in Research Institutions are low across multiple sectors.

Ideas

O
Opportunities

- Assessing the potential for a proper end-to-end incubator programme in the region. Learning from experiences in Silicon Valley, a programme should be centered around a structured curriculum and should build on existing clusters and specialisms.
- Moving beyond business support and capital funding, more traditional support could be supplemented by an innovation award /challenge fund to directly drive innovation. This would need to be a sizable fund to generate interest from innovative companies.
- Choosing a regional specialisation to harness the investment in 5G: application of 5G to manufacturing and AI would be a way to support innovation in manufacturing businesses, leverage university research and establish a competitive advantage.

T
Threats

- The medium-term sustainability of the HE sector is a major threat to innovation in the region. University's over-reliance on international students has supplemented borrowing in recent years. Therefore, reductions in international student numbers could result in universities not being able to pay off recent borrowing.
- Coast to Capital's demographics represent a major barrier to a regional innovation ecosystem. Despite clusters in specific urban centres, an ageing population means that the region doesn't currently have the demographic mix to build the sectors of tomorrow.

Appendix I

Supplementary Analysis

List of corporate insolvencies and liquidations, May 2020 (Page 1)

Company Name	Local Authority	Sector
QA Business Services Ltd	Brighton & Hove	Business Support Services
Red Flag Recruitment Limited	Brighton & Hove	Business Support Services
Hege-terv Ltd	Brighton & Hove	Creative
Danex Limited	Brighton & Hove	Financial and Professional Services
Quilan Limited	Brighton & Hove	Financial and Professional Services
Rodney Warren & Co Ltd	Brighton & Hove	Financial and Professional Services
T.G. Engineering Limited	Brighton & Hove	Financial and Professional Services
Hardings Event Management Company Ltd	Brighton & Hove	Hospitality, Leisure and Recreation
Agiluno Limited	Brighton & Hove	ICT & Digital
An8 Systems Limited	Brighton & Hove	ICT & Digital
Chealra Limited	Brighton & Hove	ICT & Digital
Chris Hunt It Limited	Brighton & Hove	ICT & Digital
Fluidic Arts Limited	Brighton & Hove	ICT & Digital
Gngr2 Limited	Brighton & Hove	ICT & Digital
Dernier & Hamlyn Holdings Limited	Brighton & Hove	Manufacturing
Akili Advisory Ltd	Brighton & Hove	Other Services
Tindle Lighting Limited	Brighton & Hove	Retail
Seaway Freight Services Limited	Brighton & Hove	Transport
Walter's Workshops Limited	Chichester	Financial and Professional Services
Cmdl Consulting Limited	Crawley	Business Support Services
Karoo Life UK Limited	Croydon	Business Support Services
A&i Construct Limited	Croydon	Construction
Averley Consulting Limited	Croydon	Financial and Professional Services
Battershill Consulting Limited	Croydon	Financial and Professional Services
Mcmillan Williams Solicitors Ltd	Croydon	Financial and Professional Services

Source: The Gazette, Monthly UK Insolvency Statistics, June 2020 (Hatch Analysis)

List of corporate insolvencies and liquidations, May 2020 (Page 2)

Company Name	Local Authority	Sector
Umbridge Training Limited	Croydon	Financial and Professional Services
Officeteam Limited	Croydon	Wholesale
Spicers Limited	Croydon	Wholesale
The Perfect Group Of Companies Ltd	Croydon	Wholesale
Bepilates Ltd	Epsom and Ewell	Hospitality, Leisure and Recreation
Beautiful World Tent Company Limited	Horsham	Business Support Services
Interkey I.T. Limited	Horsham	Creative
Paris 1 Consulting Limited	Mid Sussex	Business Support Services
Inkpod Limited	Mid Sussex	Financial and Professional Services
Cbabiesafe Limited	Mid Sussex	Public Admin, Education, Health
John Munroe (Acrylics) Recycling Ltd	Mole Valley	Business Support Services
Advanced Clinical Recruitment Limited	Reigate and Banstead	Business Support Services
Sustainable Performance Solutions Limited	Tandridge	Public Admin, Education, Health
Nextcredit Limited	Worthing	Business Support Services

Source: The Gazette, Monthly UK Insolvency Statistics, June 2020 (Hatch Analysis)

List of corporate insolvencies and liquidations, June 2020 (Page 1)

