Appendix 1

Cambridgeshire and Peterborough

COVID-19: Understanding economic impacts and informing the response

HATCH REGENERIS

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01 Executive Summary

01 Executive Summary

COVID-19 is the biggest economic shock to face the UK economy in living memory and will have major implications for prosperity in Cambridgeshire and Peterborough.

The last time the UK faced a global pandemic was over a hundred years ago. This means that there is no precedent that can be applied to the current crisis. Our research brings together the most up-to-date picture of COVID-19's economic effects and uses four layers of evidence to assess the impact of the virus.

Cambridgeshire and Peterborough		
Loss in GVA (2020)	£3.7b	
Year of GVA Recovery	2031	
Aggregate GVA Loss from 2020 to Year of Recovery	£21.7b	
Sector Recovery	% Share of GVA	Year of Recovery
Manufacturing	12%	2036
Professional, scientific and technical activities	12%	2031
Wholesale and retail trade, repair of motor vehicles	11%	2034
Real estate activities	11%	2025
Information and Communication	8%	2033

OBR and Hatch Regeneris Projections (2020)

Using Office for Budget Responsibility (OBR) estimates, GVA modelling for the area shows that COVID-19 will result in the loss of £3.7bn GVA across the Cambridgeshire and Peterborough in 2020. This represents a 13% reduction in annual GVA. Projections show 2019 GVA levels will not be reached again until 2031. This means that output growth will be significantly curtailed.

Sectors expected to see the greatest percentage decline in GVA this year are Education (-38%), Accommodation & Food (-36%), Construction (-30%) and Other Services (-25%).

The sectors that will see the greatest aggregate decline in GVA this year are: Education (-£722m), Manufacturing (£668m), Wholesale and retail (£517m), and Professional Scientific and Technical Activities (£447m).

Real-time data shows that lockdown has had an immediate impact on the region's labour market, its commercial property market and mobility patterns. These can be monitored to provide an early indication of the timing and shape of economic recovery.

Consultations have shown that although businesses have benefitted from the government's short-term economic response, they are fearful that this has simply delayed a painful readjustment. In the medium term, all businesses will be reliant on the supply chain being able to support a quick recovery. For some businesses, this may include a transition to local suppliers, who could be more resilient to future shocks. In the longer-term, there are likely to be significant structural and behavioural changes in the way business and the economy function.

Recommendations

Recommendations are presented in four areas:

- Business Support
- Infrastructure
- Placemaking
- Labour Market

Business Support

Short-term

- Set up a single COVID business support site for the geography
- Simplify and join up the application process for COVID business grant funding
- Help small and micro businesses access business service providers

Medium-term

- Accelerate the delivery of long-term objectives around sustainability and the Green Economy
- Provide an amended single business resilience survey, shared with all stakeholders

Long-term

- Establish a programme to convert intellectual property and research into development propositions

Continue to monitor the economic impact of COVID-19 to inform discussions with government

Infrastructure

Short-term

- Prioritise and bring forward enabling infrastructure, including transport projects
- Accelerate delivery of funding, construction and new homes
- Accelerate the fibre and 4/5G roll-out across the C&P area
- Accelerate the work of the Land Commission

Medium-term

- Define zonal areas across the region in advance of the likely planning reforms to be put forward by MHCLG
- Ensure that public sector materials and services procurement require significant local content.
- Introduce a Local Procurement Portal.

Long-term

- Invest in active travel, supporting people to access work in a healthy, sustainable and inexpensive way
- Consider ways to preserve some of the benefits arising from transport changes during the lockdown, such as faster journey times and cleaner air

Actively monitor transport and infrastructure impacts – review programmes as needed

Placemaking

Short-term

- Launch campaign for domestic visitors to Cambridge and the rest of the Cambridge and Peterborough area over the Summer
- Support businesses to make best use of outdoor spaces for dining and events
- Accelerate planned capital spending in town centres

Medium-term

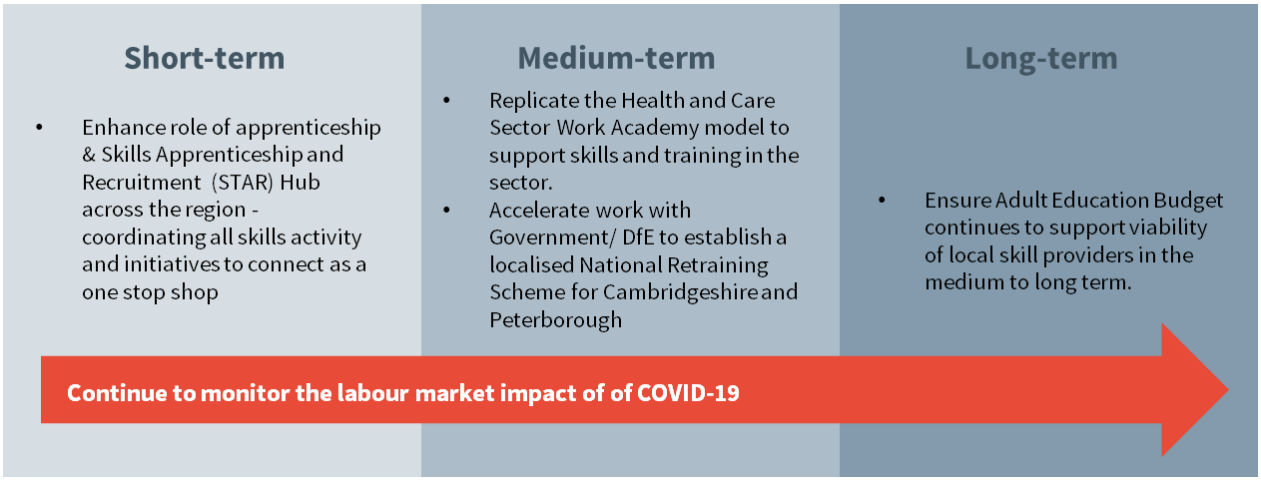
- Capitalise on foremost outdoor attractions to promote region for tourism
- Longer term campaign plan to promote visitors
- Accelerate the delivery of medium-term projects around sustainability, better public realm and economic vibrancy in our town centres and villages

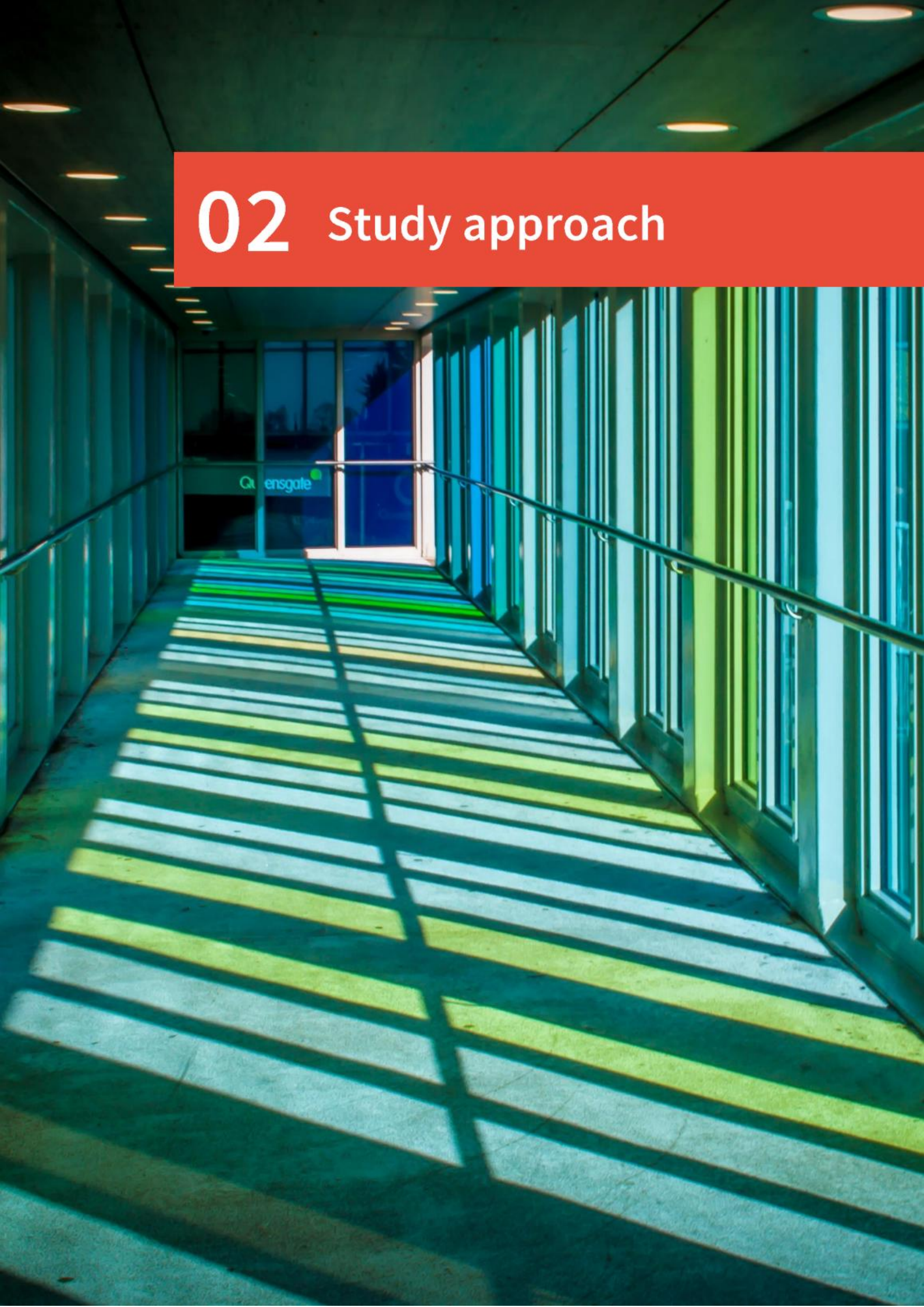
Long-term

- Accelerate the delivery of long-term objectives around sustainability, better public realm and economic vibrancy in our town centres and villages

Monitor and support businesses in the 'event economy'

Labour Market





02 Study approach

Study approach

02

In May 2020, Hatch Regeneris were commissioned by the Greater Cambridge Partnership (GCP) and Cambridgeshire and Peterborough Combined Authority (CPCA), to carry out a rapid assessment of the immediate impact of COVID-19 on the economy of Cambridgeshire & Peterborough. We were asked to assess the likely resilience of the regional economy over the medium to longer term and to provide advice on short, medium and long-term interventions to support people and businesses.

We undertook a four-stage analysis. These four stages provide a rounded view of the economic impacts to date. Economic exposure metrics (1) assess the region's baseline position to identify potential issues which are likely to be brought to the fore by lockdown and social distancing measures. These have been supplemented with real-time indicators (2) which provide a 'live' picture of impacts across a range of indicators and are supported by the Office for Budget Responsibility's coronavirus reference scenario which models the effect of lockdown on the region's output.

COVID-19 impact research framework

Economic data can only tell us so much and detailed consultations were held with 27 businesses and business representative organisations (3). This engagement has been used to understand how businesses have coped over the last 3 months and identify potential gaps in support and priorities for

local partners. Consultations were complemented by analysis of the Combined Authority's Business Resilience survey (4) to understand support needs and uptake of existing public support.

Hatch Regeneris would like to thank those businesses and organisations who have been so generous in sharing their experiences with us.

This report is underpinned by an interactive evidence dashboard, covering the full suite of metrics referenced in this report. The dashboard provides a summary of regional and district impacts, together with real-time data designed to track recovery. As there is still great uncertainty with regards to the duration of lockdown and the speed of potential recovery, it could be many years before the full extent of impact is realised. To reflect this uncertainty and the pace of change, it is important that the evidence dashboard is updated regularly as new data becomes available.

Cambridgeshire and Peterborough Social and Economic impact Dashboard

03 Economic exposure to COVID-19

03 Economic exposure to COVID-19

Headline findings

1. Aspirations for continued high economic growth are unlikely to be met. The economic impact of the lockdown will be shaped by a number of issues:
    a. The business base in Cambridgeshire and Peterborough is dominated by micro and small businesses, with 97% employing fewer than 50 people. Experience from the 2008 downturn suggests that smaller businesses are generally less resilient in times of challenge.
    b. Notwithstanding this, experience over the last five years of growth shows that Cambridgeshire and Peterborough have had a resilient business base. The area has a 5-year survival rate (45%) above the national average (42%). This is driven by relatively high rates of business survival in South Cambridgeshire (50%), East Cambridgeshire (45%) and Huntingdonshire (48%).
    c. Self-employment across the region is low. Notable exceptions are Huntingdonshire and South Cambridgeshire. The self-employed typically have fewer resources to rely on during periods of economic distress and will feel the results of a downturn more quickly.
    d. Cambridgeshire and Peterborough entered this crisis with a highly active and strong labour market. However, there are significant geographic discrepancies within the region which will affect resilience during the downturn and recovery.
2. Inclusive growth will be more difficult to achieve. There is potential that the long-term fallout from COVID-19 could lead to worsening inequalities and exacerbate long-standing issues affecting the prosperity of residents across the region.
3. COVID-19 may change the evidential basis on which local planning decisions have been made. This is because demographic projections, employment forecasts, and growth assumptions help to determine decisions on land allocation. These potential impacts should therefore be monitored.

This section provides an updated economic baseline for Cambridgeshire and Peterborough. It builds on and updates the comprehensive evidence base developed through the Cambridgeshire and Peterborough Independent Economic Review (CPIER)[1].

[1] Cambridgeshire and Peterborough Independent Economic Review (CPIER). See https://www.cpier.org.uk/about-us/Commissioners.

The analysis brings together a range of datasets to give a renewed understanding of the key drivers of Cambridgeshire and Peterborough's current economic performance. The refreshed baseline has been designed to identify key areas of exposure in each of the region's three economies and the potential challenges exacerbated and brought to the fore by lockdown.

Exposure metrics are considered against the implications they might have for the future priorities for the region identified by the CPIER.[2]

The CPIER demonstrated that the Cambridgeshire and Peterborough area is home to **three overlapping market areas**:

- **Peterborough and surroundings** (including north Huntingdonshire)
- **The Fens** (including Fenland, some of East Cambridgeshire and part of Huntingdonshire)
- **Cambridge and South Cambridgeshire** (including southern parts of Huntingdonshire and East Cambridgeshire)

The three market areas provide a useful characterisation of the Cambridgeshire and Peterborough economy which makes it possible to identify individual challenges and opportunities in each of the three economies. Our research aligns with the CPIER and does not seek to define the market areas in terms of crude statistical geographies. Instead, this research presents data at local authority level to understand the economic implications of COVID-19 at a regional, market area and district level – providing insight for policy makers across all tiers of local government.

CPIER: delivery of regional priorities

The CPIER is the region's landmark economic study. It establishes Cambridgeshire and Peterborough's economic identity, details economic importance to UK PLC and makes the case for further devolution from central government.

The CPIER identifies a range of recommendations to define the economic future of Cambridgeshire and Peterborough. Broadly, these deliver three growth priorities:

1) **Continued high economic growth:** as part of the region's devolution deal there was a commitment to double economic output over a 25-year period. As noted in the CPIER, this was an ambitious target which could be achieved through significant employment growth and productivity gains.
2) **An inclusive economic future:** ensure a focus that future growth is spread more equitably across the region to enhance opportunities, improve outcomes and increase overall economic output.
3) **A blended spatial strategy:** the commission recommended a mixed approach to spatial planning, where the positives and negatives of each development scenario are carefully considered. Whilst economic data only provides a small part of this story, digital connectivity will become even more important, alongside physical infrastructure to deliver enhanced productivity.

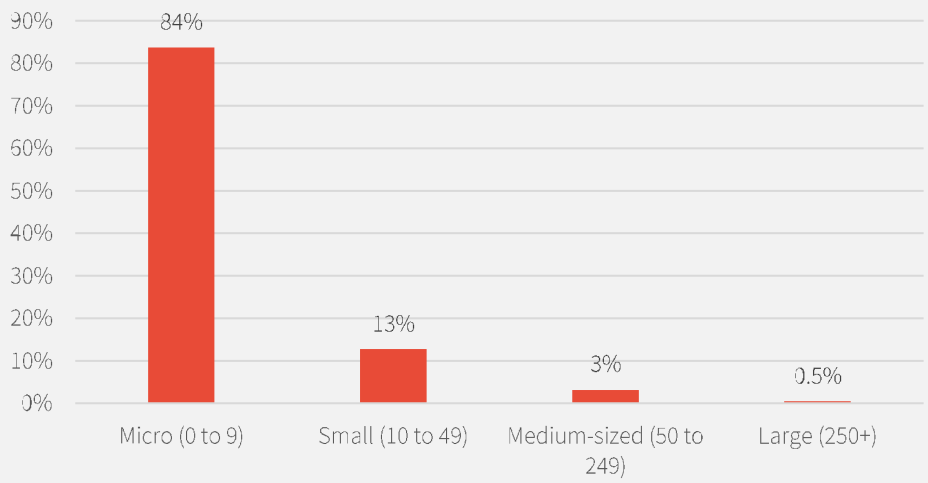
[2] This classification does not match perfectly with administrative boundaries, and is based on travel to work patterns, supply chain mapping and housing market analysis. It is also supported by a district level analysis of commuting patterns.

COVID-19 will impact upon all three future priorities and bring the challenges they seek to address into even sharper focus.

Continued high economic growth

Gross Value Added (GVA) is the primary measure used by government to understand the economic performance and contribution of the region to the UK economy. Understanding the implications that COVID-19 is forecast to have on the region's economic output is explored further in Chapter 3, however it is important to understand the tangible factors which underpin the region's prosperity and their exposure to lockdown and social distancing restrictions.

Cambridgeshire and Peterborough Businesses by Employment Size Band, 2019

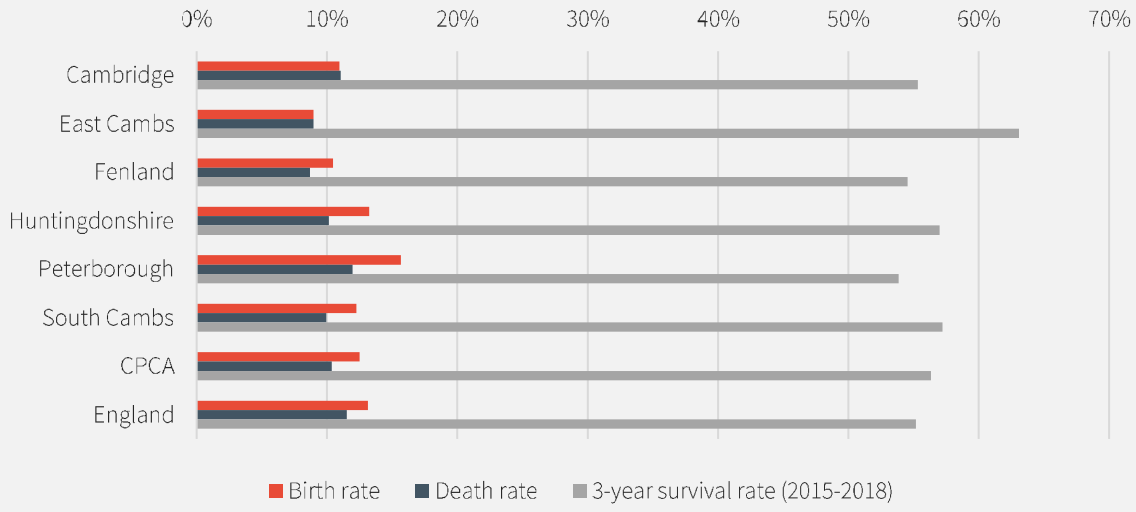


Source: ONS Business Counts, 2019

Business size is a key indicator of economic exposure to COVID-19, with smaller businesses typically being less resilient in weathering economic downturns. Cambridgeshire and Peterborough's business demography is heavily dominated by micro businesses which broadly mirrors the national average. 97% of businesses have less than 50 employees, meaning that many of these businesses may not have the cash to see out a lengthy lockdown period without having to reduce overheads. Many of the largest businesses are clustered around Cambridge, South Cambridgeshire and Peterborough.

