Important Notice

This document has been prepared by Hatch for Greater Brighton Economic Board (“The Board”) and solely for the purpose on the terms agreed with The Board. We accept no liability (including for negligence) to anyone else in connection with this document.

The Information used in preparing this document has been provided from third party sources. Hatch has not sought to establish the reliability of those sources nor verified such information. Accordingly, no representation or warranty of any kind (whether express or implied) is given by Hatch as to the accuracy contained in this document.
Table of Contents

- Executive Summary
- Study Context
- Study Approach
- Study Geography
- Section 1 – Overall Impacts
- Section 2 - Sector Analyses
- Section 3 –Five-Year Strategic Priorities and Recommendations

Note about data sources and approach:
The analysis was undertaken between May 25th 2020 and June 17th 2020.

Sources include ONS, Gazette Insolvency data, Google Mobility data and various surveys conducted by GBEB partners. Where applicable, national trends have been applied to the regional level.
Executive Summary

The Greater Brighton Economic Board sits at an important intersection between seven local authorities, businesses and education providers.

The Greater Brighton Region is a prosperous and attractive place to live underpinned by high-value sectors. Like all other parts of the country, COVID will impact the economy significantly: GVA (output) is estimated to shrink by 11% in 2020; youth unemployment will be high as many young people work in retail and tourism; performing and creative arts sectors have been forced into hibernation; and, transport and logistics has seen a mixture of challenges with belly cargo through Gatwick collapsing and export-related transport and logistics companies seeing revenues decline.

There are also many positive stories that signal the Greater Brighton region may be more resilient: the strong advanced manufacturing base has only been marginally hit; the region’s strength in pharmaceuticals and medtech has led to revenue growth for many companies; and, the strong gaming development cluster in Brighton and data application development cluster in Crawley have both boomed.

Scenario modelling shows that if the Greater Brighton region doubled GVA growth within 3-5 years, not only would the lost output of 2020 be recovered, but the region would catch up with pre-COVID GVA levels.

The Greater Brighton Economic Board has an important role to play using its convening and lobbying powers. The Board has a wide range of partners including Coast to Capital, Coastal West Sussex and other partners, businesses, arts councils, non for profits and local authorities and is in a pivotal position to draw organisations and people around a few campaigns and creative interventions to support specific clusters.

1. **Greater Brighton Region Presents** online platform/virtual stage to support performing arts, festivals and conferences

2. **High Street Recovery Commission** to convene landlords in hard-hit areas and reimagine the future and coordinate meanwhile uses and independents

3. **Artists Reliance Fund** to coordinate grants and supports for the Region’s artists (as opposed to arts orgs)

4. **Green Infrastructure New Deal** to work with partners to present a bold ambition and ask to government
Study Context

The Greater Brighton City Region has an economy worth £21 billion per year, which supports 400,000 jobs across 40,000 businesses. The area is also home to two leading universities, the University of Brighton and the University of Sussex, two international ports, the South Downs National Park and major businesses such as the leading pharmaceutical companies Roche and Glaxo Smith Kline.

The Greater Brighton region is also well-known for its digital, creative and engineering industries. In September 2018, Digital Catapult Brighton became the first 5G testbed in the UK outside of a university setting and has since then been leading on the exploration of new 5G uses for the country.

The wider Coast to Capital region also has a specialised and growing creative sector. Over the 2015-2019 period, the creative and media sector was among the top three sectors generating the most investment in the Coast to Capital area. Investment levels were highest in the Software and Computer Services B2B and Aerospace sectors.

The Greater Brighton Economic Board has big ambitions for its seven local authorities and business and education ecosystem, and aims to make this area one of the most successful economies in the South East and one of the UK’s leading locations for people to live, work and visit.

However, attracting and retaining jobs to the area, while ensuring wider economic prosperity for the region, will depend on the Board’s ability to respond to the immediate COVID-19 challenges and to better align its Five-Year Strategic Priorities with the longer-term changes that the COVID-crisis will bring about.

With this in mind, The Board has commissioned Hatch to undertake a COVID-19 Impact Assessment. This focuses on providing an immediate understanding of the challenges, based on the intelligence currently available and an understanding of the composition of the local economy.
Study Approach

In order to fully assess the economic impacts of COVID-19 on the Greater Brighton region, the work is comprised of three sections:

1. **Overall impacts:** this looks at the impacts of COVID-19 on business activity, people, GVA and the take-up of government support programmes.

