

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY
COMMITTEE**

DATE: 28th JANUARY 2022

REPORT TITLE: REGIONAL RECOVERY AND ADAPTIONS FUND

**AUTHOR: STEPHEN BASHFORD, DIRECTOR OF BUSINESS
AND SKILLS**

Purpose of Report

1. To seek approval for additional funding to support the next phase of regional recovery and adaption in response to the continued economic impact of the Covid-19 pandemic.

Impact of Covid-19 pandemic

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:

- The report sets out the proposed use of the Investment Fund to deliver additional regional economic recovery and adaption measures.

Recommendations:

The Committee is asked to:

2. **Allocate £5m towards the creation of a Regional Recovery and Adaptions Fund and delegate the development of detailed assessment criteria and the approval of business cases to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils.**

Background

3. At the Combined Authority Committee in October 2020, it was agreed to allocate £9.395m to support West of England businesses during the early phase of economic recovery as advised by the Covid-19 Economic Recovery Taskforce and guided by the Regional Recovery Plan.

Eight programmes with indicative allocations were agreed e.g.

- Digital Skills Investment Programme (£2m)
- Low Carbon Challenge Fund - Phase 2 (£1.895m)
- Small Business Resilience Grant Programme (£1m)
- Culture & Creative Industry Business Support Programme (£1m)

- C-19 Community Recovery Fund (£1.5m) – renamed Community Support Fund
- High streets renewal - catalyst fund (£1.5m)
- Talent Retention Scheme (£300k)
- Future skills forecasting and planning (£200k)

The approval of business cases for these interventions was delegated to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils. All business cases have now been agreed and the funding fully committed.

4. At the Committee meeting in June 2021, a further £2m was allocated to increase the recovery funding and to develop and implement further measures, reflecting the ongoing impact of Covid-19. The approval of development funding applications and business cases using this funding was delegated to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils.

£1m was allocated to bolster our support for businesses where the impact had fallen hardest, with the doubling of support for the creative and cultural sector recovery programme. A further £1m was allocated to shape the next phase of recovery. This included, the West of England Visitor Economy Recovery Project Feasibility and Development Funding Application, which was approved in September 2021 through this delegation with the award of £254k; and in November 2021, a total of £336k was approved towards the Feasibility and Development Funding Application for an 'All-Age Advice Centre Pilot'. Funding was also allocated to build the regional evidence base for a new Green Recovery Fund to help tackle the climate and ecological emergency and ensure this was central to regional recovery planning.

5. Funding allocated via the West of England Covid-19 Recovery Fund has been a lifeline for businesses and people living in the region during the pandemic. Headline achievements so far include:
 - 6,736 businesses supported
 - Business Growth Grants delivered to 180 small businesses which will create and protect over 400 jobs and secure £180,000 private match
 - Over 100 businesses receiving a green business grant to reduce their carbon footprint. Over 400 free carbon surveys delivered. All leading to 1,358 tCO₂e saved in a year
 - 229 creative businesses and freelancers supported through grant and training
 - Support for 1,200 people with improving their digital skills to secure new jobs
 - Community Support fund to help 1,000 people to overcome barriers to training and employment
6. A paper to double the recovery fund to £10m was submitted to WECA Committee on 15th October 2021 but the meeting was inquorate, and no decision was taken.

Creation of a Regional Recovery and Adaptions Fund

Economic Context and Rationale

7. Covid-19 has had a significant impact on the region. The national economy was estimated to have shrunk by 9.9% in 2020, and while GDP has been growing since February this year, it is still below pre-pandemic level. The emergence of new variants,

including most recently Omicron, has created huge uncertainty in the economic outlook and it's clear that the period of recovery is going to be protracted and difficult for many.

8. People and businesses have been hard hit by the crisis. While all businesses were affected by the first lockdown, some sectors in our economy have recovered much more slowly. Public-facing industries such as accommodation and food, arts, entertainment and recreation, and personal services were particularly affected, and output in these sectors has remained 35-40% lower than before the pandemic for most of 2021. Recent declines in footfall and business in the normally vibrant pre-Christmas period has left many businesses and workers struggling to make ends meet.
9. Unemployment benefit claims in the region rose from 2.1% in February 2020 to 5.2% in May 2020, while at the same time the number of job vacancies fell. As the labour market has started to rebuild – the claimant count was down to 3.5% in October 2021 – and sectors recover, job vacancies bounced back significantly leading to a severe imbalance between supply and demand, with this being particularly acute in sectors like hospitality, leisure, and social care – sectors that have historically found it difficult to attract skilled labour.
10. National and regional investment has helped people and businesses across the region tackle the immediate impact of Covid-19 on jobs and livelihoods. To date, there have not been large numbers of business failures, and levels of business liquidations have not risen; however, the ending of national support like furlough, tax and debt-enforcement holidays, alongside the growing impact of Omicron, will lead to higher levels of financial distress among businesses and their workers. Debt levels have risen with many taking out business interruption loans, which risks constraining investment in the future. Business start-up activity remains relatively sluggish – on average there were 429 start-ups per month in the West of England for the August to October 2021 period, compared to a monthly average of 575 new business start-ups for 2019.
11. The West of England Business Insights Panel, a sub-group of the Local Enterprise Partnership Board and including key business network and sector leads, met in December 2021 to discuss the latest impact of Omicron. Panel members highlighted that although the regional economy had started to recover well, some sectors were now seeing a huge 'drop off' in business with cancellations resulting from new restrictions. City centres and high streets were a particular concern and underperforming. The consensus view was that new financial support announced by government would not be enough for many businesses. The Panel also highlighted continued challenges around staffing shortages at all levels from top management to entry level.