Business survival data provides insight into the resilience and churn within the local economy as well as the proportion of new businesses. Cambridgeshire and Peterborough perform strongly against the national average in terms of survival rates – indicating a resilient business base in most of the area. Cambridgeshire and Peterborough has a 3-year survival rate (56%) above the national average (55%). This is driven by relatively high rates of survival in East Cambridgeshire (63%), Huntingdonshire (57%) and South Cambridgeshire (57%).

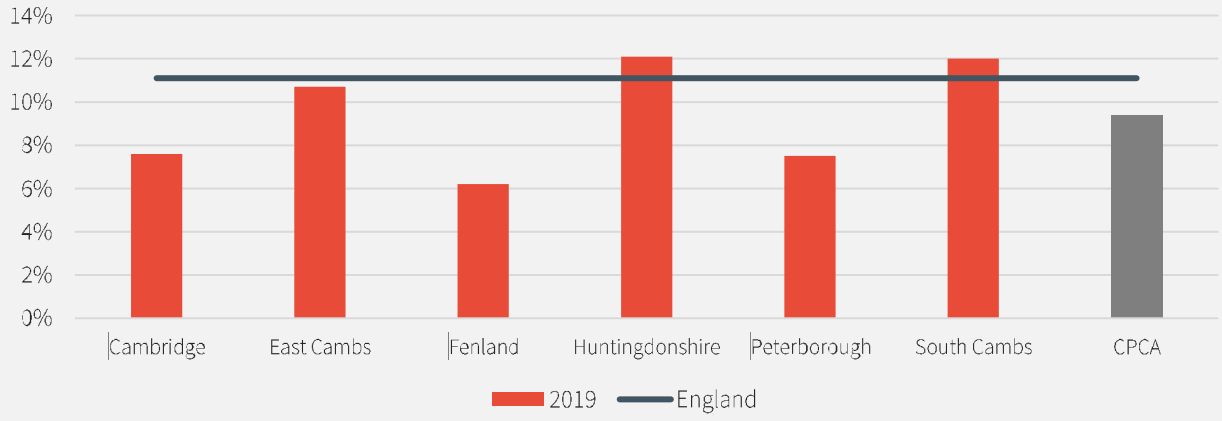
Business Demography, 2018



Source: ONS Business Demography, 2018

However, this picture is not universal. Greater Peterborough's highly entrepreneurial business population may mean that it is more exposed. Recently, the city can be characterised by high business churn rates - Peterborough has a higher rate of business creation (16%) and business closedown (12%) than the Cambridgeshire and Peterborough average (12% and 10% respectively). This has culminated in Peterborough having a lower three-year business survival rate (54%) than the England (55%) and Cambridgeshire and Peterborough (56%) average.

Self Employment (% of 16-64)



Source: Annual Population Survey, 2019

Self-employment across the region is low and this is unlikely to be a key determinant of economic exposure. Self-employed workers with annual profit of less than £50,000 have been able to claim up to £2,500 per month since their support scheme opened on 13 May and claims for lost earnings in March

and April could also be made. However, only 9% of working age residents in Cambridgeshire and Peterborough are self-employed compared to 11% nationally. This is especially low in Cambridge (8%), Fenland (6%) and Peterborough (8%).

To a large extent, the degree of economic specialism will determine how successful a regional economy is. Although the CPIER report notes that there is a *'meta-trend towards the blurring of sectors at research and development level'*, it nevertheless endorses a largely sector based approach to growth and policy. CPIER showed that the Cambridgeshire and Peterborough economy had demonstrable specialisms and strengths in a number of strategic growth sectors. These sectors are marked by high growth and innovation:

- Agriculture and Food (Agri-tech)
- Life Sciences
- IT and Digital
- Manufacturing, Advanced Manufacturing and Materials
- Logistics and Distribution
- Education and Professional Services

At a district level, specialisms are more nuanced. As we explore in Section 4, this influences projected growth rates across geographies within Cambridge and Peterborough.

An inclusive economic future

Previous economic crises have raised income inequality and hurt the employment prospects of people with low educational attainment, while scarcely affecting those with advanced degrees (VoxEu, 2019). This is a variety of reasons, but one of the more important is that the more highly educated tend to more adaptable and mobile. There is potential that the long-term fallout from COVID-19 could lead to worsening inequalities and worsen long-standing issues affecting the prosperity of residents across the region.

Claimant Count and Unemployment Rate, 2019-20

	Claimant Count, March 2020	% Change, March 2019-20	Unemployment Rate (ages 16-64), 2019	% Change, 2018-2019
Cambridge	1.6%	+0.5	1.4%	-3.4
East Cambridgeshire	1.3%	+0.4	-	-
Fenland	2.8%	+0.8	-	-
Huntingdonshire	1.5%	+0.4	3.7%	+0.6
Peterborough	3.8%	+0.7	6.2%	+0.5
South Cambridgeshire	1.1%	+0.4	2.6%	-
Cambridgeshire and Peterborough	2.1%	+0.5	3.4%	-0.2
England	3.1%	+0.5	4.0%	-0.2

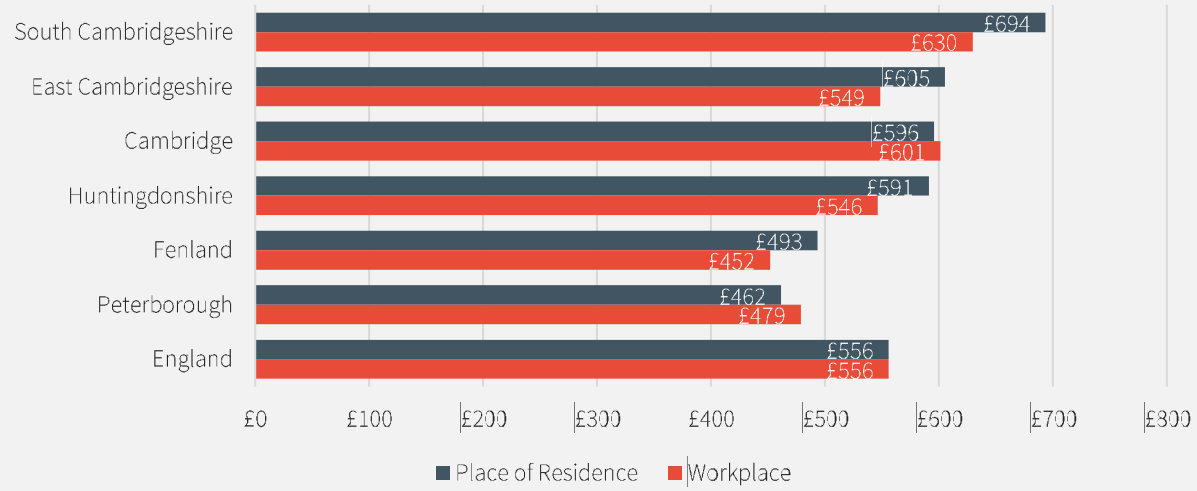
Source: Annual Population Survey, ONS Claimant Count, 2019

Note: '-' indicates data unavailable[3]

Generally, Cambridgeshire and Peterborough are entering this crisis from a position of strength and contain a highly active and robust labour market. As of March 2020, 2.1% of Cambridgeshire and Peterborough residents were claiming support compared to 3.1% nationally. Similarly, unemployment in the Cambridgeshire and Peterborough area (3.4%) is lower than the national average (4%).

However, there are significant geographic disparities within the region. Whilst Peterborough's unemployment rate stood at 6.2% in 2019, it was as low as 1.4% in Cambridge city. Although many jobs are currently being protected by the government's Job Retention Scheme, there are concerns that existing issues of unemployment could be heightened if the scheme is to end in October. This is explored further in Chapter 5.

Weekly Workplace and Resident Earnings, 2018

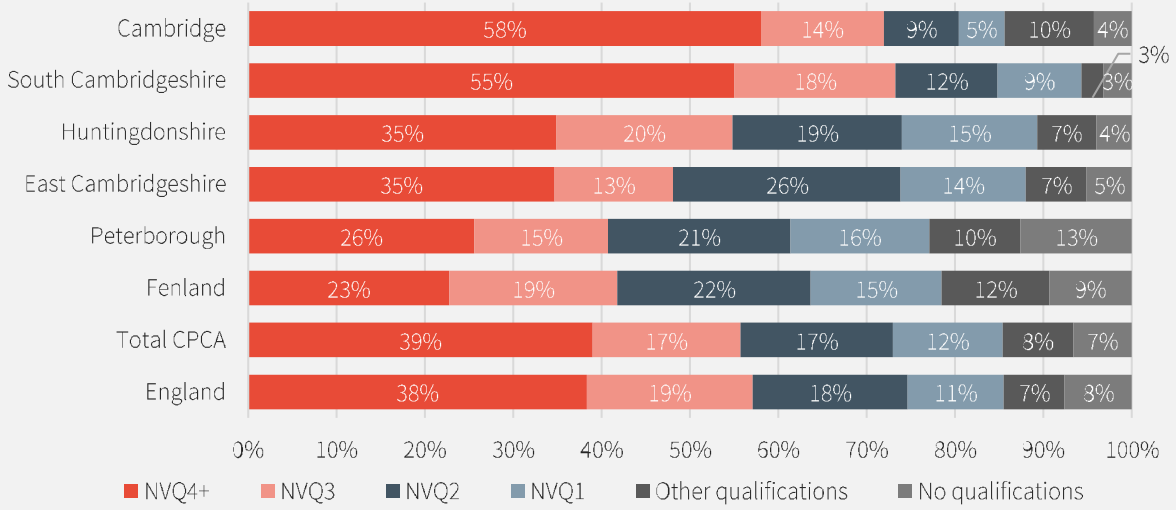


Source: Annual Survey of Hours and Earnings, 2018

Earnings are a useful indicator of an individual's wealth and productivity. They help to show disparities in outcomes, both at a geographic level and also with reference to residents and those who live outside the Cambridgeshire and Peterborough area. Weekly earnings vary widely across Cambridgeshire and Peterborough. The median earnings of residents in Fenland and Peterborough fall below the England-wide median (£556), at £493 and £462 per week respectively. By contrast, the median earnings of residents in South and East Cambridgeshire is £694 and £605, respectively – well above the national median. Should there be a recession, there is a risk that wages could be suppressed, affecting the financial resilience of households across the region.

[3] The relationship between the claimant count and unemployment rate is complicated. A full and comprehensive discussion can be found at https://gov.wales/sites/default/files/statistics-and-research/2019-01/differences-between-unemployment-and-the-claimant-count.pdf .

Highest Level of Qualification across Cambridgeshire and Peterborough (16-64 year olds)



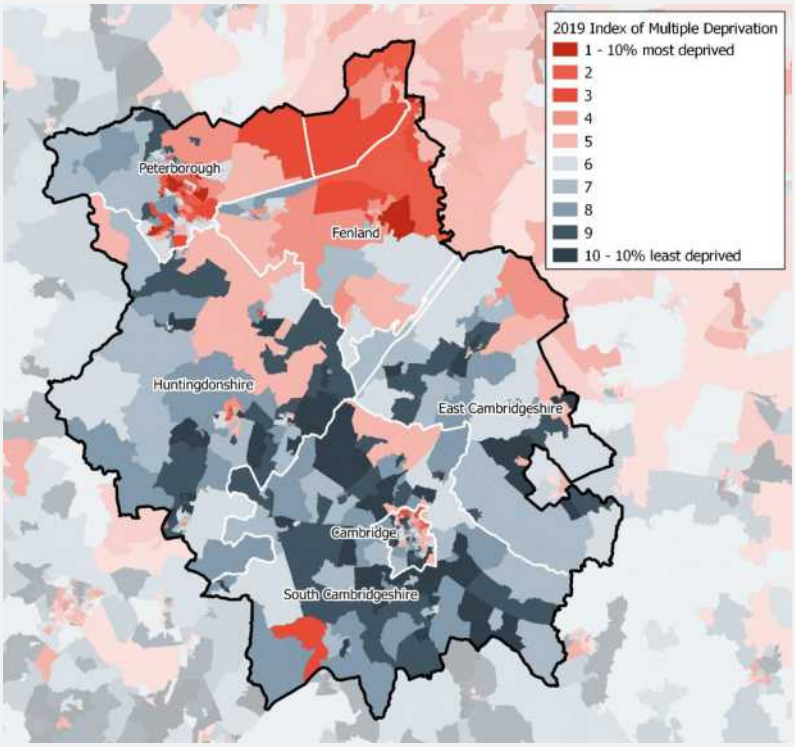
Source: Annual Population Survey, 2018

Looking at the level of qualifications, there is once again significant variation in performance across Cambridgeshire and Peterborough districts. While Cambridge and South Cambridgeshire have very high levels of NVQ4+ (Higher National Diploma or degree and above) qualifications (58% and 55% respectively), Fenland and Peterborough have much lower levels of educational attainment. Indeed, 13% of Peterborough's working age population has no formal qualifications, which is almost double the England average, whilst only 23% of Fenland's working age profile are qualified at NVQ level 4 and above.

This is relevant, as recent studies have drawn a direct link between COVID-related short-term job risk and levels of educational attainment (McKinsey, 2020). The research noted that: *"only around 24 percent of employees in the hospitality, retail, and construction sectors have a higher-education qualification; more than 50 percent of workers in each of these sectors do not have qualifications beyond GCSEs".* This distribution of qualification outcomes is likely to be influenced by several factors, including the quality of local provision, sectoral make-up and the impact of physical growth and regeneration. They must also be considered in the context of evolving economies and the more sophisticated nature of future employer needs. All of this matters because it is those people with lower education and earnings who tend to be least resilient to economic downturns.

Deprivation is geographically distinct and most pronounced in northern Cambridgeshire and Peterborough areas. The northern districts of Cambridgeshire and Peterborough exhibit the highest levels of overall deprivation (across factors such as income, employment, education and health) across the region. Issues are particularly acute in Peterborough and Wisbech, where deprivation levels are in the top 10% nationally. Within Fenland, deprivation is also dispersed across rural areas, where population density is lower and settlements more remote. Towards the centre and southern end of the Cambridgeshire and Peterborough, deprivation is *generally* both less acute and extensive, with pockets observed in Huntingdon, Barnwell (Cambridge City) and Orchard Park (South Cambs). But even in the more affluent parts of the region, extreme deprivation can and does co-exist with relative affluence. This particularly true of long standing and persistent deprivation hotspots within the city of Cambridge.

Deprivation in Cambridgeshire and Peterborough



Source: IMD, 2019

A blended spatial strategy:

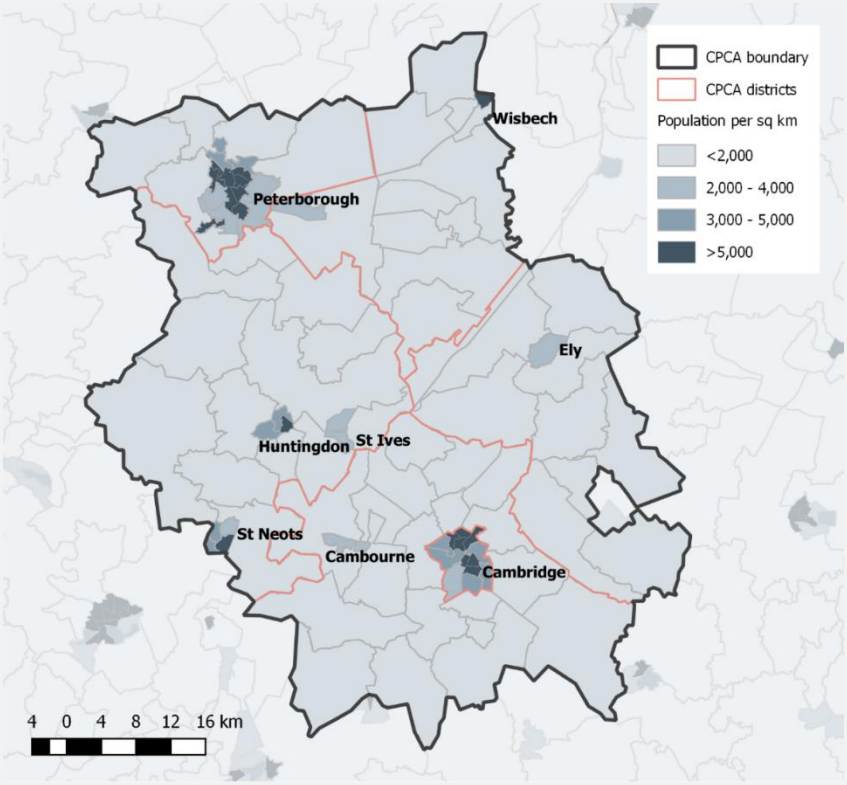
Planning and strategic growth issues will be affected by the impact of COVID-19. The population of Cambridgeshire and Peterborough is highly concentrated, particularly in Cambridge and Peterborough, with a number of areas being home to more than 5,000 people per square kilometre. Other key towns such as Huntingdon and St Neots, are also significant population centres, whilst Wisbech has pockets of high population density. Largely, however, the Cambridgeshire and Peterborough is characterised by its rurality and large areas of sparse settlement and population distribution.

This distribution of population is not static and subject to change, as settlements continue to grow and physical regeneration takes place at key locations across Cambridgeshire and Peterborough. This is interesting in the context of local authorities that have some of the overall smallest populations but have seen some of the most pronounced growth – Fenland for example. Whilst this may alter the dynamics of population density, it is expected that this will be localised and centred on existing settlements.

COVID may change residential preferences, working patterns and the demand for employment space. This, in turn, will be conditioned by the demography of different areas. Looking at the younger and older ends of the demographic spectrum, Fenland has the greatest share of elderly people (65+ years), whilst Peterborough has largest proportion of young people, aged between 0-14 years old. This means, for example, that social and health care demands related to Covid are likely to be more acute in areas with

an older population. Conversely, areas with a younger population may be more affected by a reduction in training and job opportunities in service and lower skilled occupations. This might also be a factor for those areas with a high student population, who may support their studies through part-time working.

Population Density, 2016



Source: ONS Mid-year population estimates, 2016

Cambridgeshire and Peterborough's occupational structure and ability to homework also indicates where the impact of lockdown is likely to be felt harder. Those areas with a greater degree of higher level and professional occupations will be better able to cope. ONS data (below) clearly shows that before the lockdown, homeworking was very much the exception rather than the rule for lower skills occupations. The impact of COVID-19 on residential and working preferences within the region will largely be determined by the strength of digital connectivity. On an individual level, it will also depend on whether jobs can be done remotely. There are significant connectivity challenges still to be addressed in more rural areas, and this could mean recovery is weaker. Conversely, it could also mean that the most connected areas experience the greatest changes in long term working and commuting preferences. This is because while workers in these areas have always had the greatest flexibility to embrace new working patterns, Covid 19 has shown employers and employees that there can be some benefits of remote working.

The other major policy question that emerges from this discussion is whether local partners need to support greater homeworking, whether resources should be focused on supporting those who cannot work at home, or whether a more nuanced policy mix is needed.