2. **Sector Analyses:** assesses the impact of COVID-19 on the Greater Brighton Economic Board’s priority sectors, including the baseline prospects, the current COVID-19 Response, Opportunities and Challenges.

3. **Five-Year Strategic Priorities:** sets out recommendations for potential COVID-19 recovery activities that could be led by the Board for each of the priorities set out in the Five-Year Strategic Priorities.
Study Geography

The focus for this study is the Greater Brighton City Region, a functional economic area covering the triangle from Crawley in the north to Seaford in the East and Worthing in the West.

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

1. Adur
2. Arun
3. Brighton and Hove
4. Crawley
5. Lewes
6. Mid Sussex
7. Worthing

Consideration has also been given to the wider geography of the Coast to Capital LEP, given its strategic significance to the economic prospects of the Greater Brighton City Region.

The Greater Brighton City Region is made up of a diverse business base across a wide range of sectors. 50% of jobs in the Coast to Capital LEP area are based in the city region. According to the Greater Brighton Business Survey, 86% of establishments have fewer than ten employees, with 22% having none. Medium and large establishments (50 or more employees) account for 3% of all establishments but employ 44% of the workforce. This is broadly similar to national trends, and emphasises the importance of engaging with smaller businesses during the recovery phase, as they will likely be facing more cash flow constraints than larger employers.
Section 1: Overall Impacts

This section provides an overview of the economic, business and labour market impacts of COVID across the Greater Brighton region. It uses a range of sources including official government statistics, COVID surveys and some real-time data to provide as current a picture as is possible.
Sectoral distribution of firms in Greater Brighton Region, 2019

Greater Brighton City Region has a unique sectoral mix with some fragility

The Greater Brighton City Region (GBCR) has a buoyant economy that has experienced significant growth. During the last five years, real GVA has grown by 4.2% and an estimated 5k firms have been created or have relocated into the region.

The sectoral mix is unique and there are higher Location Quotients for Professional, Scientific and Technical businesses and jobs, and similarly in the arts and entertainments. This reflects the fact the City Region has a higher than average professional base, of whom about 1/3 commute into London and the South East. People choose to live in the City Region because of the high quality of life and emphasis on culture, the arts and the outdoors.

The flip-side of this is that about 80% of all firms have less than 4 staff, with 22% employing no staff. And in contrast to the rest of the country those small businesses have lower than average turnovers with 33% of businesses reaching turnover of less than £49k (compared to 15% national); 22% reaching turnover of £50k-99k (against 23% nationally); and 21% reaching turnover of £100k-£240k (against 32% nationally).

This is a double edged sword as it is these small businesses that give the City Region its character, but many will face greater COVID-related challenges and this creates economic fragility.

Source: ONS, Business Activity Counts, 2019
An estimated 7.7k businesses in GBCR have temporarily closed

The ONS has been running regular surveys on the trading activities of businesses nationally. The data has not yet been released on a geographic basis but is cut by sector. As the Greater Brighton City Region broadly reflects a similar sectoral make-up, in order to estimate the number of businesses that have ceased trading in the City Region, the national rates have been applied.

Using this approach it is estimated that 22% of the total GBCR business base has suspended trading activity since the outset of COVID. The impact has been particularly acute for the arts and entertainment sector (estimated 2.3k businesses closed), retail (1k businesses closed), accommodation and food services (2k businesses closed) and construction, much of which is based in Crawley (1.2k businesses closed).

These estimates are supported by anecdotal data. All major festivals and events including the Brighton Festival, Brighton Fringe, The Great Escape and Pride have all been cancelled impacting not just festival organisers, but the surrounding hospitality ecosystem. Retail from large chains to the small independent retailers in The Lanes and throughout the region’s small towns have remained closed.

Source: ONS Business Impact of COVID-19 Survey (BICS) Wave 8, ONS Business Counts, Hatch Analysis
Half (3.4k) of all temporarily closed businesses plan to reopen over the coming month.

Now the government has begun to release more information on the lockdown easing and social distancing measures required of different sectors, about half of all businesses that temporarily closed are planning to reopen. These are national figures. Sectors such as manufacturing, construction and office-based jobs are putting measures in place to enable operations to recommence.