Aims and Objectives of Fund

12. To help people and businesses tackle the ongoing impact of the pandemic, including the significant further disruption caused by new variants like Omicron, a Regional Recovery and Adaptions fund to support investments over the next three years is proposed.

This reflects that, while the economy was showing signs of recovery, there is a growing risk that this will not be sustained, and economic activity will need to adapt further in the short, medium, and long term. Business sectors and their supply chains, and communities, will have to change the way in which they operate and, importantly,

people across the region will need to retrain and find new jobs. The fund will need to be able to flexibly respond to these challenges.

13. The Regional Recovery and Adaptions Fund will focus on new measures to help rebuild a more resilient and fairer regional economy, recognising the uneven impact of the Covid-19 pandemic. It will aim to minimise the scars of Covid-19 on people's livelihoods and prospects through skills development, by tackling inequality and poor working conditions, and by supporting businesses to grow, adapt, and create new sustainable jobs which also supports our work to tackle the climate and ecological emergency.
14. It is proposed that the Regional Recovery and Adaptions Fund will have three objectives:
 - a) To help people to adapt and overcome barriers to jobs and training – particularly where these barriers have been exacerbated by Covid-19 – and ensure provision is responsive to existing and future skills gaps.
 - b) To help businesses and their supply chains adapt to the new economic and regulatory landscape, increasing their financial stability and growth prospects.
 - c) To support recovery and adaption of business and employment in central and local high streets, in ways that can be sustained in the long term.
15. It is proposed that any projects supported through the Fund must:
 - Deliver at a regional level where common issues exist, and economies of scale can be achieved; but recognising that some problems are local in nature and need more targeted intervention.
 - Contribute to its three core objectives. It is recognised that a wide range of potential interventions could achieve these, but the focus will be on end results with a strong economic rationale.
 - Show how they work together as part of a coherent recovery and adaption programme, leveraging other existing regional or local activity funded through other sources including the £50m Green Recovery Fund.
 - Preferably be completed within three years [by March 2025] to reflect a medium-term response to recovery.
16. The Regional Recovery and Adaptions Fund will focus on four investment areas:

a) Skills Recovery and Adaptions Package

The pandemic has led to severe imbalances between the supply and demand for labour. For people in the region to adapt to and benefit from the jobs and training opportunities generated by our regional economy, we need to significantly increase and simplify access. A package of skills focussed recovery and adaption measures will be developed for delivery against the following core activity:

All Age Access Hub: The Combined Authority has mapped all training and skills opportunities available in the region and committed seed funding to transform this into a powerful interactive online tool which people can easily access. It is proposed further funding is allocated to significantly scale up this service by building on the All-Age Access Hub Pilot, linking up existing programmes like Future Bright and creating additional advisory capacity, regionally and locally, to provide high quality tailored training and employability support to those who need it most.

It is recommended that within this package, specific measures are put in place to address the barriers people face to participation, for example, by targeting specific groups, communities and sectors. This will involve close working with key strategic partners – FE Colleges, trade unions, the voluntary, community and social enterprise sector, and schools – to extend the reach of regional and local support.

In parallel, new measures are needed to ensure that skills and training provision is closely aligned with current and future job opportunities. A 'priority skills register' will be developed and maintained so support is tightly focused on greatest need, including through more flexible deployment of our devolved Adult Education Budget.

Business to Business Job and Skills Brokerage: to maximise the impact of the good jobs we want to create in the region, we need to ensure people are aware and connected with these. Matching potential workers with vacancies can help reduce unemployment and speed up recovery. We will further build on the 'Talent Retention Platform' commissioned as part of the Regional Recovery Fund – a business to business job brokerage and career development system – and the West of England Visitor Economy Recovery project, accelerating delivery across sectors where issues are most acute and adaptation needed e.g. health and social care and logistics (including HGV drivers) and where new opportunities arise, for example in green and digital tech jobs.

b) Business Recovery and Adaptions Package

Business support was at the core of the Regional Recovery Fund, with initiatives aimed at helping businesses navigate the immediate crisis. Building on this and recognising the ongoing uncertainty and impact, more investment is needed to help businesses adapt and rebuild a more resilient, fairer economy in the medium-term, minimising the scars of Covid-19 and providing decent job opportunities for people. This package will include:

Business Growth and Adaptation Fund: learning from the first round of small business grant support, this will focus investment to drive production, expansion and adaptation of current or new business operations and supply chains, and job creation. This fund will also place a strong emphasis on support for a sustained green recovery.