Cambridgeshire and Peterborough Occupational Profile, 2019 and Homeworking

Occupation	Cambridgeshire and Peterborough Occupational Profile	England Occupational Profile	% answering 'yes' to "ever work at home?"
Managers, directors and senior officials	11%	12%	47%
Professional occupations	25%	22%	45%
Associate prof & tech occupations	13%	15%	37%
Administrative and secretarial occupations	9%	10%	20%
Skilled trades occupations	9%	10%	18%
Caring, leisure and other service occupations	7%	9%	14%
Sales and customer service occupations	8%	7%	9%
Process, plant and machine operatives	7%	6%	6%
Elementary occupations	11%	10%	4%

Source: Annual Population Survey, 2019, ONS Coronavirus and homeworking in the UK labour market: 2019

Due to increased homeworking in the short and medium-term (and likely into the long-term), world-class connectivity across the region will be vital for economic resilience and recovery. Prior to COVID, business practises had already evolved to embrace network based solutions. COVID will accentuate the disadvantages that poorly connected areas currently face. Connecting Cambridgeshire therefore needs to play an important role in stimulating the market and in accelerating existing interventions.[4] These include:

- facilitating rollout through the Enabling Digital Delivery function;
- liaising with market investors regarding demographic, growth and new homes data for the Cambridgeshire and Peterborough area; and
- providing information about demand side incentives (such as gigabit broadband vouchers). Active support is already being provided for existing announced commercial delivery (Peterborough and Cambridge), with plans to facilitate further commercial delivery where possible in the market towns.

[4] Connecting Cambridgeshire is the Cambridgeshire County Council led initiative designed to improve the county's digital connectivity

Digital Connectivity

	Superfast Broadband – May 2020	Full Fibre (FTTP or FTTH)	Below 2Mbps
Cambridge	97.69%	14.18%	0%
East Cambridgeshire	95.28%	6.02%	1.26%
Fenland	95.36%	22.46%	0.89%
Huntingdonshire	97.89%	6.21%	0.54%
Peterborough	98.78%	37.09%	0.15%
South Cambridgeshire	97.59%	15.19%	0.37%
Cambridgeshire and Peterborough	97.69%	18.19%	0.45%
England	97.17%	12.29%	0.32%

Source: Connecting Cambridgeshire, ThinkBroadband, 2020
Note: Cells shaded red indicate weaker performance against the England average.

Engagement with Connecting Cambridgeshire has shown that mobile coverage for voice and data (2G and 4G services) across parts of Cambridgeshire and Peterborough is variable, which is causing widespread concern amongst businesses and communities and is seen to be negatively impacting local economic growth. Connecting Cambridgeshire is supporting improvements to mobile network coverage so that people can make reliable mobile phone calls and use 4G across the whole geography of the county, including A and B roads, and rail services, by 2022.

There are no recognised “not-spots” in Cambridgeshire and Peterborough but there are partial not-spots where poor coverage is evident. A list of priority locations across Cambridgeshire and Peterborough, where better mobile coverage from all four networks would benefit the economy and communities, has been identified by comparing detailed local surveys commissioned by Cambridgeshire County Council and the latest Ofcom data.

04 Impact of COVID-19 on the region's economy

Impact of COVID-19 on the region's economy

04

Headline findings

1. According to calculations based on a modified version of the central forecast of the Office for Budget Responsibility, COVID-19 will result in the loss of £3.7b Gross Value Added across the Cambridgeshire and Peterborough in 2020. This represents a 13% reduction in annual GVA.
2. The aggregate loss in output attributable to the pandemic will be a minimum of £21.7b. This is based on projections which show 2019 GVA levels will not be restored until 2031 under historic GVA growth scenarios.
3. The sectors that will see the greatest percentage decline in GVA this year are: Education (-38%), Accommodation & Food (-36%), Construction (-30%) and Other Services (-25%).
4. The sectors that will see the greatest aggregate decline in GVA this year are: Education (-(£851m), Manufacturing (£789m), Wholesale and retail (£610m), and Information and Communications (£415m).
5. Online job postings for Cambridge and Peterborough have collapsed since lockdown began. Despite this, there has been an increase in the share of job postings in Human Health and Social Work Activities.
6. Similarly, commercial property transactions have effectively ceased since March. This reflects wider uncertainty within the market on the likely demand for new space.
7. Since lockdown, mobility has changed significantly as people and businesses have followed government guidelines. This has seen Town Centre footfall drop, with implications for retail, accommodation and the wider visitor economy.

This section presents our estimates of the impact of COVID on the economy, together with real time indicators of the lockdown's effect on the Cambridgeshire and Peterborough economy. The forecasting element uses officially endorsed data and will be important in helping the GCP and Cambridgeshire and Peterborough make the case for future support.

GVA Estimate Methodology

At this stage in the COVID cycle it is not possible to forecast the impact on GVA with any precision; there are simply too many unknowable factors. External estimates of the year on year impact of COVID-19 on GDP have ranged from a drop of 2.1% (KPMG) to a drop of 30% (Morgan Stanley).

For the purposes of a central estimate, we have used the OBR produced coronavirus reference scenario This reference scenario was produced six weeks ago and assumes a perfect V-shaped recovery. That is, GVA growth in Q4 2020 will rebound to levels seen in Q1 2020. In the weeks since the scenario was produced it is clear that this is unlikely and that sectoral impacts will vary.

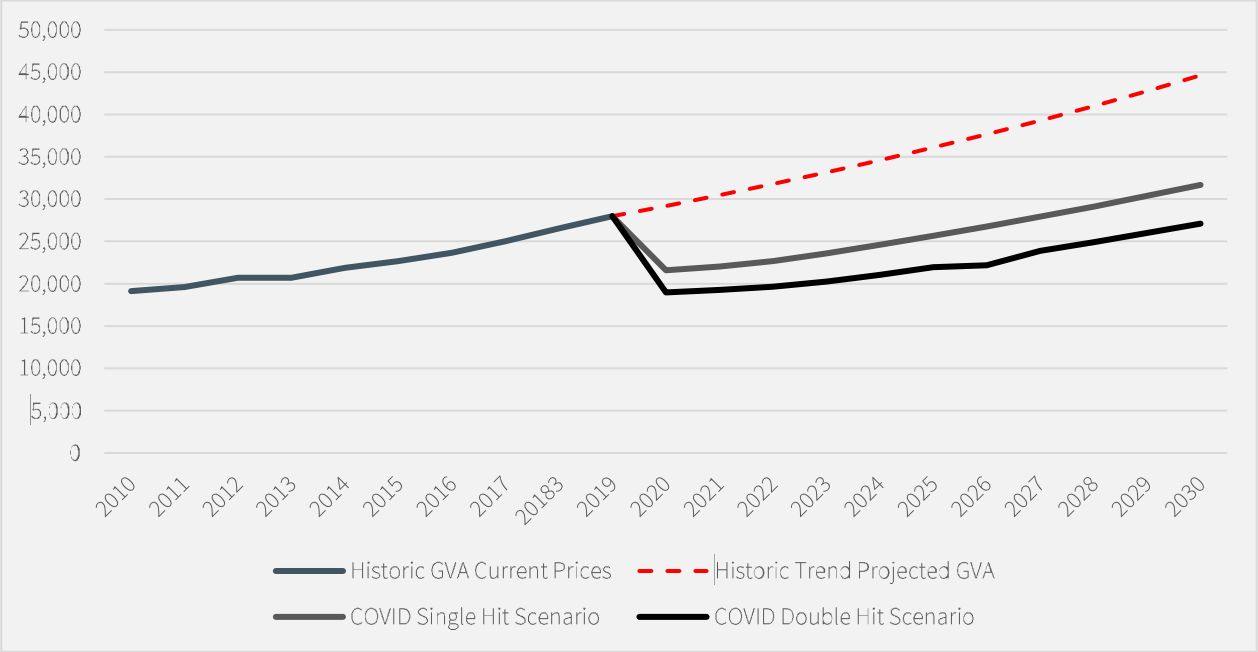
The OBR reference scenario is underpinned by the following assumptions:

- The share of output decline in each sector has been created by estimating the share of key workers and those who are able to work from home. This produced an estimate of employees in the sector who will continue to work through the lockdown period and in return an estimate output effect relative to baseline. As would be expected, the greatest sectoral impacts are in education, accommodation and food services, and construction, reflecting the almost total lockdown in these sectors.
- Once lockdown restrictions are eased, the impacts on output reduce proportionately.

Using this methodology, 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. We have taken this approach to reflect the U-shaped recovery that most economists are now predicting. We have also added a second scenario that reflects the likely impacts of a second lockdown event. To determine future GVA growth rates we have used the OBR's regional GVA Projection for the region.

The chart shows that the decline in GVA during 2020 under a single lock-down scenario will be 13%, rising to 18% if a second lockdown occurs. When plotted against the OBR's projected growth rate of 4.6% it will take over a decade for the regional economy to recover to previous output levels.

Cambridgeshire and Peterborough GVA Impact: Single & Double Hit Scenario

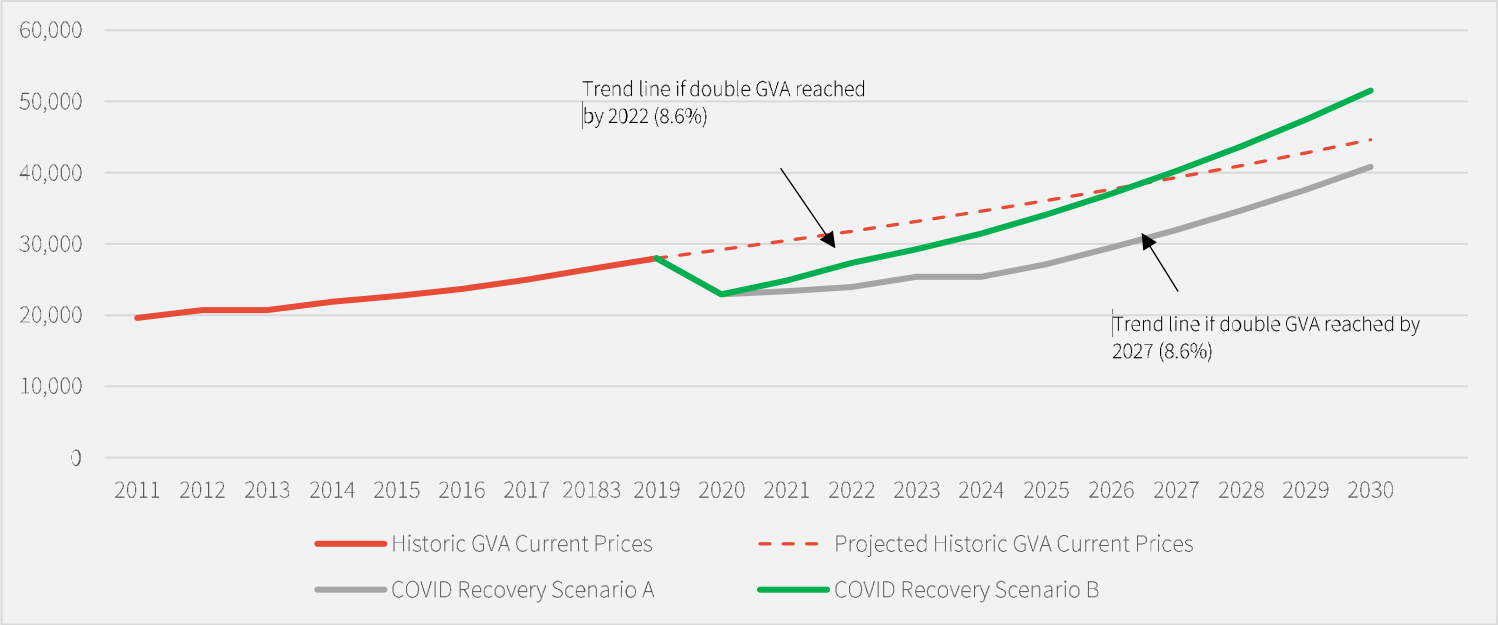


Source: Hatch modelling using OBR assumptions

In order to determine the GVA growth rate required for the Cambridgeshire and Peterborough economy to recover to its pre-COVID expected growth trajectory , we have modelled two scenarios. Scenario A shows the growth rate required by 2022 for the economy to bounce back to the pre-COVID growth trajectory by 2026. This shows that GVA growth would need to double from historic rates and reach

8.6%. To recover back to the same trajectory by 2032 would require a doubling of historic GVA rate growth by 2027.

Cambridgeshire and Peterborough – Recovery Scenarios



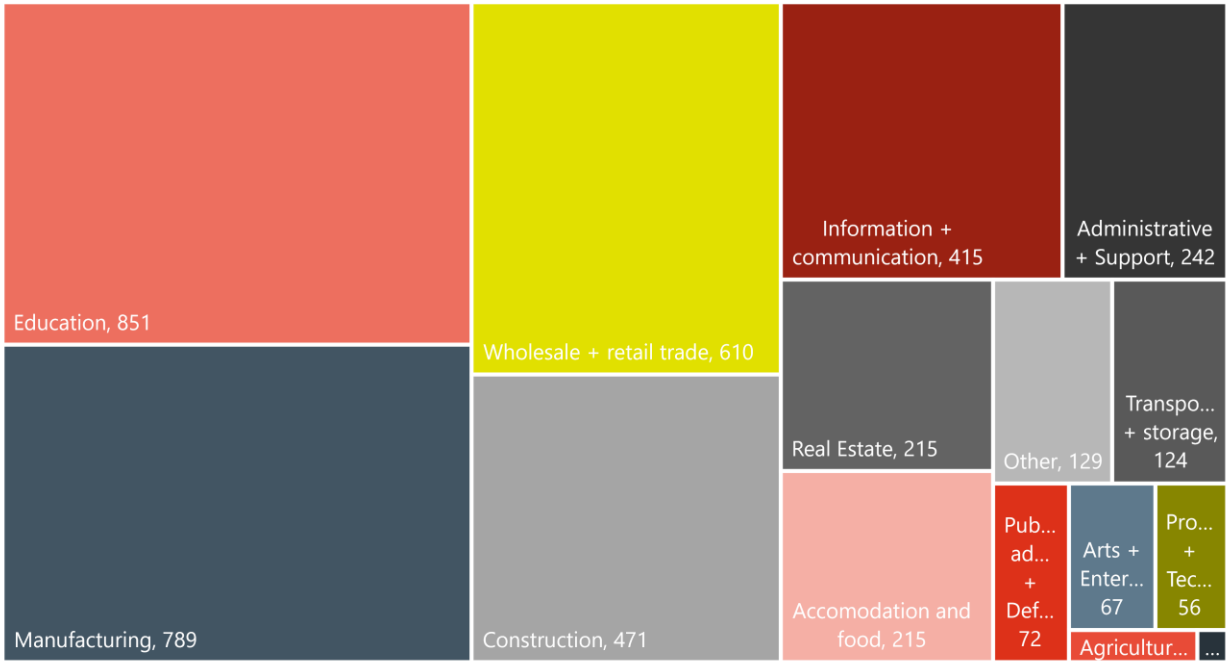
Source: Hatch modelling using OBR and OECD inputs.

These scenarios show the scale of GVA growth that will be required for the regional economy not just to recover the lost output in 2020, but to recover to previously expected output levels. To achieve a GVA growth of 8.6% per annum, it would be necessary not just to recover the output losses in individual sectors through short-term mitigating actions, but to help businesses to achieve a structural improvement in productivity growth, research and development and new product innovations.

Cambridgeshire and Peterborough Sectoral Impacts

The GVA model for Cambridgeshire and Peterborough indicates that total GVA losses in 2020 will reach £3.7bn, an annual decline of 13% which is equivalent to the national decline of 13%. By value, the largest loss will be in the education sector (£851m), with manufacturing (£789m) and wholesale and retail trade (£610m) contributing almost half of total output loss.

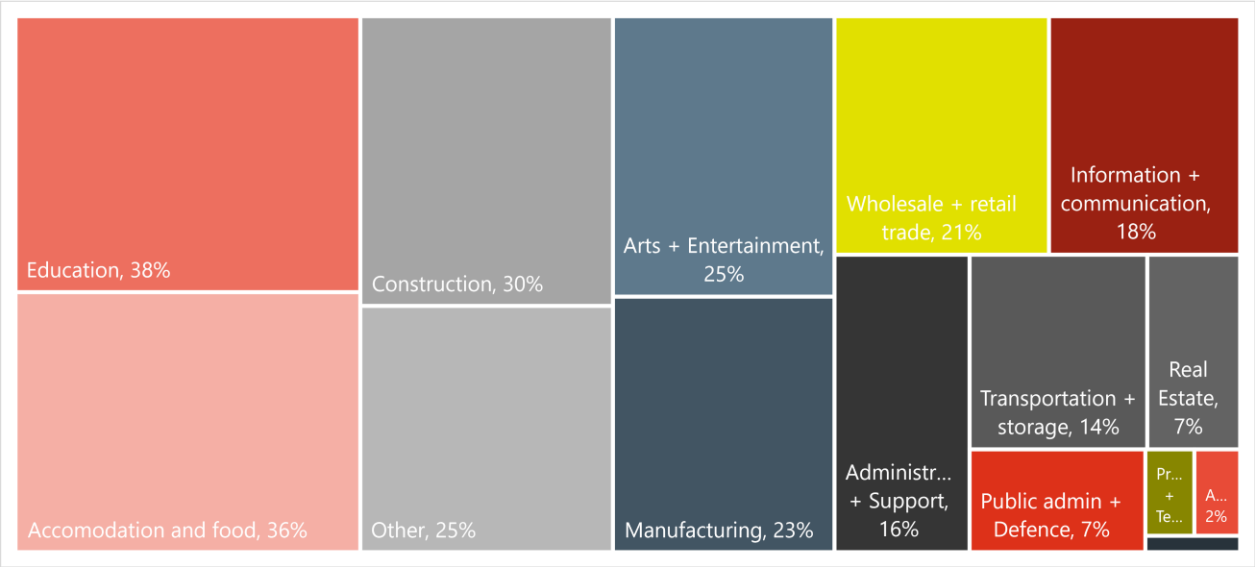
Cambridgeshire and Peterborough Sectoral Impact – Absolute Decline (£m), 2019-2020



Source: Hatch modelling using OBR and OECD inputs.

On a proportional basis (see below), education still has the greatest loss, estimated to lose 38% of 2019 output. The other sectors experiencing acute shrinkages will be accommodation and food (36%), construction (30%) and other (25%).

Cambridgeshire and Peterborough Sectoral Impact – Percentage Decline, 2019-2020



Source: Hatch Regeneris GVA Estimates Projections

- **The Education sector** constitutes 20% (against a year on year decrease of 38%) of the GVA loss in 2020. This reflects Cambridgeshire and Peterborough's pre-eminent position in the education business from the HE and FE sector through to the large range of foreign language and specialist schools. The government's initial analysis was that education would recover quickly once restrictions were lifted. However, it now appears the impacts will be longer lasting.
- **The Manufacturing sector** constitutes 18% of total GVA loss in 2020. This also reflects Cambridgeshire and Peterborough's national leading position with a number of publicly and privately-owned firms. It is expected that once restrictions are eased the manufacturing sector will return to work and this loss rate will start to reduce. However, there is some evidence that accelerated automation may mean that firms do not employ the same number of employees post-COVID, which will boost productivity figures but impact on sectoral GVA. Moreover, evidence from the CBI and the Cambridge and Peterborough survey suggests that many businesses may find it difficult to adapt to new social distancing rules.
- **Wholesale and retail** constitute 14% of the GVA loss in 2020 and this reflects Cambridgeshire and Peterborough's strength as a tourism destination. The combination of ongoing social restrictions likely to be imposed on retail and the lack of international visitors suggests this loss to be ongoing for some time.
- **Professional, scientific and technical activities** constitute 12% of the GVA loss in 2020. Much of this loss is likely to be linked to the temporary closure of research facilities and laboratories that are not involved in COVID research work. Across the country it is expected that these losses will be recovered quickly, and the same should hold for Cambridgeshire and Peterborough.
- **Human health and social work** is the one sector that will expand, expected to grow by 20%.