However the Greater Brighton City Region may have a smaller proportion of businesses planning to reopen as sectors including the arts and entertainments and education are still not in a position to reopen for business. In addition about half of all businesses do not know when they will reopen and this is for a variety of reasons including a collapse in demand for services and/or products, operations where social distancing is not possible or in some cases due to financial hardships that make it difficult to determine whether the business will still be operating in several months time.
GBCR Business Base’s Cash Reserves

Just under half of all GBCR businesses have six months or less of cash reserves

The ONS has started to survey businesses on cash reserve positions. This is national data cut by sector. To estimate the proportion of businesses in the GBCR that currently are, or are likely to experience cash flow issues, the sectoral survey results have been applied to the GBCR business base.

This analysis indicates that about 3k businesses have less than one month of cash and are therefore likely to go insolvent. An estimated 9k businesses have cash reserves to last between one and three months. Businesses in sectors such as construction, manufacturing, food delivery and real estate will have a greater likelihood of survival as those sectors are likely to exit lockdown over the next few weeks. However sectors like education, some retail and the arts are unlikely to see a resumption of trade and therefore the low cash positions put many businesses in these sectors in jeopardy.

On this basis it is estimated that 62% of all arts and entertainment businesses have six months or less of cash reserves; 65% of accommodation and food services.

The challenge for these businesses will be to find alternative ways to operate quickly to drive revenue.

Source: ONS Business Impact of COVID-19 Survey (BICS) Wave 8, ONS Business Counts, Hatch Analysis
Corporate insolvencies and liquidations, May 2020

<table>
<thead>
<tr>
<th>Name</th>
<th>Sector</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>AN8 Systems</td>
<td>ICT</td>
<td>Brighton</td>
</tr>
<tr>
<td>Dernier + Hamlyn Holdings</td>
<td>Manufacturing</td>
<td>Brighton</td>
</tr>
<tr>
<td>Red Flag Recruitment</td>
<td>Business Admin</td>
<td>Brighton</td>
</tr>
<tr>
<td>Your Coachman</td>
<td>Manufacturing</td>
<td>Brighton</td>
</tr>
<tr>
<td>QA Business Services</td>
<td>Business Admin</td>
<td>Brighton</td>
</tr>
<tr>
<td>TG Engineering Ltd</td>
<td>Professional</td>
<td>Brighton</td>
</tr>
<tr>
<td>Janalysis Consulting</td>
<td>ICT</td>
<td>Brighton</td>
</tr>
<tr>
<td>Danex Limited</td>
<td>Real Estate</td>
<td>Brighton</td>
</tr>
<tr>
<td>Inkpod</td>
<td>Professional</td>
<td>Haywards Heath</td>
</tr>
<tr>
<td>Rodney Warren &amp; Co</td>
<td>Professional</td>
<td>Brighton</td>
</tr>
<tr>
<td>Radford Group</td>
<td>Construction</td>
<td>Hove</td>
</tr>
<tr>
<td>Quilan Limited</td>
<td>Professional</td>
<td>Brighton</td>
</tr>
<tr>
<td>Hardings Event Management</td>
<td>Accomodation and Food</td>
<td>Brighton</td>
</tr>
<tr>
<td>Good Harvest Properties</td>
<td>Real Estate</td>
<td>Crawley</td>
</tr>
</tbody>
</table>

Corporate insolvencies are increasing in volume

On average between 3-5 GBCR businesses a month are declared insolvent. During the month of May, 19 businesses were declared insolvent or liquidated. As the liquidation process has a lead time of several weeks, this is likely the tip of the iceberg and many of the businesses that filed in May were already in financial jeopardy.

The majority of insolvent businesses were located in Brighton. Many of the businesses were focused on consultancy activities (ICT, business growth, business strategy) and likely saw a downturn in activity and clients as COVID became an increasing issue in February and March.

Several companies were in the real estate development, lettings and property management space. Property companies are notorious for holding little residual cash on balance sheets and should the commercial and residential property markets begin to falter, more property-related businesses will inevitably fail.
The commercial property market began the year strongly with a bumper January with an increase in year on year transactions. Many attributed this to the General Election and greater clarity on Brexit approach, which enabled businesses to take investment decisions, including in new property and leases.

According to RICS, both investors and occupiers are increasingly nervous with the retail property market the most depressed; in the coming months the office market is expected to fall as well as businesses forgo new office leases in favour of informal workspaces or formalized home working.

This will have a significant impact on Brighton and Hove as 42% of all leases executed last year were in Brighton & Hove with approximately 40% on retail space and 40% on office leases.