Business Start Up School: start-up rates in the region remain subdued (see above); business creation can drive forward new ideas, adaptation, and growth. A partnership of the Combined Authority working with the four West of England Universities and regional business network leads, will deliver a set of 'start-up schools' for businesses/entrepreneurs, with a focus on engaging people from different communities, ages and backgrounds to help stimulate job creation.

Enterprise Support Programme: building on existing activity like the West of England Growth Hub's Universal Business Support Programme¹, additional enterprise advisory capacity will be developed and targeted, for example, in rural areas, in underserved sectors, and for business owners/entrepreneurs with protected characteristics, where Covid-19 has exacerbated long standing inequalities.

This activity will also align with development of the Metro Mayor's emerging Good Employment Standard, to ensure a firm focus on securing decent jobs for people in the region.

¹ [Universal Business Support - Growth Hub \(westofengland-ca.gov.uk\)](https://www.westofengland-ca.gov.uk/universal-business-support-growth-hub)

c) High-Streets Recovery and Adaptions Package

Our high streets have been hard hit by the pandemic and the impact of Omicron has fallen at a time when our high street businesses and workers normally thrive. Under pressure before Covid-19, the future of our high streets remains uncertain.

As part of the Regional Recovery Fund, £1.5m was allocated to a High Street Catalyst Fund to develop and pilot new ways of supporting high street businesses in response to the pandemic. Interventions have been co-designed with strategic input and support from the Combined Authority and, after an initial phase of preparation, these interventions will now run over the next two years. It is proposed additional investment is used to commission strategic activity to help high-street businesses adapt over the medium-to-longer term, including through:

- Enhanced regional leadership and coordination, and the development of an overarching plan for high streets across the West of England, including through the creation of an expert 'high streets adviser' to lead this work.
- Reflecting on changes in work practices as a result of Covid-19, development of the concept of 'co-location hubs' in high streets as anchor points of activity with a focus on increasing access to business, skills and employability support, and cultural and tourism activity.
- Build on the learning from pilots and feasibility studies being delivered through the Regional Recovery Fund, to extend successful support activities across the region where impact is greatest.

d) Cultural Compact start-up investment

The creative, arts and cultural sectors have been deeply affected by the pandemic, yet their central role in creating opportunities for individuals – by raising quality of life as well as creating jobs – means there cannot be full recovery in the region without directing more support to a core pillar in our region's ambition. £2m has already been allocated to provide direct financial support to creative businesses and freelancers, where national support has fallen short.

It is proposed funding is allocated to formally launch the Cultural Compact and take the first steps in implementing the West of England Cultural Plan. Key investment themes will include:

- Talent Development - to support development of our creative and cultural people through pathways into the sector, including by engaging with schools.
- Creative Freelance, Start Up & SME Economy – more support to grow the sector and enable it to thrive, draw in more investment and create jobs.
- Placemaking – to position culture at the centre of placemaking, community-making and regeneration strategies, creating a unique regional narrative.
- Wellbeing – to ensure that all residents and visitors can access culture and cultural activities for their own wellbeing, development, and enrichment.

It is expected the support allocated will be used to develop capacity to leverage further financial support from other sources including Arts Council England and the Heritage Lottery Fund, for example, putting in place the foundations for a more substantial Regional Cultural Investment Fund in the long term.

Management of fund

17. As with the first Regional Recovery Fund, business case development for the Regional Recovery and Adaptions Fund will be overseen by the Business and Skills Directors Group, supported by the Economic Development Managers and Skills Officer Groups, and reporting into the West of England Chief Executives.

Consultation

18. No statutory consultation is required in relation to this report.

Other Options Considered

19. Not establishing initial investment allocations and objectives – rejected – not establishing these would mean the Regional Recovery and Adaptation Fund is not invested in a strategic and targeted manner.

Risk Management/Assessment

20. The Fund will tackle the economic risks resulting from the impact of Covid-19 by providing further investment and support where this impact has fallen hardest. Business cases will be developed to ensure a clear economic rationale and value for money assessment informs the delegated decision making.

Public Sector Equality Duties

21. The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 21.1 The Act explains that having due regard for advancing equality involves:
 - Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 21.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 21.3 Full equality assessments will be included as part of individual business cases

Finance Implications, including economic impact assessment where appropriate:

- 22 Funding for the Regional Recovery and Adaptations Fund will come from the CA Investment Fund headroom. Drawdown of approved funding will be dependent on the development of relevant assessment criteria and subsequent submission of compliant business cases.

Advice given by Malcolm, Director of Investment and Corporate Services

Legal Implications:

- 23 None

Advice given by Shahzia Daya, Director Legal Services

Climate Change Implications

- 24 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision-making process.

- 24.1 The Regional Recovery and Adaptation Fund will align strongly with the recently agreed £50m Green Recovery Fund, to maximise progress towards Net Zero.

Land/property Implications

- 25 None

Advice given by Malcolm, Director of Investment and Corporate Services

Human Resources Implications:

- 26 None

Advice given by Alex Holly, Head of People and Assets

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird on 07436 600313; or by writing to West of England Combined Authority, 3 Rivergate, Temple Quay, Bristol BS1 6EW; email: democratic.services@westofengland-ca.gov.uk