Cambridgeshire and Peterborough Spatial Impacts

We have also assessed the output losses by sector and proportionate GVA decrease by sector for each of the three market areas in Cambridgeshire and Peterborough. We have used the best available statistical fit for each geography, although it should be noted that this does not reflect the nuances outlined in the CPIER report. District level breakdowns are available in the appendices.

We present the sub-economies in the following way:

- Area 1: is Cambridge and South Cambridgeshire
- Area 2: is Peterborough
- Area 3: The Fens, East Cambs and Huntingdonshire

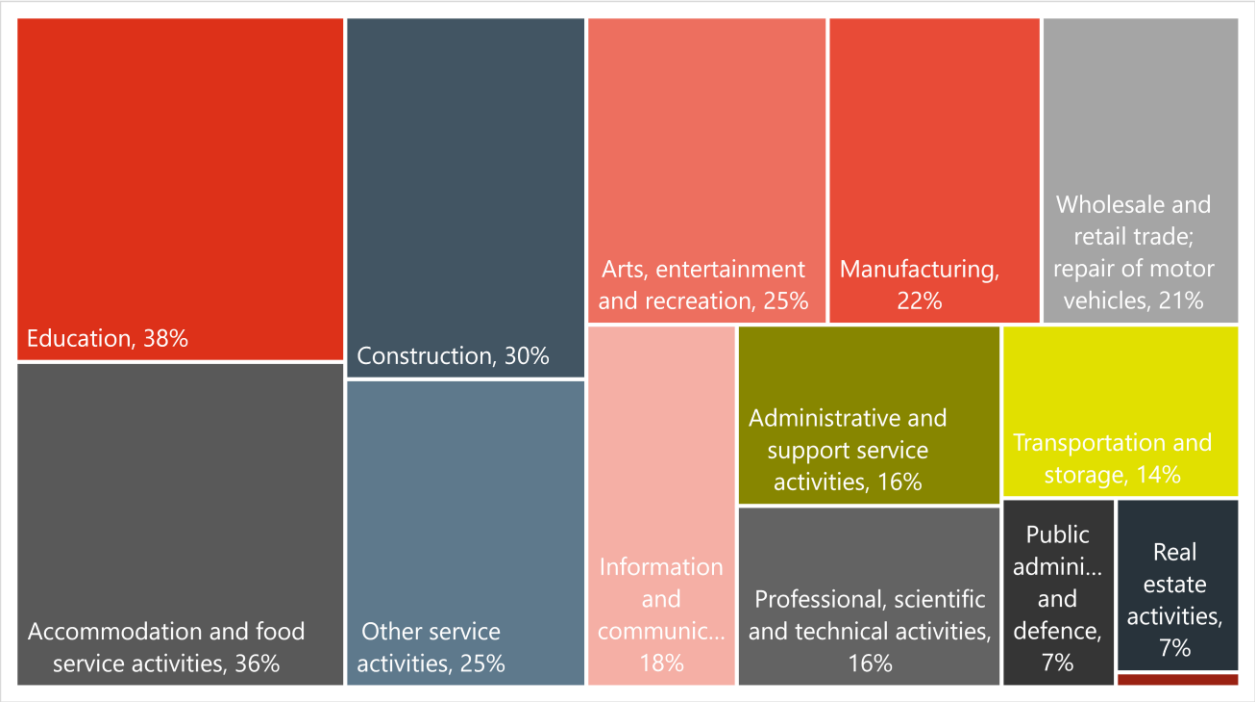
Area 1 (Cambridgeshire and South Cambridgeshire) shows large percentage reductions in education, accommodation and food, construction, services and the arts. By far the largest aggregate impact is seen in education. This is followed by professional and technical activities, manufacturing and IT. This pattern reflects the knowledge intensive nature of many activities in the area.

Area 2: (Peterborough) shows big percentage reductions in education, accommodation and food, construction, arts and entertainment, service and manufacturing. The greatest aggregate losses are in manufacturing, retail, and education. In part, this pattern reflects the higher value added of many manufacturers in the area.

Area 3: (the Fens, East Cambs and Huntingdonshire) shows big percentage reductions in education, accommodation and food, construction and manufacturing. The highest aggregate losses are however in manufacturing, retail and education.

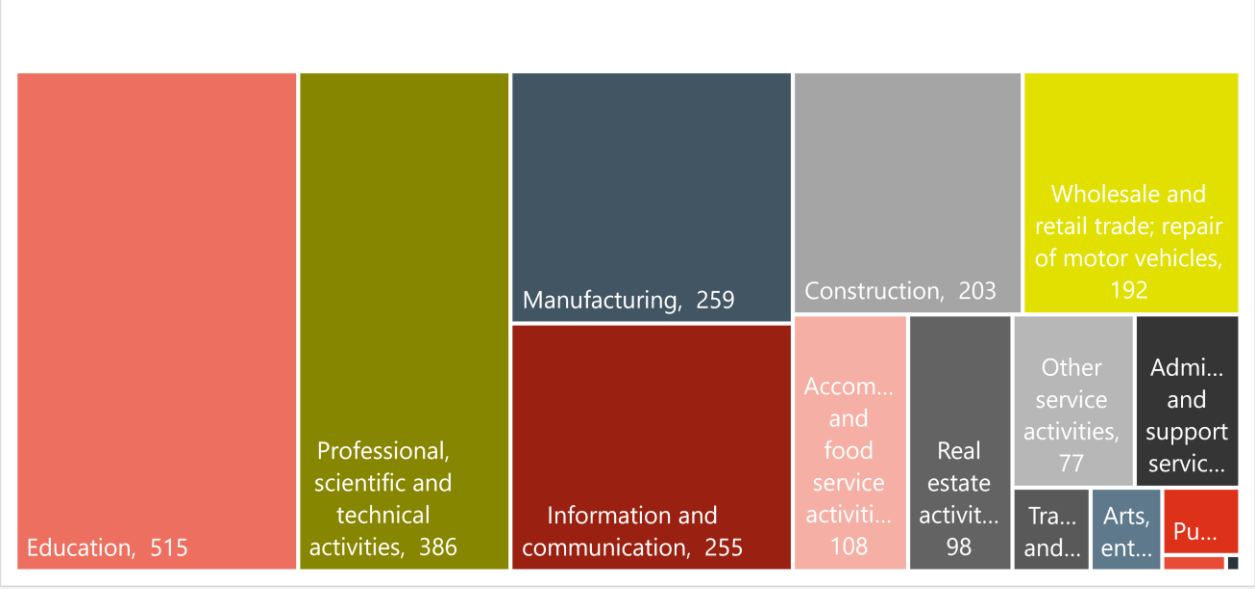
A persistant theme in all three areas is the importance of education and the leading role that manufacturing takes in generating higher value GVA.

Area 1: Cambridge and South Cambridge Sectoral Impact – Percentage GVA Decline, 2019-2020



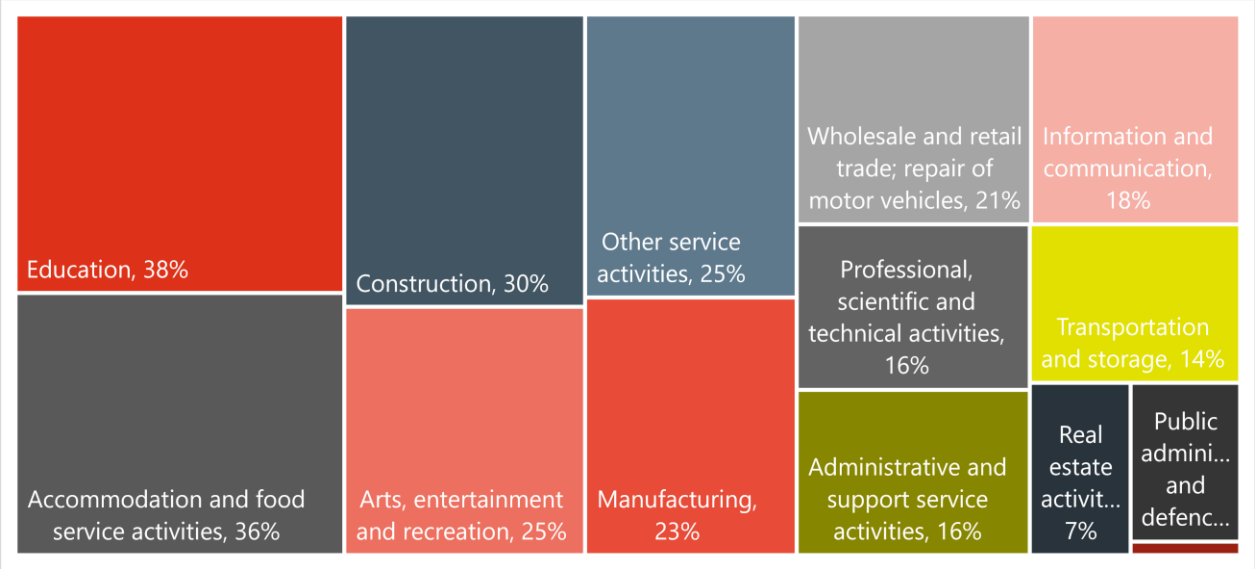
Source: Hatch Regeneris GVA Estimates Projections

Area 1: Cambridge and South Cambridge Sectoral Impact – Absolute GVA Decline (£m), 2019-2020



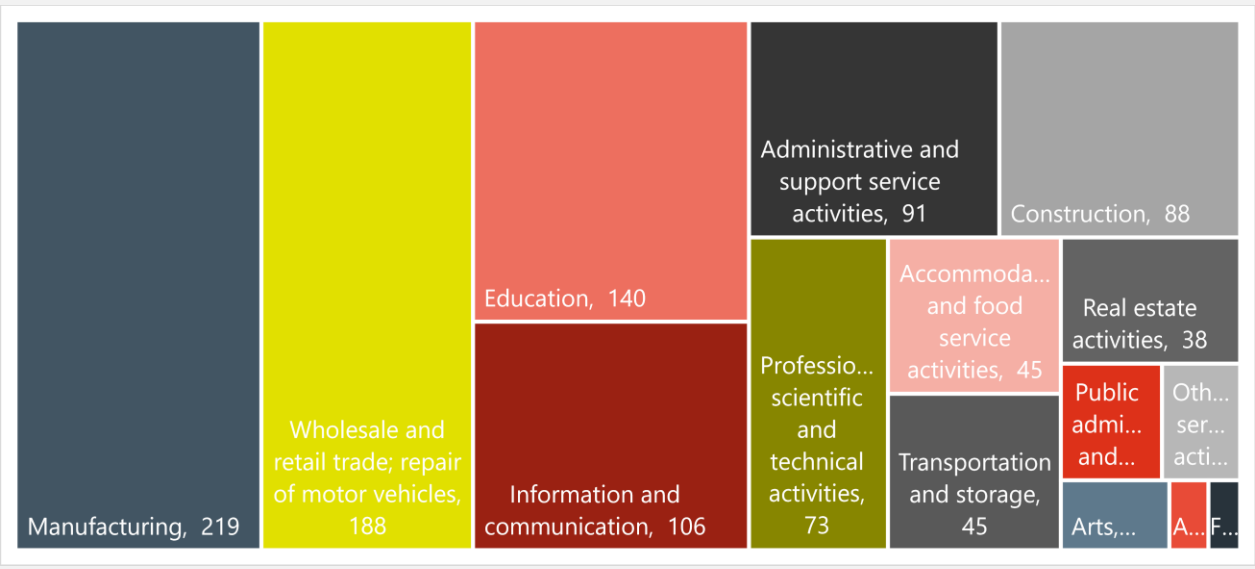
Source: Hatch Regeneris GVA Estimates Projections

Area 2: Peterborough Sectoral Impact – Percentage GVA Decline, 2019-2020



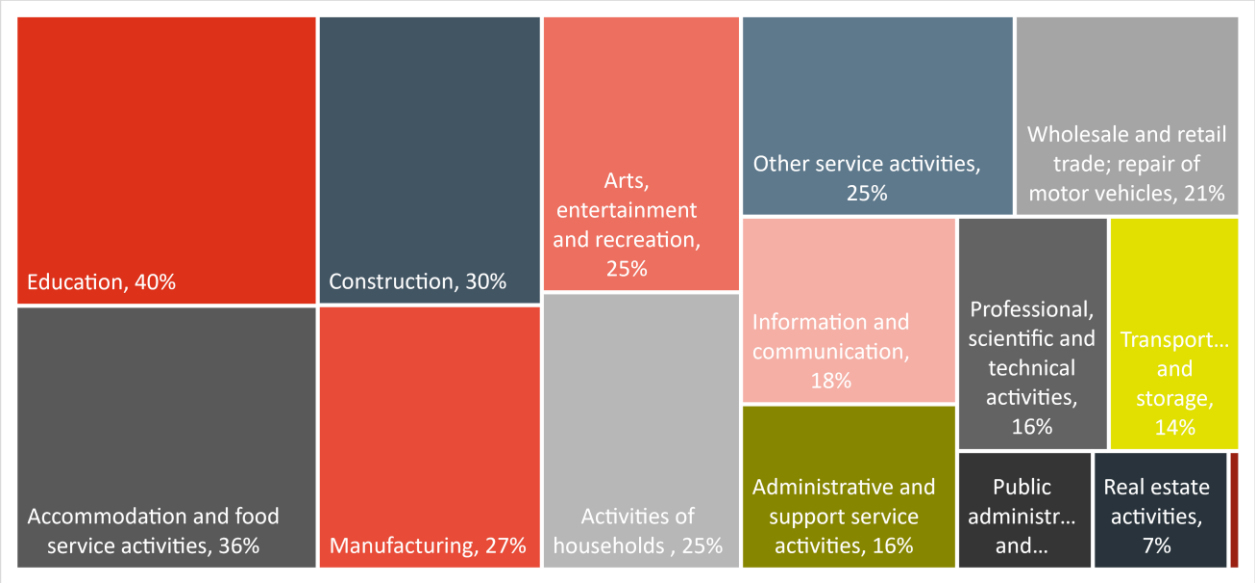
Source: Hatch Regeneris GVA Estimates Projections

Area 2: Peterborough Sectoral Impact – Absolute GVA Decline (£m), 2019-2020



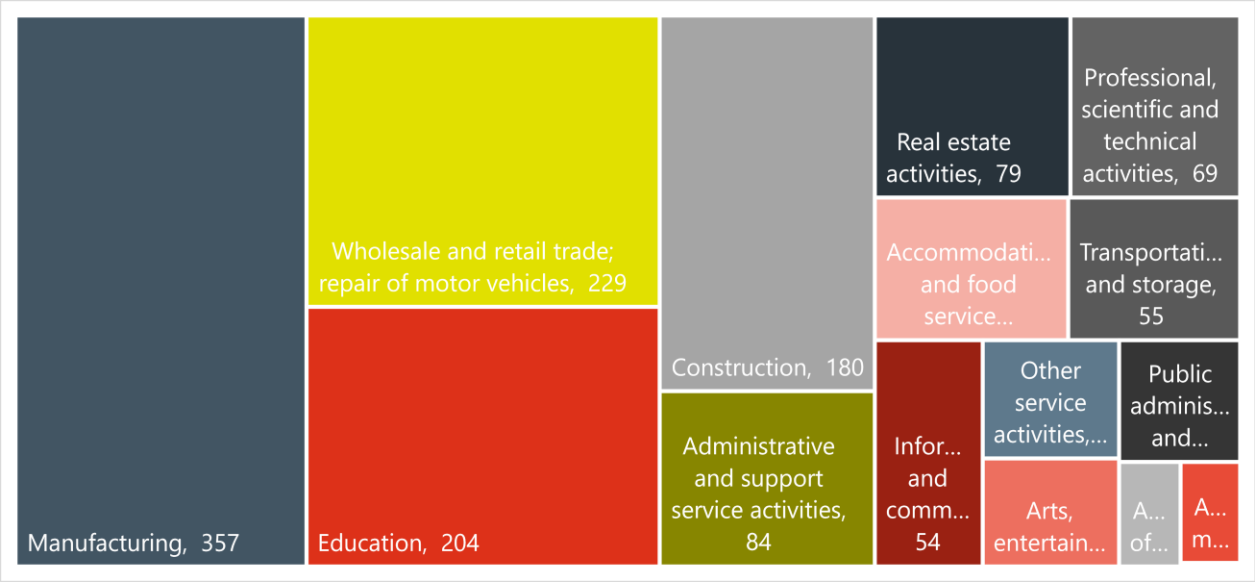
Source: Hatch Regeneris GVA Estimates Projections

Area 3: The Fens, East Cambs and Huntingdonshire Sectoral Impact – % GVA Decline, 2019-2020



Source: Hatch Regeneris GVA Estimates Projections

Area 3: The Fens, East Cambs and Huntingdonshire Sectoral Impact – Absolute GVA Decline (£m), 2019-2020



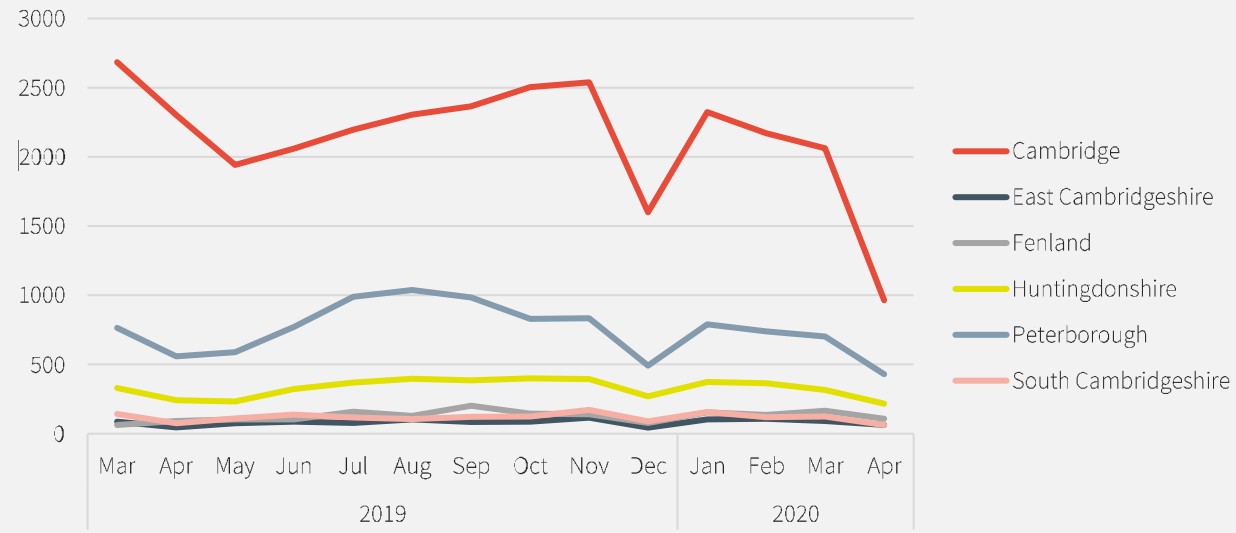
Source: Hatch Regeneris GVA Estimates Projections

Impact Measurements: Further Indicators

The economic modelling presented on the previous page is supplemented by research designed to measure real-time impact. Our accompanying dashboard provides the architecture to create a 'live' evidence base which can be regularly updated to capture future impacts on footfall, commercial property and labour market data. This moves the region beyond reliance on ONS datasets which can quickly become out of date.