The majority of Worthing’s new leases were executed on retail properties whereas in Crawley almost all leases signed were for industrial buildings and offices.
While the Greater Brighton City Region’s unemployment rate (3.5%) is generally lower than the national average of 4%, the region has an above-average rate of self-employed people.

The risk that self-employed people face during COVID-19 has received a lot of attention over the past few months. Those who are self-employed are more likely to find themselves in a precarious situation as a result of the crisis, and stand to lose almost two-thirds of their current earnings.

The wider impact of unemployment across the region can also be seen in the rising number of people claiming Jobseeker’s Allowance and Universal Credit. Across the Greater Brighton City Region, this has increased from 1.9% to 2.3% (+0.4%) of the resident population aged 16-64, with younger people (16-34 years) accounting for the majority of those claiming benefits (43%).

### Claimants as a proportion of residents aged 16-64

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adur</td>
<td>2%</td>
<td>4.4%</td>
<td>+0.4%</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Arun</td>
<td>2%</td>
<td>5.0%</td>
<td>+0.4%</td>
<td>+2.6%</td>
</tr>
<tr>
<td>Brighton and Hove</td>
<td>3%</td>
<td>5.0%</td>
<td>+0.4%</td>
<td>+2.2%</td>
</tr>
<tr>
<td>Crawley</td>
<td>3%</td>
<td>4.8%</td>
<td>+0.7%</td>
<td>+2.0%</td>
</tr>
<tr>
<td>Lewes</td>
<td>2%</td>
<td>4.6%</td>
<td>+0.6%</td>
<td>+2.2%</td>
</tr>
<tr>
<td>Mid Sussex</td>
<td>1%</td>
<td>2.5%</td>
<td>+0.2%</td>
<td>+1.4%</td>
</tr>
<tr>
<td>Worthing</td>
<td>3%</td>
<td>4.5%</td>
<td>+0.4%</td>
<td>+2.0%</td>
</tr>
<tr>
<td>Greater Brighton City Region</td>
<td>2%</td>
<td>4.4%</td>
<td>+0.4%</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Coast to Capital</td>
<td>3%</td>
<td>4.4%</td>
<td>+0.4%</td>
<td>+1.9%</td>
</tr>
<tr>
<td>England</td>
<td>3%</td>
<td>5.0%</td>
<td>+0.4%</td>
<td>+2.0%</td>
</tr>
</tbody>
</table>
Generational impacts of COVID

The large proportion of 18-24-year-olds on furlough and who have lost their main job is particularly worrying because many are at the beginning of their careers. This is compounded by the fact many younger people work in the sectors that have signaled that once the furlough scheme is wound-down, redundancies are likely to follow.

Many young people require part-time jobs in order to finance HE and FE degrees.

One of the most concerning factors has been the reduction in apprenticeship positions with some apprentices losing their position just months before the completion of training.

Research undertaken by the Resolution Foundation has shown that young people who have recently left education and have recently entered, or are about to enter the labour market are more susceptible to long-term employment and pay scarring.
Google have released mobility data that records numbers of using location proxies including workplaces, transit stations, non-essential retailers and essential retailers. The mobility statistics are measured against a baseline of 0, which is a measure of average volumes for the day in the pre-COVID period.

This chart shows an average of 70% decline in people at their workplaces in the weeks since lockdown. The residual 30% are most likely made up of key workers in the health sector, retail, logistics, storage and transport. The trend is beginning to move upwards indicating that some people are beginning to return to work.

Not surprisingly, the picture for usage of transit stations is a close to mirror image of the workplace statistics. It is notable that there has been a sharper recovery in the last period of May, which indicates that people may be moving around the region more, but not necessarily returning to workplaces. This most likely reflects the slight easing of lockdown measures with people travelling to visit families and friends when the social distancing easing was put in place.
The decline in non-essential retail has been more stark. In the early days of lockdown there was an 80% decline. This will be an important metric to watch over the coming weeks to gauge recovery since non-essential shops have been allowed to reopen. Given the large base of independent retailers in the Greater Brighton region, ensuring traffic into these stores will be critical as the retail sector is a significant share of the GVA base. (Discussed in later slides). It is also worth noting that many retailers faced a rent payment date on the 24th June with the Government’s commitment to ensuring businesses cannot be made insolvent as a result of rent arrears expiring on 30th June. Many retailers have spoken of a ‘rent armageddon’ as many will owe the 2nd quarter of rent during the 3rd and 4th quarters essentially doubling rent owed.