Company Name	Local Authority	Sector
Alpha May Domiciliary Care Limited	Adur	Public Admin, Education, Health
Capture Testing Ltd	Arun	ICT & Digital
Proco Global Group Limited	Brighton & Hove	Business Support Services
Proco Global Limited	Brighton & Hove	Business Support Services
Hinde Ltd	Brighton & Hove	Construction
Plumbers Direct Limited	Brighton & Hove	Construction
Red Violet Ltd	Brighton & Hove	Creative
Beaufort Resourcing Ltd	Brighton & Hove	Financial and Professional Services
Dipwain Limited	Brighton & Hove	Financial and Professional Services
Hegan Canning Limited	Brighton & Hove	Financial and Professional Services
Mayo Webb Ltd	Brighton & Hove	Financial and Professional Services
Mdb Payments Ltd	Brighton & Hove	Financial and Professional Services
Pixelware Ltd	Brighton & Hove	Financial and Professional Services
S.L.E. Properties Limited	Brighton & Hove	Financial and Professional Services
Western Properties (Wembley) Limited	Brighton & Hove	Financial and Professional Services
Victorias Cabaret Club Limited	Brighton & Hove	Hospitality, Leisure and Recreation
Base Uxd Ltd	Brighton & Hove	ICT & Digital
Browns Road It Services Ltd	Brighton & Hove	ICT & Digital
Easyfuture Ltd	Brighton & Hove	ICT & Digital
Joe Smalley Ltd	Brighton & Hove	ICT & Digital
Leanly Ltd	Brighton & Hove	ICT & Digital
Nethut Ltd	Brighton & Hove	ICT & Digital
Prime Finance Software Ltd	Brighton & Hove	ICT & Digital
Tescon Consulting Ltd	Brighton & Hove	ICT & Digital
True Devops Ltd	Brighton & Hove	ICT & Digital

Source: The Gazette, Monthly UK Insolvency Statistics, June 2020 (Hatch Analysis)

List of corporate insolvencies and liquidations, June 2020 (Page 2)

Company Name	Local Authority	Sector
Uai Tech Ltd	Brighton & Hove	ICT & Digital
Unclle Limited	Brighton & Hove	ICT & Digital
Catercall Technical Services Limited	Brighton & Hove	Manufacturing
Coulson Motors Limited	Brighton & Hove	Retail
Lizcrest Fruit Importers Limited	Brighton & Hove	Wholesale
Amber Cabin Limited	Chichester	Financial and Professional Services
Lady Penelope Gardens Limited	Chichester	Other Services
Sussex F2b Limited	Crawley	Financial and Professional Services
Bqc (Crawley) Limited	Crawley	Retail
David Matthews Commercial Brokers Ltd	Croydon	Business Support Services
Rowe Allen Limited	Croydon	Construction
Cre8 With Ltd	Croydon	Creative
Unicorn Events Ltd	Croydon	Creative
Church House Business Centre Limited	Croydon	Financial and Professional Services
Curious Holdings Ltd	Croydon	Financial and Professional Services
Denim Group UK Ltd	Croydon	Financial and Professional Services
Epmak Results And Solutions Limited	Croydon	Financial and Professional Services
J B Lab Limited	Croydon	Financial and Professional Services
Kasterlee UK Limited	Croydon	Hospitality, Leisure and Recreation
Ari Associates Limited	Croydon	ICT & Digital
Jg-burke Limited	Croydon	ICT & Digital
Mensah Smart Solutions Limited	Croydon	ICT & Digital
Discessio Consulting Ltd	Croydon	Other Services
Rnr Consultancy Ltd	Epsom and Ewell	Creative
The Licensing Partnership UK Limited	Epsom and Ewell	Creative

Source: The Gazette, Monthly UK Insolvency Statistics, June 2020 (Hatch Analysis)

List of corporate insolvencies and liquidations, June 2020 (Page 3)

Company Name	Local Authority	Sector
Monax Creative Spaces Limited	Epsom and Ewell	Manufacturing
Timbercraft Bespoke Limited	Horsham	Construction
Isted Consulting Limited	Horsham	Financial and Professional Services
Treadway Ltd	Horsham	ICT & Digital
Bb's Hair Salon Ltd	Horsham	Other Services
P.J. Brown (Construction) Ltd	Horsham	Transport
Radmon Ltd	Lewes	Financial and Professional Services
Commsxchange Limited	Lewes	ICT & Digital
White's Brewery Limited	Lewes	Manufacturing
Arcus Finance Limited	Mid Sussex	Financial and Professional Services
Coutinho Consulting Limited	Mid Sussex	ICT & Digital
Sparklethots Limited	Mid Sussex	ICT & Digital
Luggage Replacement Services Limited	Mid Sussex	Other Services
Southwest Care Ltd	Mid Sussex	Public Admin, Education, Health
Veroche Services Limited	Mole Valley	ICT & Digital
Merlinbright Limited	Reigate and Banstead	Construction
Clockhouse Marketing Limited	Reigate and Banstead	Creative
Targett Consultancy Limited	Reigate and Banstead	Financial and Professional Services
Galahad Substance Misuse Solutions Limited	Tandridge	Financial and Professional Services
Mk Commercial Ltd	Tandridge	Financial and Professional Services
Cykic Consultancy Limited	Tandridge	ICT & Digital
Mcgovern Civil Engineering Limited	Worthing	Construction
Eddison Books Limited	Worthing	Creative
Sjf Business Consulting Ltd	Worthing	ICT & Digital

Source: The Gazette, Monthly UK Insolvency Statistics, June 2020 (Hatch Analysis)

Coast to Capital

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