Real-time labour market insight is provided by job postings data supplied by Burning Glass. The company's artificial intelligence technology analyses hundreds of millions of job postings and real-life career transitions to provide insight into labour market performance. For our purposes, the data provides a consistent longtitudinal dataseries of web-based job postings across the six districts.

Overall job postings by local authority, 2019 - present



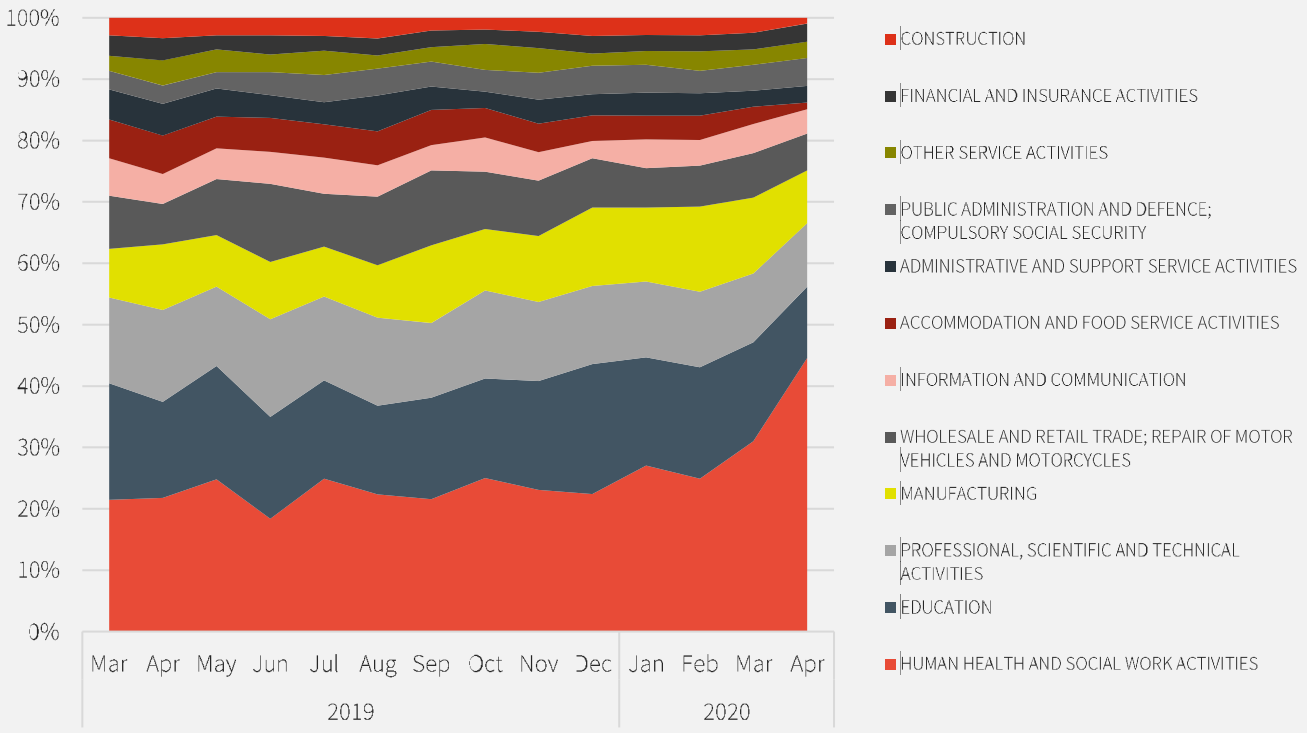
Source: Burning Glass

Here we can see how job postings declined markedly in both Cambridge and Peterborough at the start of the lockdown phase. The effect is less noticeable in Huntingdonshire, South Cambridgeshire and Fenland, where the total volume of web-based postings was always very low. This series can give decision makers an early indication of when the job market begins recovery, and whether there are any geographical disparities which need exploring.

The Burning Glass data also allows us to explore the sectoral composition of job postings. In the diagram below we can see marked contractions in the proportion of postings for Construction, Accommodation and Food Services, as well as in Education and some professional activities. At the same time there has been an expectedly large expansion in the proportion of Health and Social Work activities. Closer monitoring of this data should provide Cambridgeshire and Peterborough and GCP with an indication of when the immediate public health emergency is over, and when normal patterns of demand reassert

themselves. In the medium to long term, the data should also show which occupations are seeing the strongest recovery, and if there are any fundamental changes in workplace roles.

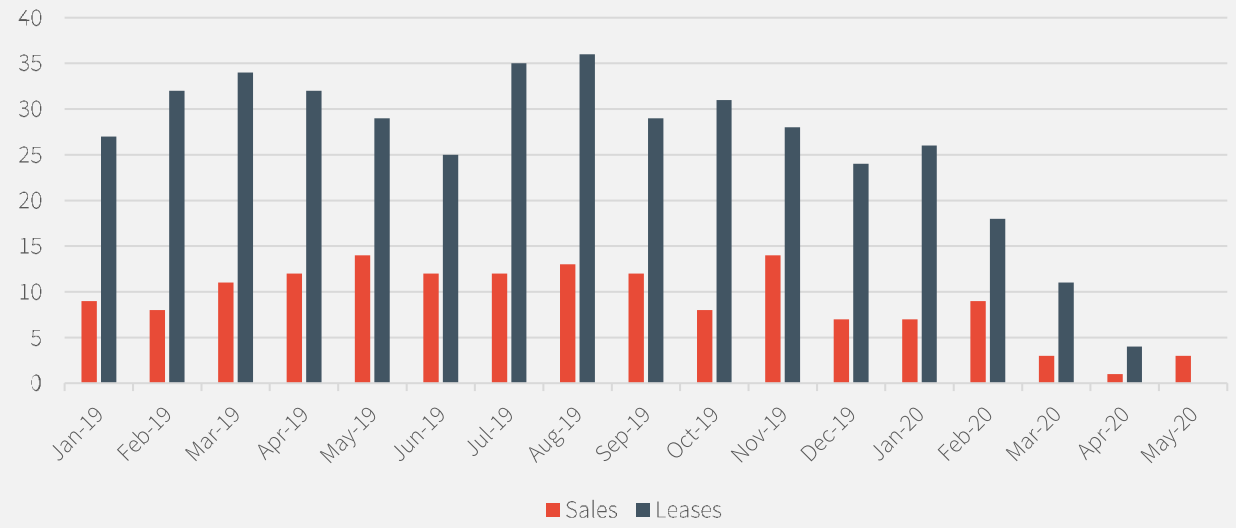
Sector Share of Job Postings



Source: Burning Glass

Data on commercial real estate deal flow provides a real-time view on both sale and lease deal flow. The chart overleaf shows the total number of commercial and industrial property sales and leases in Cambridgeshire and Peterborough on a monthly basis, with an average of 41 transactions per month during calendar year 2019. At the start of the year, there was already a slight softening in deal flow and this was driven by underperformance in the Fenland and South Cambridgeshire markets, which both saw declines of up to 65% in transactions in January 2020 relative to January 2019. Since the lockdown was announced in March, there has been a collapse in deal transactions with 14 completed in March 2020, 5 in April and 3 in May (through 23 May), the majority being execution of leases (rather than freehold sales) on commercial sites. This may reflect reticence by businesses to execute on new office floorspace given the move towards virtual working.

Commercial Property Transactions



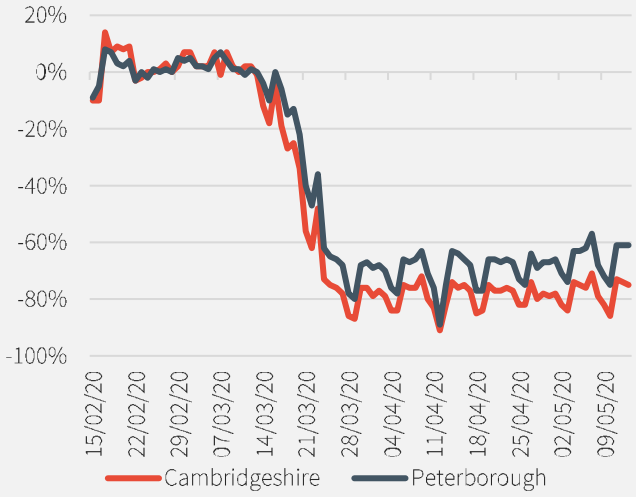
Source: CoStar, 2019-2020

A real-time view of physical movement in areas of Cambridgeshire and Peterborough has been obtained using Google's Community Mobility data. This data uses mobile phone location proxies to determine the number of visitors to different categories of place against a pre-COVID baseline to show relative declines. As would be expected in both Cambridgeshire and Peterborough there has been a collapse in the number of visitors to retail and recreation locations; however, it does appear that there has been a slight upward trend in Peterborough since the beginning of the lockdown. The collapse in visitors to transit stations has been equally severe in both cities and in the last few days there has also been a very moderate increase.

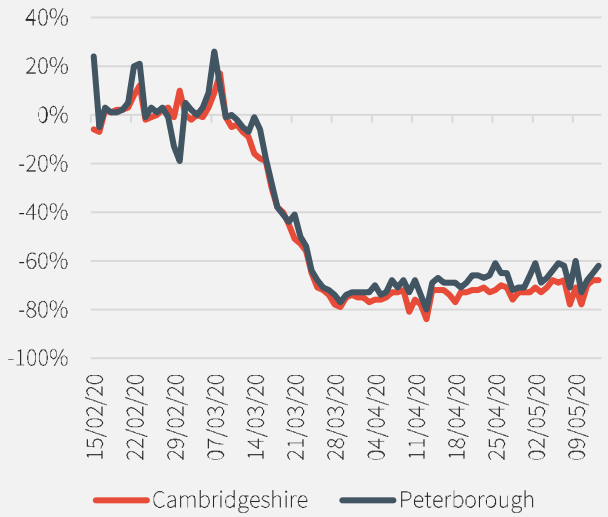
The reduction in visitors to transit stations is interesting when compared to the equivalent measure for workplaces. This chart shows that the decline in people going to workplaces before and since COVID has been less severe in both cities, which suggests people are driving or cycling to work. It is also worth noting that the decline in visitors to workplaces has been less severe in Peterborough, which may reflect a higher proportion of key workers continuing to work onsite.

Google Mobility Analysis

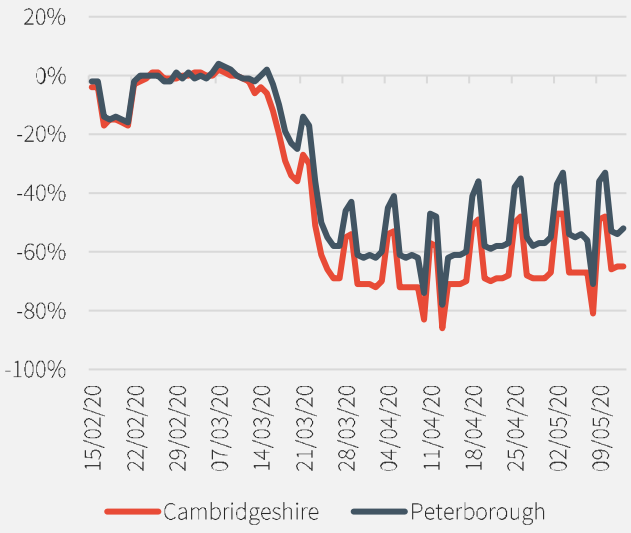
Retail and Recreation



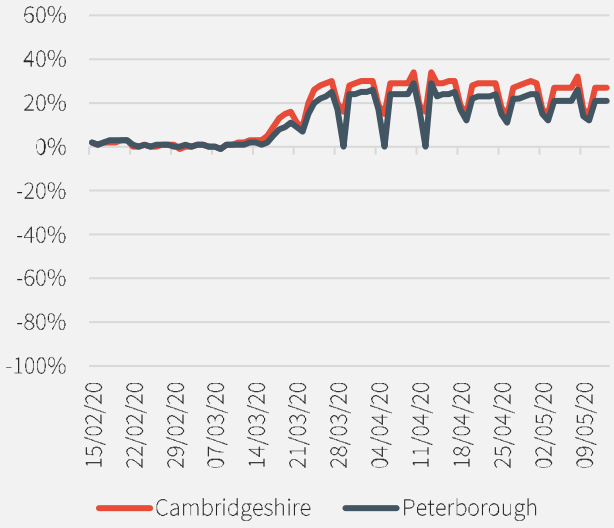
Transit Stations



Workplaces



Residential



Source: Google LLC "COVID-19 Community Mobility Reports", 2020

It would be beneficial to continue to monitor the mobility data of these locations over the coming weeks and months as they will provide an early indicator of when parts of the economy start to recover, and (compared against other national locations) whether the Cambridgeshire and Peterborough economy is ahead or behind recovery elsewhere. This might allow for the design of more responsive business support packages and a better way of evaluating current initiatives.

05 Business impact

05 Business impact

To assess the impact of COVID-19 on businesses to date, the research draws together survey data and qualitative consultations with local stakeholders. Using the results from the CPCA's COVID Business Resilience survey, it is possible to observe impacts across a broad range of sectors. This has been complemented by structured consultations with businesses and business representative organisations to obtain a deeper understanding of the longer-term outlook and future support requirements. Our work prioritised consultations with industry leaders from the priority sectors identified in the CPIER.

It is worth noting that the impacts of COVID-19 on business are changing rapidly. The Combined Authority intends to leave its survey open to respondents indefinitely and we recommend that this analysis is regularly repeated to ensure that new impacts and trends are captured as quickly as possible.

Similarly, as survey data will only tell part of the story, we recommend that the consultations undertaken for this commission represent the start of a wider conversation with business. As interventions, recommendations and the public sector's role evolves, ideas should be tested with the business community on a regular basis. This will create a meaningful dialogue to ensure that interventions remain locally relevant.

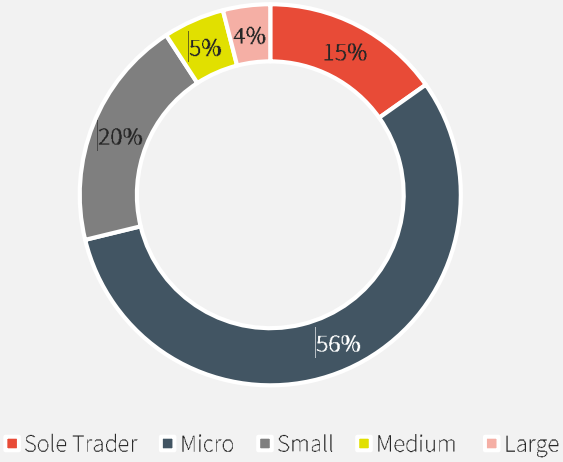
Headline findings

1. Consultations and the business survey suggest that while some businesses have been able to adapt to the new environment, for others the situation is critical with many either temporarily ceasing trading or running on a significantly reduced basis.
2. The survey shows that the Job Retention Scheme and other support packages have temporarily helped to mitigate some of these impacts. Over 50% of business survey respondents have furloughed or made redundant 'a significant number' of staff.
3. Many business owners have said that once temporary support measures are ended, redundancies are inevitable.
4. In the medium term, consultations have suggested that businesses will be reliant on a strong supply chain supporting a quick recovery. For some businesses, this could see a move towards more local suppliers to enhance their resilience to future shocks.
5. The evidence suggests that in the long-term, there is likely to be a significant reduction in opportunities for the region's young people. Paradoxically, consultees have suggested that there is also an opportunity for HE and FE to become more focused on local need by using virtual learning platforms.
6. Responses suggest that travel to work preferences may change forever, with the ability to work remotely leading to less commuting for some. At the same time, more support may be needed for those who have to attend work. Taken together, this means partners will need to think about the design of future transport interventions and the importance of digital connectivity.

7. This may have an impact on the design of future transport interventions and will heighten the importance of digital connectivity.

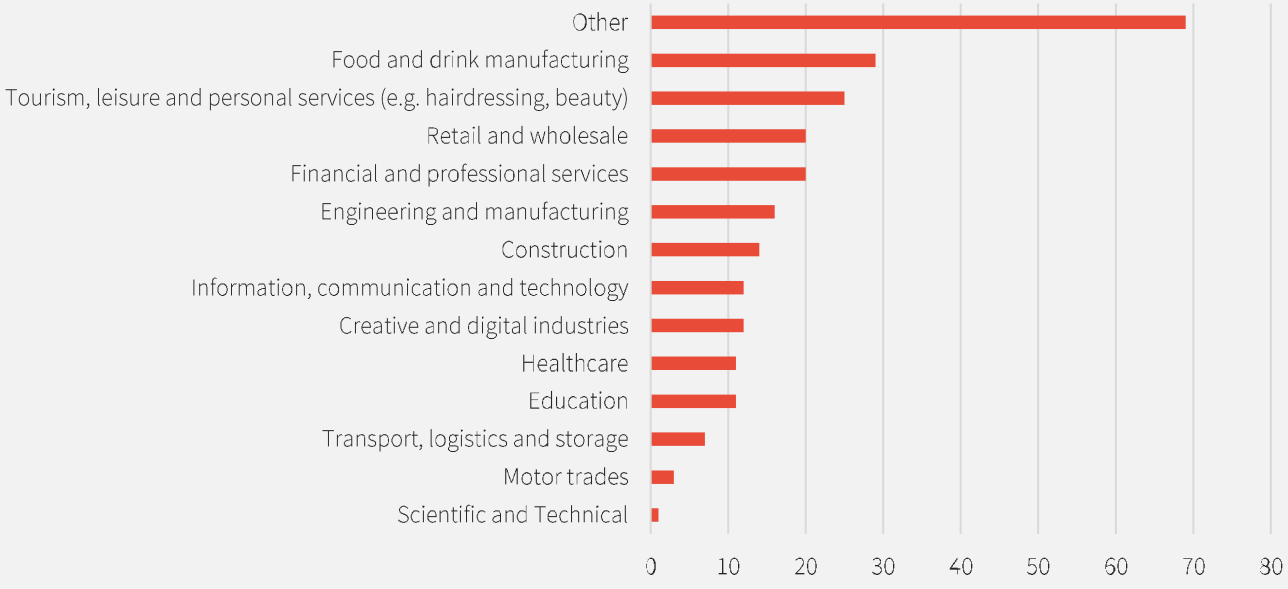
As of 15th May, the Business Resilience survey had received 275 responses. Of this, 23 responses were excluded from the overall analysis as they contained a business address which sat outside of the Cambridgeshire and Peterborough geography. To date, the respondent profile broadly reflects the business demography within Cambridgeshire and Peterborough, being heavily dominated by small and micro enterprises. Similarly, a wide range of sectors are represented.