Whilst grocery stores and pharmacies have been allowed to continue to trade, there has been a decline in the number of visits, down almost 40%. However, many families and individuals have reduced the number of visits, but increased spend per visit.
<table>
<thead>
<tr>
<th>Industry</th>
<th>Accom and Food</th>
<th>Arts, Entertainment and Rec</th>
<th>Construction</th>
<th>Digital</th>
<th>Education</th>
<th>Manufacturing</th>
<th>Prof, Scientific And Technical</th>
<th>Public Health</th>
<th>Transportation And Storage</th>
<th>Wholesale and Retail Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coronavirus Job Retention Scheme</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Business Rates holiday</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Deferring VAT payments</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>HMRC Time To Pay scheme</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Accredited finance agreements</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Gov-funded small business grants / loan schemes (England)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Gov-funded small business grants / loan schemes (Devolved)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>The business has not applied for any of these initiatives</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Business Impacts of COVID-19 Survey, BICS, May 2020
Government Support Take-Up

The British Chambers of Commerce Coronavirus Business Impacts Tracker is the UK’s largest independent business survey tracking economic conditions on a weekly basis. The latest survey tracked collected data between 13 – 15 May 2020 and provides insight into how businesses have used financial support schemes from the government:

- 70% of firms had used the Coronavirus Job Retention scheme and 85% of those who have applied received payment.
- 59% of firms had no plans to apply for government bounce back loan scheme. 25% of firms who applied were successful in securing the loan.
- 50% of firms had three months cash flow in reserve or less. 6% have no cash reserve in place.

The Sussex Chamber of Commerce also conducted a survey of businesses to track economic conditions of businesses based in Sussex, Hampshire and Surrey. Findings include:

- 66% of businesses intended to use the coronavirus job retention scheme
- 53% of respondents had already furloughed some of their staff
- 15% of respondents had furloughed all of their staff.

Data from the BICS survey also shows the proportion of businesses that are accessing government support initiatives across different sectors. This is outlined in the table above.

The data shows a number of trends, including:

- There are big variations in the proportion of businesses using the Coronavirus Job Retention Scheme across sectors. For example, almost all accommodation and food businesses have accessed the scheme compared to under half of digital businesses.
- Uptake of the business rates holiday initiative has been notably higher among sectors with public facing high street businesses compared to commercial businesses.
- Aside from the public sector, the digital sector has the highest proportion (over a quarter) of businesses that have not applied for any government initiatives.
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). The release of GVA data for April shows a 20% decline in month, so the in-year figure is now likely to be higher.

For the purposes of providing a central estimate of the impacts on GBCR, we have used OBR and OECD figures to produce a coronavirus reference scenario.

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. Given the recent events in Leicester, this is now looking possible. To determine future GVA growth rates we have used the OBR’s regional GVA Projection for the region.

Using this methodology, the estimates show the GBEB region is likely to have a 16% loss of GVA in 2020 (against a national average of 13%) for the single lock-down scenario and a loss of 26% for the double lock-down scenario.
To provide an estimate of the GVA growth rate required across the region to recover, we have modelled the trajectory of the historic growth rate (4.2% over the last 9 years in 2020 prices) to show the trend in a pre-COVID world. In order to rejoin the same growth trajectory by 2023, the region would need to double that historic growth rate to 8.4% next year. To return to the same trajectory by 2030 would require a doubling of GVA by 2026.

These are not forecasts, but give an indication of the growth rates required to both make-up for the 2020 GVA loss and return to similar growth rates. This means that sectors and businesses will need to be supported not just to recover, but to find new and innovative ways of producing output and increasing productivity.

At the same time it will be important for The Board to recover sectors like retail, food and accommodation that may not contribute as much GVA as sectors like manufacturing, but are critical to the identity and culture of the region. Property websites like Zoopla have seen an increase in people searching for homes across the region, which is a likely acceleration of the London-exit. Ensuring the identify and unique parts of the region are recovered quickly will be an important part of a medium term plan to attract more talent out of cities like London.
In value terms, the greatest sectoral loss will be on manufacturing at £778mn. However, many manufacturing businesses are returning to work with production lines changed to ensure social distancing. Many are therefore predicting that this loss will be temporary with demand recovering to pre-COVID levels quickly.