Business Size Profile of Survey Respondents



Source: Cambridgeshire and Peterborough Business Resilience Survey

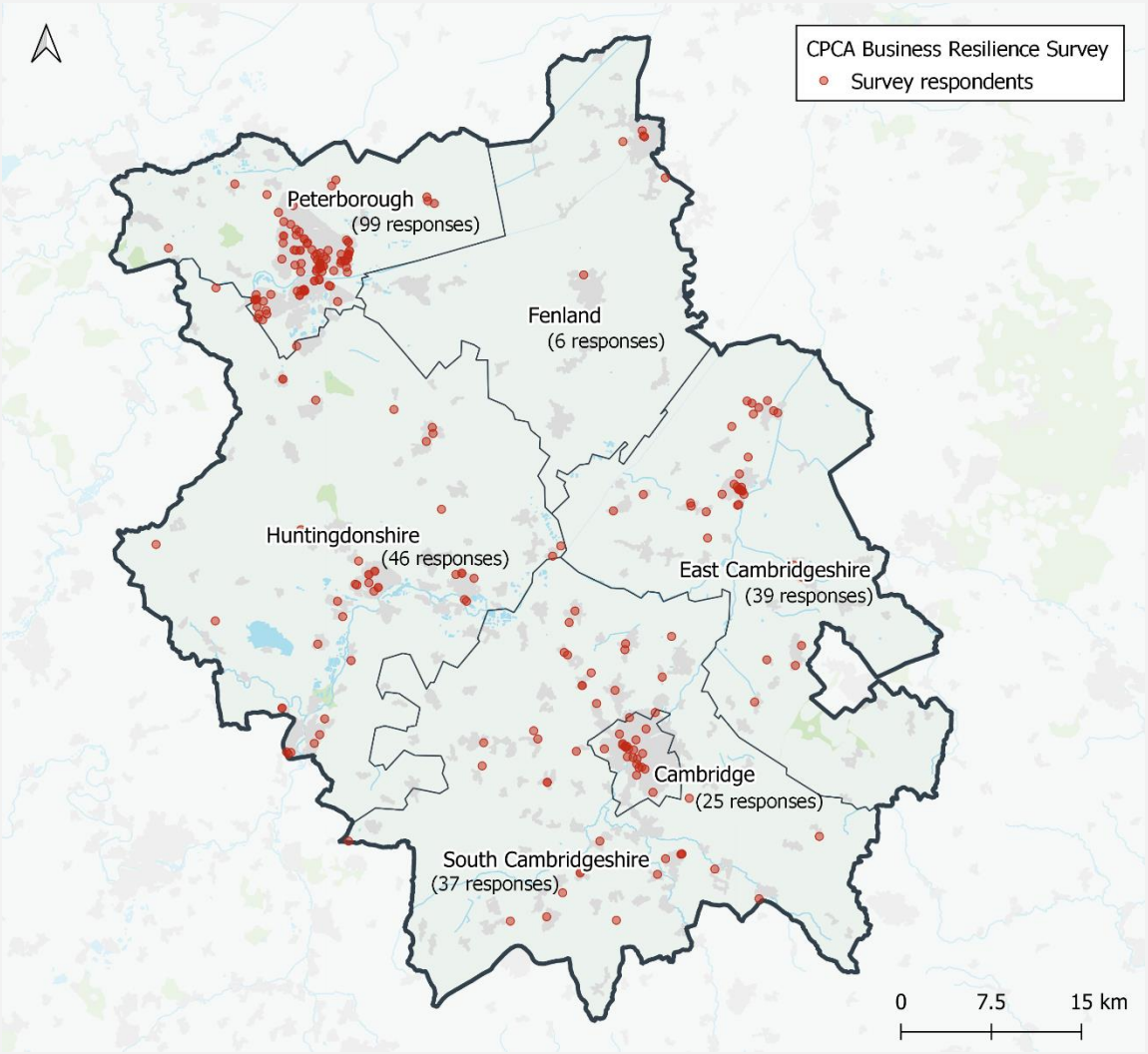
Sector Profile of Survey Respondents



Source: Cambridgeshire and Peterborough Business Resilience Survey

The geographic spread of respondents is less evenly distributed. To date, the survey has only received 6 responses from businesses located in Fenland, with Huntingdonshire and Peterborough-based businesses accounting for over half (58%) of responses. In order to bridge this gap, the consultation exercise prioritised consultations in under-represented areas.

Cambridgeshire and Peterborough Business Resilience Survey Responses by Area



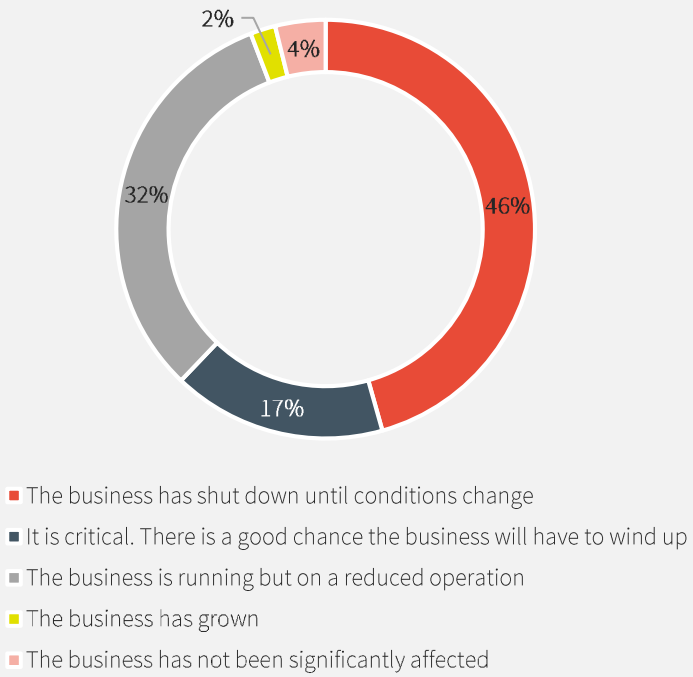
Source: Cambridgeshire and Peterborough Business Resilience Survey

Short-term impacts

The business survey reveals the scale of the economic challenge facing the region and the extent of the precarious financial position most businesses find themselves in. Almost half (46%) of respondents stated that their business had shut down until conditions change, with a further 17% believing that there

was a good chance that their business would have to be wound up. Only 6% of respondents suggested that their business had either grown or had not been significantly affected.
The Cambridgeshire Business Resilience Survey should provide a reasonable picture of sentiment and impact across the region. However, with 275 businesses responses, it cannot be regarded as statistically representative of the wider business base. This is because respondents are self-selecting, and the numbers are insufficient on either a randomised or a stratified sampling basis. However, the approach matches that used by other regional authorities and provides useful policy intelligence.

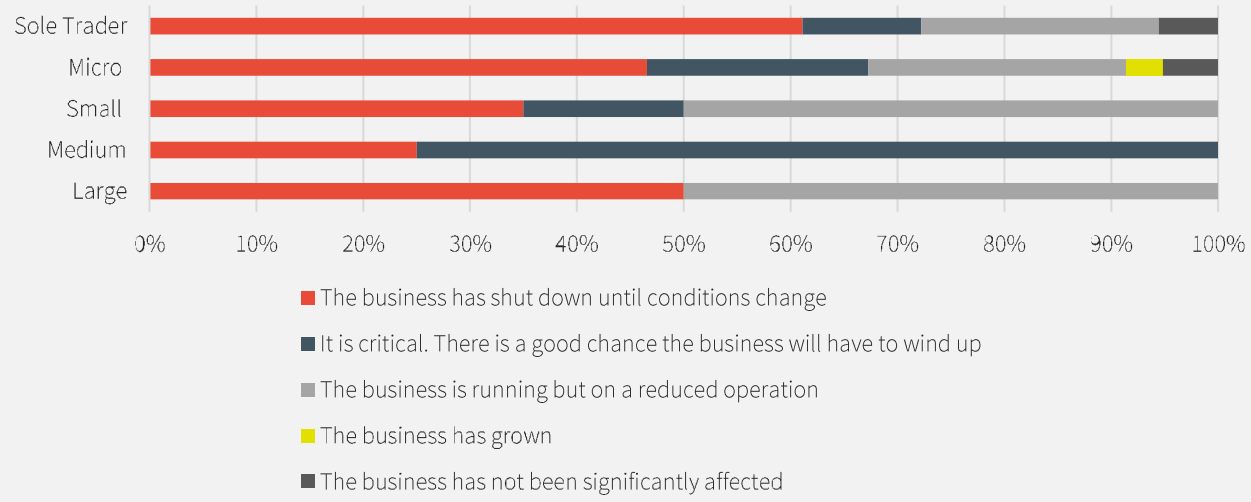
Responses to the Question: "Which best describes the overall impact of coronavirus on your business?"



Source: Cambridgeshire and Peterborough Business Resilience Survey

Sole traders have been particularly affected, with almost three quarters (72%) of respondents suggesting that the situation was either critical or that the business had shut down until conditions change.

Responses to the Question: "Which best describes the overall impact of coronavirus on your business?" by number of employees



Source: Cambridgeshire and Peterborough Business Resilience Survey

This picture was not reflected by face to face businesses consultations – most businesses were still trading, albeit on a reduced operation.[5] Many businesses said that they have adjusted quickly to remote working which has enabled them to continue to trade despite lockdown restrictions. For many consultees, the process had helped to accelerate the process of remote working and had helped to build trust that employees could work effectively without being physically present. Consultees in the retail, hospitality and visitor economy sectors said that they have been severely impacted due to the stringent trading regulations imposed by lockdown and the lack of tourists.

In focus: impact on Cambridge's visitor economy

Whilst all businesses have been impacted by COVID-19, Cambridge's visitor economy has been decimated. Although the sector has regional significance, the impacts are likely to be felt most sharply in Cambridge – which is in an international tourist location. In normal times, Cambridge attracts 8.1 million visitors per year and accounts for around 22% of local employment (Cambridge Economic Impact of Tourism Report, 2017).

The city relies heavily on international visitors (especially from Asia) and stakeholder engagement suggests that these numbers are unlikely to return in the short to medium-term. As a result, organisations such as VisitCambridge are looking at how to build the domestic market and encourage people to rediscover their local area. This will require a coordinated approach to rebuilding public confidence in leisure activities.

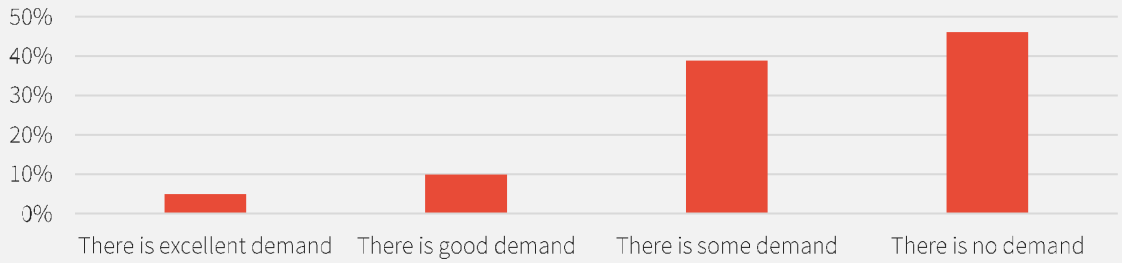
[5] This may be a refection of the respondent profile for the face-to-face consultation.

Based on the CPIER and the Local Industrial Strategy, the Visitor Economy is not currently regarded as a regional priority. Given the high number of jobs in this sector, local partners may consider updating these documents to provide strategic, targeted support to help the sector to recover as quickly as possible.

Consultations revealed that production-focused businesses had largely been able to continue operating on a limited basis, with many manufacturing companies quickly investing in social distancing adaptations to continue operating. Most consultees had made these modifications before the government's 'Working Safely During Coronavirus' guidance was released and have included additional hand washing stations, PPE, and temperature checks at the entrance of buildings as well as physical modifications to premises such as extra doors and one-way systems.

Despite many consultees being able to continue trading in some form, most noted that business had been affected, with a significant proportion of their traditional client base either temporarily shutting or not currently requiring services or products. This is reflected through the Business Resilience Survey which showed that only 15% of companies reported good or excellent demand for products or services.

Responses to the Question: "What impact has coronavirus had on demand for products and services?"



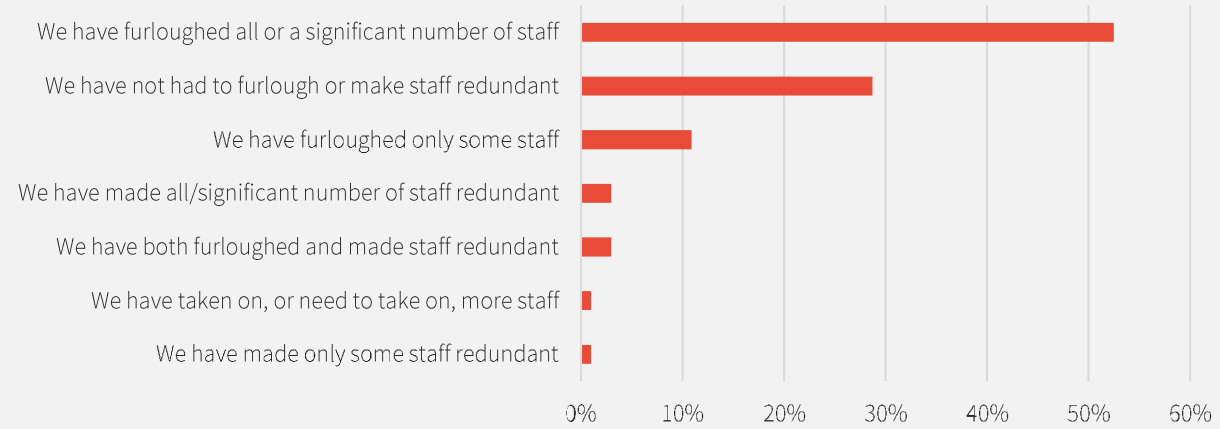
Source: Cambridgeshire and Peterborough Business Resilience Survey

Consultees reliant on public sector contracts have reported a significant drop off in demand. Those involved in providing specialist laboratory equipment to universities and the private sector also said demand had dropped. Part of the explanation may be that many university laboratories have also closed, limiting demand for supplies.

Several consultees noted the importance of the public sector as a key actor in supporting the recovery and stimulating the local economy. Longer-term, it was suggested that local procurement of major public interventions such as the Cambridgeshire Autonomous Metro should be considered to support local business and retain wealth within the region's economy.

Most consultees have looked at ways to reduce overheads. Whilst some had negotiated rent reductions, this was primarily achieved through high uptake of the government's Job Retention Scheme. In the short-term, this has helped companies to avoid making large scale redundancies. Only 7% of respondents reported making any redundancies compared to the 66% of respondents which have furloughed some or all their staff.

Responses to the Question: "Have you had to furlough or make employees redundant?"



Source: Cambridgeshire and Peterborough Business Resilience Survey

Respondents were overwhelmingly positive about the Government's economic response to date. The timeliness of support and ease of accessing the Job Retention Scheme was unanimously viewed as a success. Similarly, grant payments distributed by district councils were also well received and efficiently distributed to beneficiaries. However, consultees noted issues with Business Rates Relief and the two principle loan schemes (Coronavirus Business Interruption Loan Scheme and the Bounce Back Loan).

Issues raised in relation to accessing financial support

	Issues raised:
Government-backed loans (CBILs and Bounce Back Loans)	• Businesses are reluctant to take on loans due to the risk of being left with loans that cannot be paid back • Whilst many businesses have now switched to the Bounce Back loans, several consultees noted difficulties getting the banks to loan the money
Business Rates relief	• Issues of high rateable values (especially in Cambridge City) means that many small businesses do not fall under the £51,000 threshold to qualify • Many small companies that are not registered for business rates due to being based in shared workspaces and instead were eligible for a grant have found obtaining this and engagement with the district councils difficult.

6

[6] A discretionary fund has now been set up to accommodate certain small businesses previously outside the scope of the business grant funds scheme

There is a pressing need for local authorities to administer grants and process exemptions quickly and efficiently. Up to 90% of applications for business support grants have now been paid. The combination of local and national support has been critical for providing breathing space and has allowed several businesses to begin to re-integrate furloughed staff. Several consultees noted that this is likely to be a phased approach over several months. This means that the increased flexibility in the furloughing scheme – which allows companies to bring employees back part time – was regarded as 'a welcome change'. As an aside, we note that the newly agreed Discretionary Funding for local authorities is now in place. This should allow continued support for the region's businesses.

Medium-term impacts

Whilst the Job Retention Scheme has been widely accessed and well received, evidence suggests that it will fail to prevent significant redundancies in the medium-term. Businesses highlighted that there may not be roles for furloughed staff to return to for two principle reasons: (1) there is limited evidence to indicate a sufficient uptick in demand for services to maintain pre-COVID staffing levels and (2) new efficiencies generated through remote working mean that many roles will no longer be required in a post-COVID world. This is likely to result in major economic restructuring over the next decade which local authorities will play an important role in addressing through employment brokerage and support.

Impacts on the Manufacturing, Advanced Manufacturing, and Materials sector and the potential to 'onshore' supply chains

Manufacturing represents one of the region's key sectors. For the businesses consulted, it was noted that the crisis is likely to accelerate two trends: automation and a restructuring of supply chains. One consultee noted that COVID-19 has forced many businesses to re-evaluate what roles will be required in the future and the role that increased automation can play to make businesses leaner and more resilient.

Another consultee noted that COVID-19, combined with the uncertainty surrounding a future Brexit trade deal had made the business consider the potential of 'onshoring' their supply chain. Businesses with supply chains based in Europe stated that stricter lockdown restrictions had meant that processes which involved significant amounts of back and forth across the English Channel had been severely delayed and resulted in an inability to source materials. As a result, businesses are looking at methods of sourcing through a more local supply chain. This is seen to have several benefits including reducing carbon emissions and creating a supply chain which is more resilient to future pandemics and economic shocks.

To avoid making redundancies, businesses in Cambridgeshire and Peterborough will be reliant on their supply chains bouncing back quickly. To date, the evidence on supply chains presents a mixed picture. Whilst only 17% of survey respondents noted they could get all the supplies they need, almost a quarter (24%) said that they could no longer get supplies. Of the businesses which did not have supply chain availability issues, a number reported increased costs. Several consultees noted that whilst they had remained open, their supply chain had ceased trading in the first phase of lockdown. Many smaller manufacturing firms were confused as to whether they could (legally) remain open.

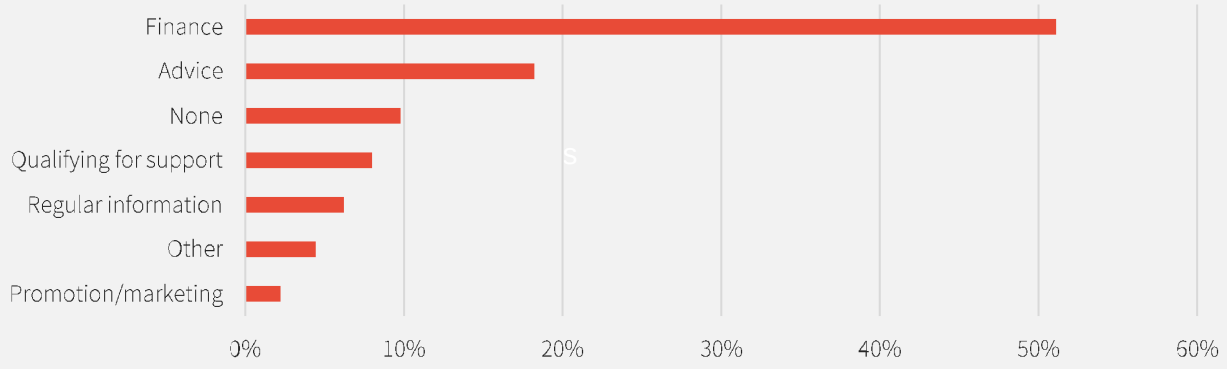
Responses to the Question: "What impact has Coronavirus had on the supplier network?"

Source: Cambridgeshire and Peterborough Business Resilience Survey

As a result, supporting the supply chain represents a primary concern for many manufacturing businesses – many of which are reliant on 'just in time' processes to operate effectively. Some of the larger firms consulted stated that their primary focus has been to support smaller businesses within their supply chain to safely re-open and access financial support. These informal networks have always existed across the region and harnessing these effectively can help to underpin Cambridgeshire and Peterborough's long-term recovery.

Consultation and survey responses confirmed that access to finance will be the defining factor for medium-term survival. Over 50% of survey respondents stated that they require additional financial support. Pressure on local resources is greater than ever, meaning that it is vital that local partners work together to coordinate resources across constituent public bodies to take a strategic approach to supporting businesses and catalysing recovery.

Coded Responses to the Question: "What other support do you need?



Source: Cambridgeshire and Peterborough Business Resilience Survey

Whilst many respondents requested revenue support in the short-term, capital grants from the Combined Authority have been successful to enable businesses to diversify activities and take advantage of new opportunities. The initial £3.5m COVID-19 Capital Grant scheme was heavily oversubscribed, with evidence from the consultation suggesting that there were also businesses that missed the deadline but would like to take advantage of a similar scheme in the future. It is suggested that regional partners continue to lobby government regarding the success of the programme, and also

work with constituent local authorities to understand if additional funding can be found to extend the programme.

The following consultee feedback should also be considered:

1) **Accessible application process:** some consultees noted that previous funding streams had overly time-consuming application processes. Recent grant application forms had been much shorter and accessible which consultees hoped would continue.

2) **Build the change:** funding should be contingent on businesses addressing the wider social and economic fallout from the crisis. This could include commitments to providing work experience for local young people and undertakings around sustainability, community health and social value.

3) **Consider a wider audience:** some consultees noted that in the past, funding had been targeted at specific sectors, which deterred them from applying. Similarly, other consultees stated that visibility of local government support had been poor and that more could be done to encourage applications from businesses that may otherwise go under the radar. This could incorporate a more direct approach where officers actively promote funding streams through established business networks and events.

Longer-term impacts

Although for many consultees it was too early to understand the long-term impacts of COVID-19 on their business, there are key practices that are being adopted and considered now which will have significant policy implications for local partners.

Most consultees suggested that COVID-19 will change working practices forever. Businesses reported a range of benefits associated with increased remote working including enhanced efficiency, improved levels of wellbeing and reduced costs. One small business noted that whilst previously they spent around £10,000 per month on travel, they have successfully proved that they can do product demonstrations effectively via video conferencing – saving time and reducing the business' carbon footprint. Although consultees did not see commuting to an office becoming obsolete, around one in five anticipated travelling to work to be significantly reduced.

Commercial property

This will have implications for the local commercial property markets in each of the region's three economies. Many professional service businesses noted that they were evaluating whether they will require the same extent of space in the future. This could generate significant opportunities, especially in Greater Cambridge, freeing up floorspace for more businesses to benefit from the knowledge transfer effects associated with locating in urban centres whilst only paying for the minimum space required. In the Fens, and to some extent, Greater Peterborough, the opposite is potentially true, especially for manufacturing firms. Several businesses noted that having larger premises had helped them to embrace social distancing requirements and continue to operate safely.

In Greater Cambridge, it is anticipated that demand for high-specification laboratory space is likely to remain strong in the long-term. This is because the fundamentals underpinning Cambridge's success in the life sciences and related activities have not changed. Proximity, networks and the clustering effects

seen in Cambridge have underpinned its economic success and these chance interactions will continue to be important to drive the city's knowledge economy in the long-term. A recent Cambridge Ahead workshop with Members indicated that demand still exists for Research and Development facilities, with suggestions that laboratory space and the Technology sector demand are also likely to remain strong.

Education

As shown in the OBR modeling, the education sector is forecast to take a significant hit. These impacts were reflected by consultations with both FE and HE representatives from across the region. The long-term challenges facing the sector and learners include:

- **Limiting opportunities**: Consultees suggested that there was a danger that work experience and new Apprenticeship vacancies would be affected – limiting vocational opportunities for school leavers. There was a concern that schools may not have time to incorporate broader employability skills into an already condensed curriculum which may result in children missing out on these important skills. It was noted that the local partners are likely to continue to play an important role in providing employment brokerage going forwards – with funding for the Skills Service and Form the Future being critical to support this process across the area.
- **Vocational training**: Practical courses such as construction have been severely affected. Whilst many courses have been able to move online, FE colleges noted that most vocational training has stopped in the short-term.
- **Finances**: Providers noted that COVID is likely to exacerbate long-term issues of funding. Many institutions have relied on international students as part of a summer school offer which has been decimated in 2020 – resulting in significant losses. However, it was noted that providers stand ready to accommodate additional future demand as part of predicted national retraining programmes.

Despite this, it should be noted that providers have mobilised quickly to ensure that most learning can continue and have had strong engagement as a result. One FE college commented that around 80% of their students are engaging with the college on any given day, with around three quarters engaging with material daily. Technology offers the opportunity for providers to provide a blended offer of remote and physical learning – helping to provide courses which can give learners the flexibility to work at their own pace. Similarly, through video conferencing, consultees noted that it may make business engagement easier and more efficient, with employers needing to donate a smaller amount of time. These trends may be particularly important for more remote communities in Fenland and East Cambridgeshire, where securing access to learning has been a persistent problem. However, in the longer term, transport and physical connectivity will remain vital in ensuring that young people have full access to all the opportunities the region can offer.

Infrastructure

Transport and digital infrastructure were highlighted as top priorities for immediate focus that could have the most impact in supporting the region's long-term recovery. As lockdown restrictions are relaxed, it will be important for transport authorities to continue to monitor ridership and unmet demand to plan services and interventions which are more responsive to how people are choosing to travel. Consultees noted that the primary focus should be to provide confidence for employees to return to the workplace. In Greater Cambridge, a number of consultees suggested that both cycling and Park and Ride should be part of the solution, which could include electric bikes located at Park and Ride stops. Consultees suggested that these short-term recovery interventions should be balanced against a

joined-up, longer-term strategy regional strategy, which sets out the relevance of transport programmes in a post-COVID world. Most consultees were convinced that public transport will remain an important part of the policy mix.

The flexibility and robustness that many businesses have exploited is linked to digital infrastructure and wide availability of high-quality connectivity. In the midst of the crisis, a significant proportion of businesses have benefitted from the region's digital maturity, keeping places and people connected and the economy moving. This has been a silent success story and the work of Connecting Cambridgeshire should be celebrated; however, there is more that can be done. The government has set itself a goal to propel the UK towards a digital future, backed with an ambitious funding commitment of £5bn to support a gigabit revolution which will push full fibre and 5G connectivity nationwide by 2025. There needs to be a concerted effort to ensure that business is rapidly equipped with the digital capacity to continue to work productively from a range of locations.

06 Recommendations

Recommendations

06

The economic impacts of COVID-19 are complex and rapidly evolving – putting significant pressure on local authorities as the stewards of economic recovery. To inform their response, authorities should use this opportunity to review all exisiting plans, programmes and strategies and undertake a fitness for purpose assessment to evaluate their relevance in a post-COVID world. A report will be compiled alongside workshops with senior officers from partners in early July to support this process.

The recommendations included within this report are therefore additional to 'business as usual' and represent the short, medium and long-term priorities that partners might want to consider.

The evidence in this report captures the initial impacts of the first phase of lockdown and establishes a research framework to monitor future impacts as they come on stream. The accompanying dashboard provides the architecture to create a 'live' evidence base which can be regularly updated to capture future impacts on footfall, commercial property and labour market data. This moves the region beyond reliance on ONS datasets which are quickly out of date[7] – it could take up to 18 months for the business and employment impacts to be visible through traditional sources.

The Basis of the Recommendations

We believe that more could be done to speed up the recovery and limit long term damage to the local economy. Progress should be consensual. The ideal model should see agreement across the widest possible group of regional stakeholders, so that a strong and consistent message can be given to businesses, communities and central Government.

It should be recognised that the policy levers available to regional and local government are limited. These relate to existing capital and revenue budgets, business rate variation, and devolved skills projects and programmes. The forthcoming budget (expected July 2020) should clarify whethere there is to be a national recovery plan or a series of regional initiatives adminsitered by Local Enterprise Partnerships and Mayoral Combined Authorites. In the latter case, partners may be able to secure additional finance and support for the region.

Our recommendations are presented in four areas:

- Business Support
- Infrastructure
- Placemaking
- Labour Market

[7] This is intended to complement the work of organisations such as Cambridge Ahead. The Cambridge Cluster Insight resource provides an accurate and accessible source of growth data without attempting to define complex sectors using Standard Industrial Classifications (SIC codes) provided by the ONS.

Business Support

Short-term

Issue

Cambridgeshire and Peterborough are highly reliant on small and micro firms, made up of professionals and technicians. They will require ongoing, targeted support over the coming months.

Recommendations

- Set up a single COVID business support site for the whole geography to communicate with businesses. Supplement with social media.
- Wherever possible, simplify and join up the application process for COVID business grant funding. This could include setting up a single application form across Cambridgeshire and Peterborough, which are could then be passed on to districts".
- Help small and micro businesses access business service providers (accountants, website designers, restructuring experts, etc.) This should include advice to businesses on implementing social distancing arrangements.

Medium-term

There is no need to reinvent the narrative. An adapted LIS is appropriate given that strong evidence has been pulled together to support the current shortlist of sectors and interventions. However, there is an opportunity to do more, with extra precision and on a bigger scale.

One issue partner could explore is accelerating the delivery of long-term objectives around sustainability and the Green Economy.

Recommendations

- Develop an amended single business resilience survey, with insights shared with all stakeholders over 12-month cycle.

Long-term

Issue

During economic downturns one of the first areas to neglect is the commercialisation of research and IP. However, investment now is key as the commercialisation of new ideas will drive future growth and help with the medium and long-term recovery.

Recommendations

- Work with partners in Cambridge and Peterborough and globally to establish a programme or set of programmes to convert intellectual property and research into development propositions. This could be through the creation of new incubators, partnerships with global universities, or a C&P-wide led programme.

Infrastructure

Short-term

Issue

There is a need to accelerate the delivery of better more reliable public transport across the region to get people from their homes to their jobs/places of study. Relieving the congested transport network by accelerating the delivering of a transformative public transport network is vital to unlock thousands of new homes and jobs across the region.

Issue

The GCP and CPCA represent key actors in the local economy and have significant power to drive recovery through a localised procurement approach and ensuring expenditure works harder to maximise social and economic outcomes. Major infrastructure projects such as the Cambridgeshire Autonomous Metro (CAM) offer the opportunity to retain wealth within the local economy by providing contract opportunities for local businesses

Recommendations

- Work with government to prioritise and bring forward enabling infrastructure projects (e.g. grid reinforcement in Cambridge Southern Cluster, CAM, water recycling facility at Milton).

Medium and Long-term

Recommendations

- Build on immediate response/recovery schemes to invest further in active travel, supporting people to access work in a healthy, sustainable and inexpensive.
- Look at ways to preserve some of the benefits arising from transport changes during the lockdown, such as faster journey times and cleaner air.

Recommendations

- Wherever possible, ensure that materials and services procurement require significant local content. Investigate whether it is practical to introduce a Local Procurement Portal to assist in this process.
- Establish support and advice for local businesses to enable them to bid effectively for work in major infrastructure projects
- Infrastructure schemes to provide jobs and training/apprenticeships opportunities
- Actively monitor transport impacts and review programmes as needed

Short-term

Issue

Available housing and the cost of housing continues to be an issue. House building contributes high GVA multipliers and if combined with green design and infrastructure, will help to reorient the area.

Recommendations

- Accelerate the work of the Land Commission
- Wherever possible accelerate delivery of funding, construction and new homes

Issue

People working at home, particularly in more rural areas could benefit from fibre to the door and better mobile connectivity. Use this as an opportunity to roll-out digital infrastructure while traffic volumes are low.

Recommendations

- Work with Connecting Cambridge and other partners to accelerate the fibre and 4/5G roll-out across the C&P area

Medium-term

Recommendations

- Define zonal areas across the area in advance of the likely planning reforms to be put forward by MHCLG in Spring 2021.

Long-term

Recommendations

- Support Connecting Cambridgeshire and other partners to accelerate the fibre and 5G roll-out across the C&P area. Adopting this recommendation may offer an opportunity for apprenticeships to be developed in an important high technology area

Placemaking

Short-term

Issue

C&P economy is heavily reliant on international visitors to Cambridge during the summer months. International visitors may not be able to visit the area this Summer and in future.

Recommendations

- Launch campaign for domestic visitors to Cambridge over the Summer using assets including University campus and outdoor dining and events in Cambridge city centres. This campaign should also recognise that future demand may be dependent on developing a better leisure offer for residents.
- Support businesses to make best use of outdoor spaces for dining and events purposes

Issue

Town centres were already struggling to cope with changes in the way High Streets are being used by people. This has been exacerbated by Covid and presents a major challenge to the future of market towns and other urban space.

Recommendations

- Wherever possible partners should accelerate planned capital spending programmes in town centres. Look at providing increased matched funding for FHSF bid, Town Investment Plans or Market Town masterplans.

Medium and Long-term

Recommendations

- Monitor and support businesses in the 'event economy' (i.e. those businesses who generate most of their income from one-off events)
- Capitalise on foremost outdoor attractions to promote region for tourism;
- Long term campaign plan to promote visitor economy

Recommendations

- Accelerate the delivery of long-term objectives around sustainability, better public realm and economic vibrancy in our town centres and villages

Labour Market

Short-term

Issue

Unemployment will increase and young people are likely to be most hit. Use investment in (green) infrastructure as a means of creating jobs and training young people. There will also be a need for comprehensive action on re-skilling in later life

Recommendations

- Enhance role of apprenticeship & Skills Apprenticeship and Recruitment (STAR) Hub across the region - coordinating all skills activity and initiatives to connect as a one stop shop.

Medium-term

Recommendations

- Possibility to replicate the Health and Care Sector Work Academy model to support skills and training in the health and care sector across the region.
- Accelerate work with Government/DfE to establish a localised and co-designed National Retraining Scheme for Cambridgeshire and Peterborough.

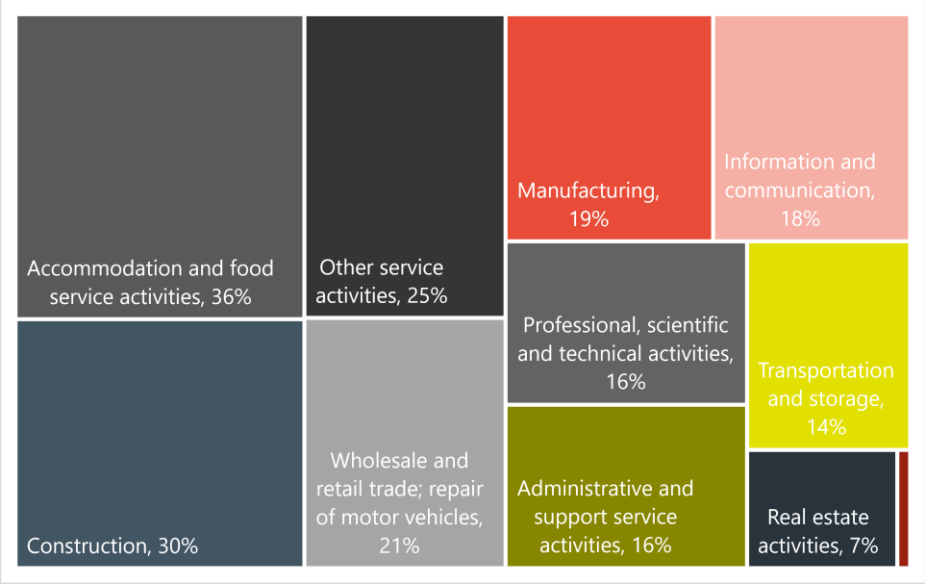
Long-term

Recommendations

- Ensure Adult Education Budget continues to support viability of local skill providers in the medium to long term.

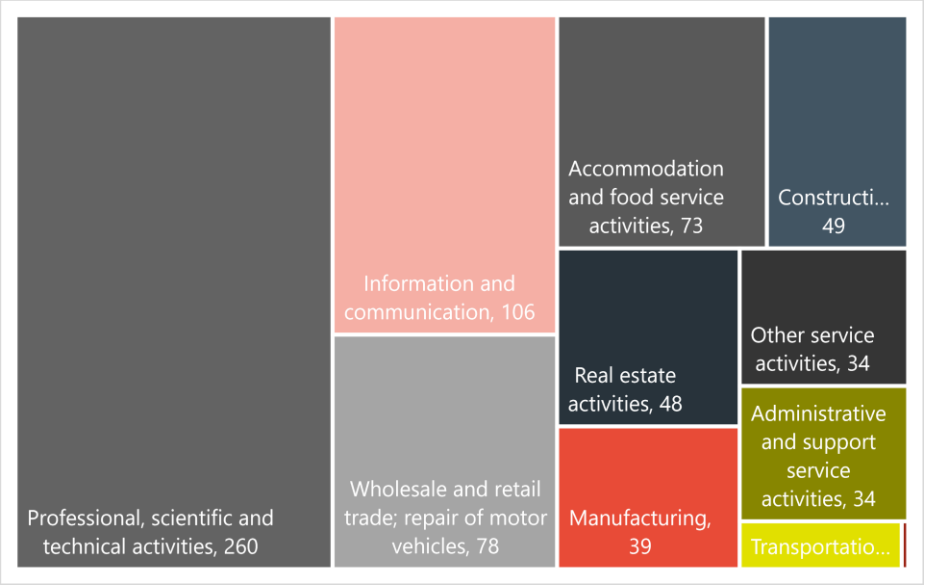
Appendix A - District GVA Profile

Cambridge Sectoral Impact – % GVA Decline, 2019-2020



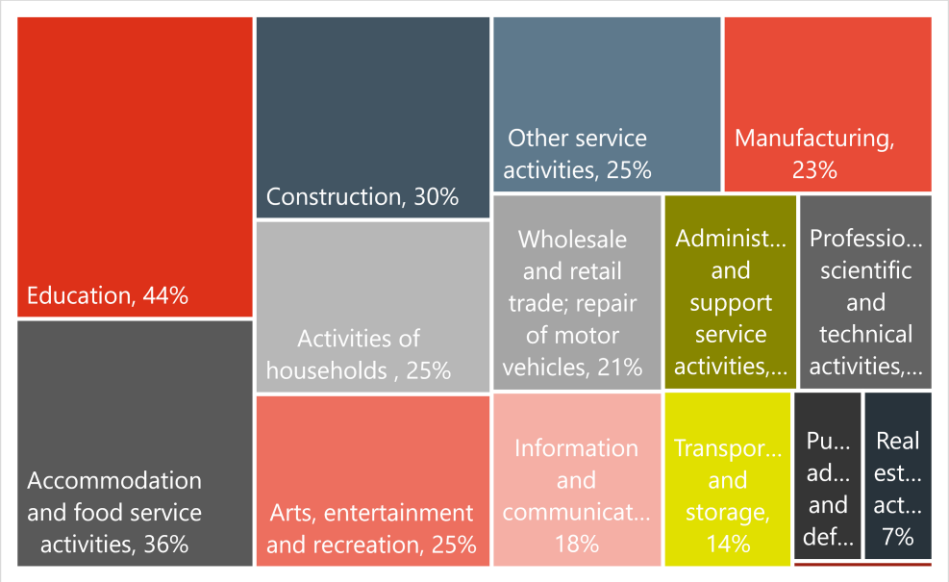
Source: Hatch Regeneris GVA Estimates Projections

Cambridge Sectoral Impact – Absolute GVA Decline, 2019-2020



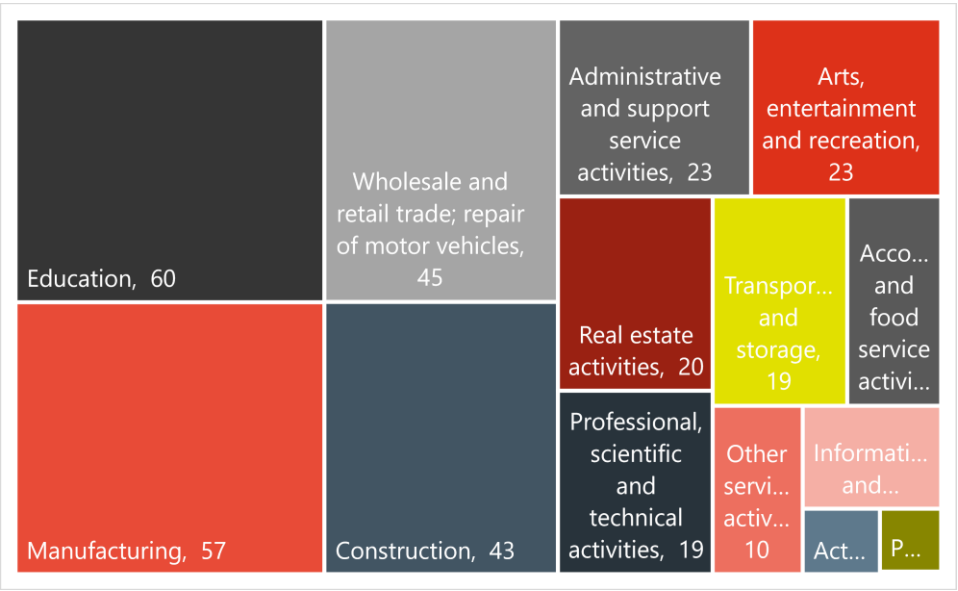
Source: Hatch Regeneris GVA Estimates Projections

East Cambridgeshire Sectoral Impact – % GVA Decline, 2019-2020



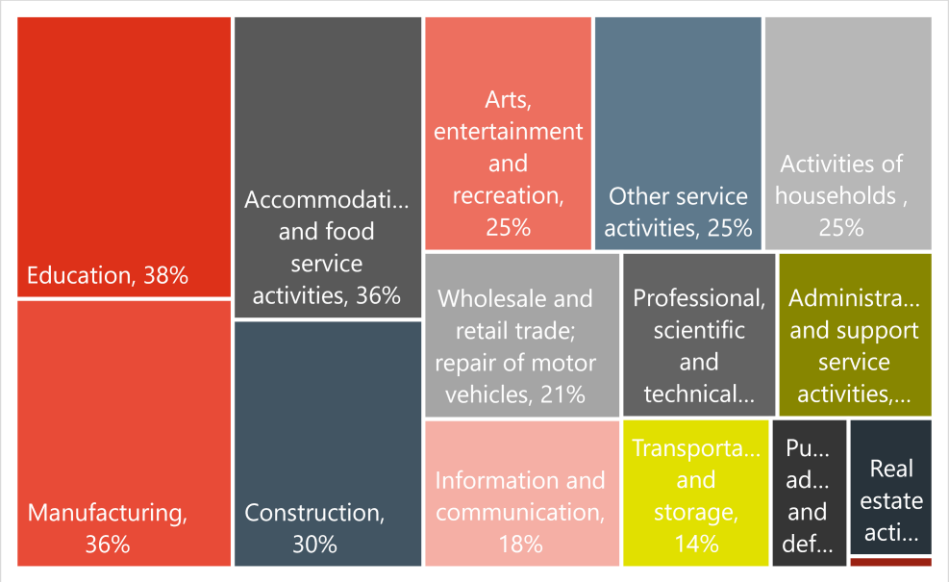
Source: Hatch Regeneris GVA Estimates Projections

East Cambridgeshire Sectoral Impact – Absolute GVA Decline, 2019-2020



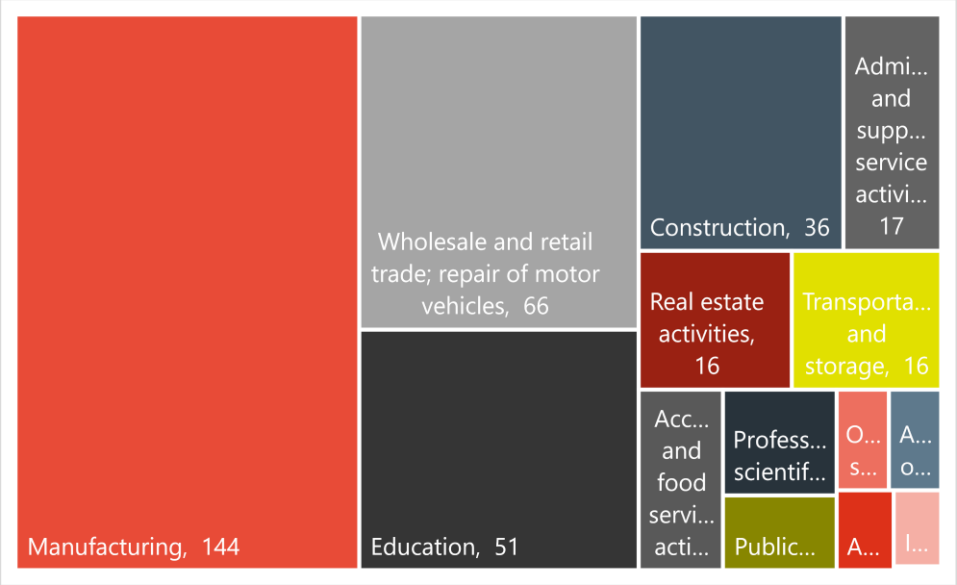
Source: Hatch Regeneris GVA Estimates Projections

Fenland Sectoral Impact – % GVA Decline, 2019-2020



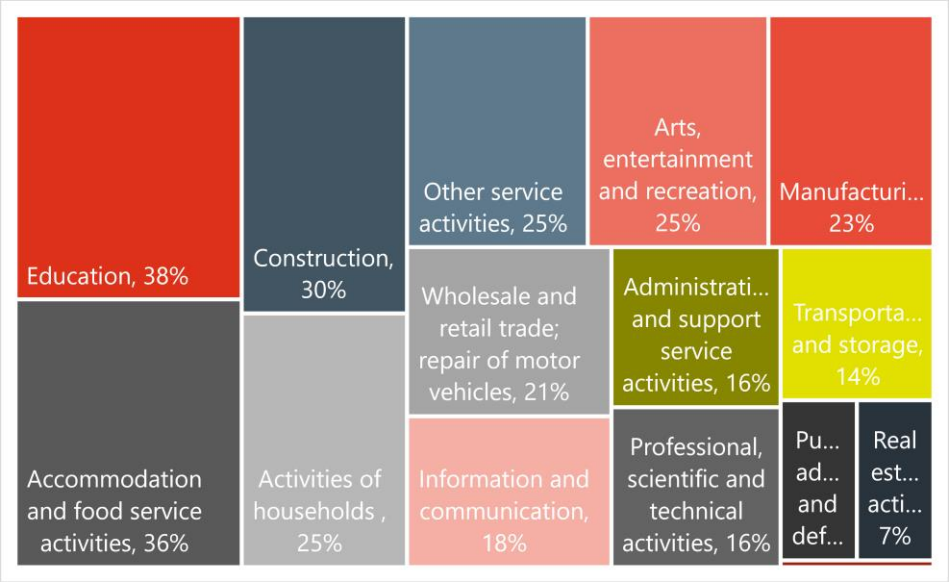
Source: Hatch Regeneris GVA Estimates Projections

Fenland Sectoral Impact – Absolute GVA Decline, 2019-2020



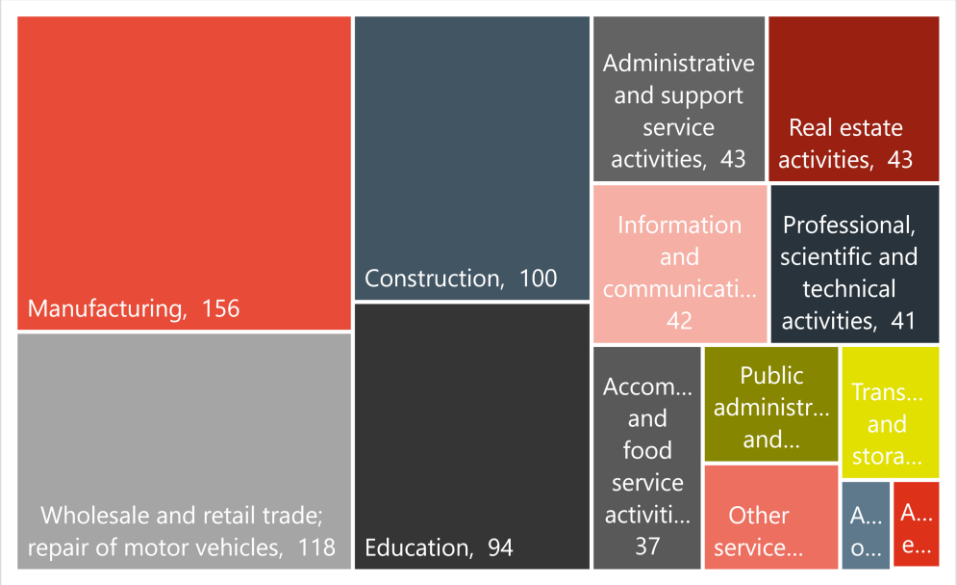
Source: Hatch Regeneris GVA Estimates Projections

Huntingdonshire Sectoral Impact – % GVA Decline, 2019-2020



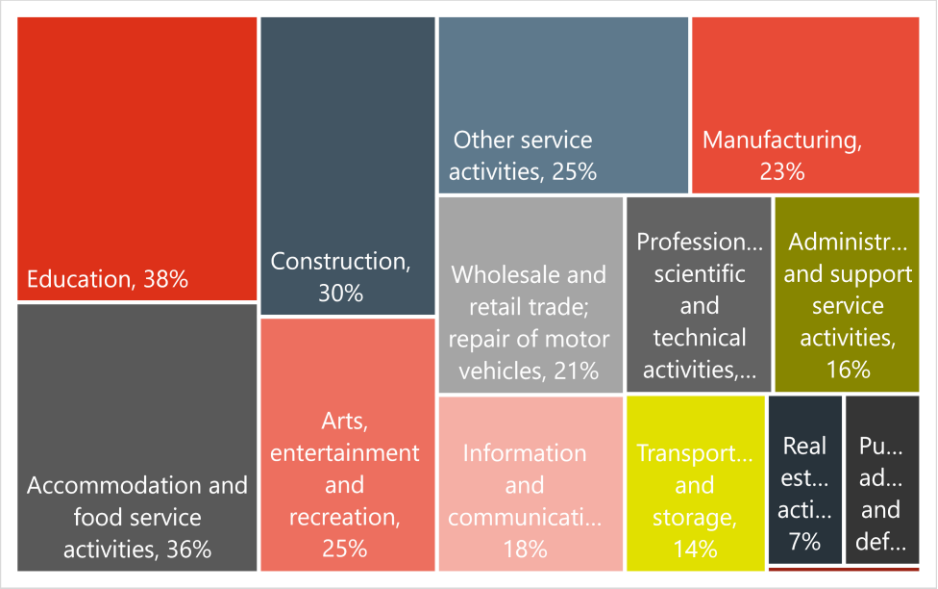
Source: Hatch Regeneris GVA Estimates Projections

Huntingdonshire Sectoral Impact – Absolute GVA Decline, 2019-2020



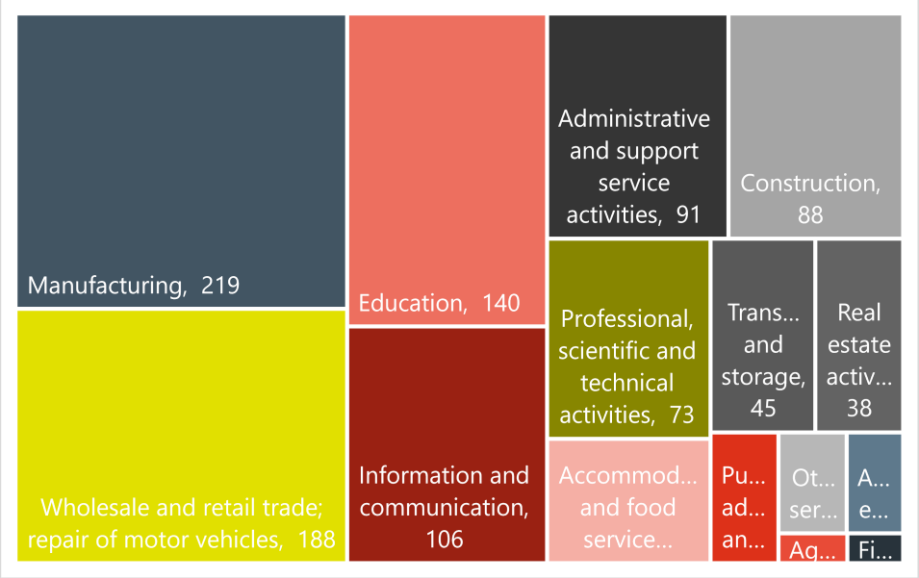
Source: Hatch Regeneris GVA Estimates Projections

Peterborough Sectoral Impact – % GVA Decline, 2019-2020



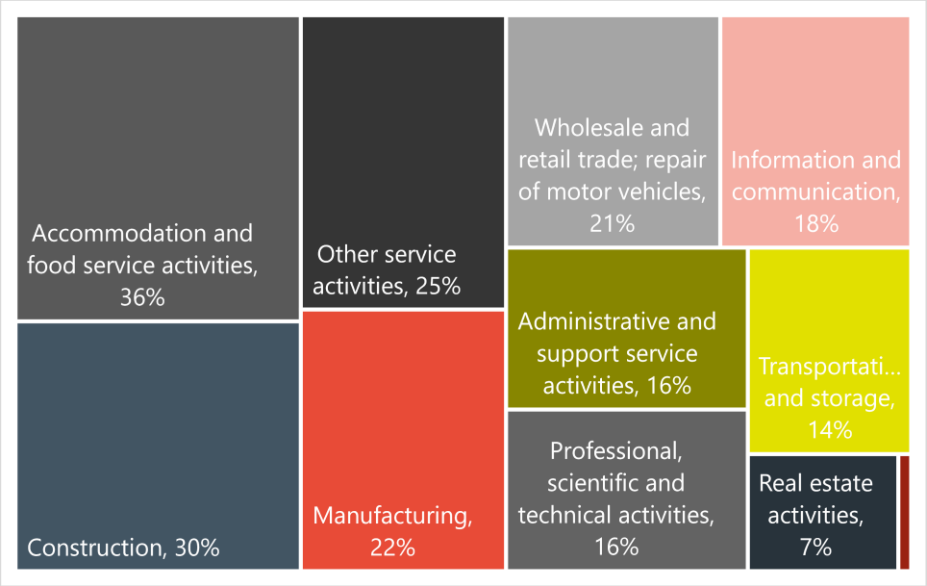
Source: Hatch Regeneris GVA Estimates Projections

Peterborough Sectoral Impact – Absolute GVA Decline, 2019-2020



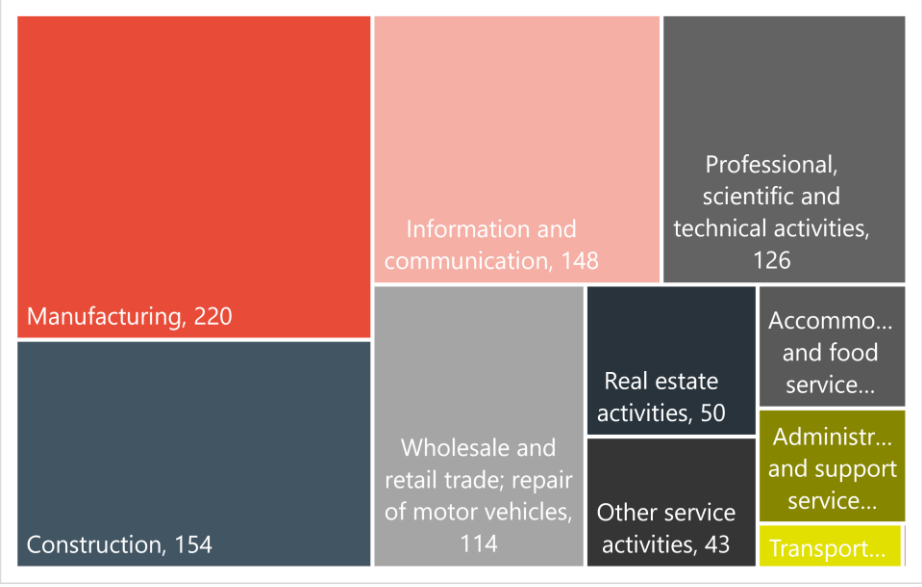
Source: Hatch Regeneris GVA Estimates Projections

South Cambridgeshire Sectoral Impact – % GVA Decline, 2019-2020



Source: Hatch Regeneris GVA Estimates Projections

South Cambridgeshire – Absolute GVA Decline, 2019-2020



Source: Hatch Regeneris GVA Estimates Projections

Appendix B - District Growth Summaries

Cambridge		
Loss in GVA, 2020	£806m	
Year of GVA Recovery	2030	
Aggregate GVA Loss, 2020 to Year of Recovery	£4.3b	
Sector Recovery		
	% Share of GVA	Year of Recovery
Professional, scientific and technical activities	25%	2031
Education	16%	2049
Human health and social work activities	12%	2020
Real estate activities	10%	2025
Information and communication	9%	2033

Fenland		
Loss in GVA, 2020	£273m	
Year of GVA Recovery	2031	
Aggregate GVA Loss, 2020 to Year of Recovery	£1.7b	
Sector Recovery		
	% Share of GVA	Year of Recovery
Manufacturing	20%	2036
Wholesale and retail trade; repair of motor vehicles	16%	2034
Real estate activities	11%	2025
Agriculture, mining, electricity, gas, water and waste	8%	2020
Education	7%	2049

South Cambridgeshire		
Loss in GVA, 2020	£910m	
Year of GVA Recovery	2033	
Aggregate GVA Loss, 2020 to Year of Recovery	£6.2b	
Sector Recovery		
	% Share of GVA	Year of Recovery
Manufacturing	17%	2036
Information and communication	14%	2033
Professional, scientific and technical activities	13%	2031
Real estate activities	12%	2025
Wholesale and retail trade; repair of motor vehicles	9%	2034

Huntingdonshire		
Loss in GVA, 2020	£615m	
Year of GVA Recovery	2031	
Aggregate GVA Loss, 2020 to Year of Recovery	£3.5b	
Sector Recovery		
	% Share of GVA	Year of Recovery
Manufacturing	15%	2036
Real estate activities	13%	2025
Wholesale and retail trade; repair of motor vehicles	12%	2034
Agriculture, mining, electricity, gas, water and waste	10%	2020
Construction	7%	2041

East Cambridgeshire		
Loss in GVA, 2020	£295m	
Year of GVA Recovery	2032	
Aggregate GVA Loss, 2020 to Year of Recovery	£1.9b	
Sector Recovery		
	% Share of GVA	Year of Recovery
Real estate activities	14%	2025
Manufacturing	12%	2036
Wholesale and retail trade; repair of motor vehicles	11%	2034
Agriculture, mining, electricity, gas, water and waste	11%	2020
Construction	7%	2041

Peterborough		
Loss in GVA, 2020	£832m	
Year of GVA Recovery	2030	
Aggregate GVA Loss, 2020 to Year of Recovery	£4.3b	
Sector Recovery		
	% Share of GVA	Year of Recovery
Manufacturing	14%	2036
Wholesale and retail trade; repair of motor vehicles	13%	2034
Financial and insurance activities	9%	2021
Human health and social work activities	9%	2020
Information and communication	8%	2033

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