Of greater concern is the large sectoral loss in education, which is related to HE, FE and private educational institutions like language schools. Universities and schools are doing much to adapt and prepare for next year, however, surveys and discussions with educational bodies across the region indicate that that international students are unlikely to attend next year, which will have a significant impact on the sector and the multiplier effect of spending across the region.

As discussed earlier, the impact on retail has also been large. Further in our recommendations we set out some measures to help the independent sector specifically.
On a proportional basis, the sector experiencing by far the greatest loss (% GVA loss 2019/2020) is arts and entertainment. This is an issue across the country but given the GBCR’s strong reputation it will be important to support this sector in both the short and medium term.

Accommodation and food has taken a similarly large hit and given the independent nature of much of the regional offering, a coordinated effort to provide support would be helpful.

Many construction sites suspended work a couple of weeks into the lockdown, but are now resuming work and therefore this loss should be recoverable at a quicker rate.

There will be a balance between supporting the sectors that have experienced the greatest £m loss and will therefore drive GVA growth and those that have experienced a large proportional loss (but not necessarily high £m), but that contribute much to the character of the region.
Section 2: Sector Analyses

This section provides an overview of the impacts of COVID on different sectors and specific business clusters within those sectors that have a strong presence in the Greater Brighton region. For each sector there are a number of short and medium term challenges, but also many opportunities with a good number of clusters benefiting directly from the COVID crisis.
Sectoral Impacts (based on survey data)

National statistics define sectors very widely and these wide definitions mask the complexity and variations between business clusters that sit in a given sector. The left-hand chart shows a mapping of high-level sectoral impacts. However, the impact of COVID-19 within clusters is more nuanced as different clusters within sectors behave differently.

As discussed in the earlier slides, for the Greater Brighton region to make up lost 2020 GVA and recover back to its pre-COVID growth trajectory within 10 years, it will require a doubling of GVA growth by 2026. At the outset of the crisis the OBR and Bank of England indicated they believed pent-up consumer and commercial demand would drive up GVA growth in 2021/22 and this uptick would apply equally across the country. In the weeks since, it has become clear that significant scarring has and is likely to continue to occur and many businesses will never reopen or recover.

For the Greater Brighton region to achieve a doubling of GVA growth in the coming years, tactical and pragmatic support will need to given to specific business clusters. Some may require to hold-on during the next few months. Others may not have been as deeply impacted by COVID-19 and support to help these companies innovate, drive-up productivity and create new products will help the region. To help assess the impact on the Greater Brighton region, an assessment of the area’s clusters follows. More detailed sector assessments are included in the Annex.
Creative, Arts and Digital Impact

• **Live Performance and Festivals:** facing ongoing difficulties and likely to continue over the next 4 quarters – 50% of all jobs expected to be lost

• **Galleries and creative arts spaces:** facing ongoing difficulties. Some businesses have been able to access govt schemes, however many freelance artists cannot.

• **Film, TV and radio production:** Greater Brighton has been a popular destination. 42% of all associated jobs expected to be lost.

• **Online gaming:** significant growth during lockdown. Businesses include Studio Gobo, MAG Interactice, Hi-Res Studios, 2K Games and Sumo Digital

• **Data visualisation apps:** Agile App and Co. Growing cluster in Crawley

The lockdown has had a profound impact on the areas in Greater Brighton region’s creative sector that depend on physical interaction. Some galleries and creative arts spaces will be able to open on 4th July, will many will not be able to reopen as lockdown eases due to size restrictions and financial insolvency.

The cancellation of festivals has in particular hit the region hard and the ripple effect on the small businesses that supply these festivals, from marketing firms to food and beverage suppliers, has been acutely difficult. Many laid out significant costs in preparation for the season. Formal performances such as theatre adapted quickly and taken advantage of online platforms (such as streaming). While these activities help build community spirit, they don’t help finances.

The Greater Brighton region is known for its creative and artistic business and resident base; retaining the character of the area and its residents will be important as different regions compete for new residents over the coming years.

The Greater Brighton region is also home to a significant cluster of online gaming development companies. Most of these companies have grown online presence, products and revenues significantly during the period of lockdown and will continue to. Some have found it difficult to secure staff with the right skills and enough computational power to programme during the lockdown. Data visualisation companies, of which there are several in the region, have also experienced the same constraints as new clients, many in the health sector, require support to model and visualise complex data sets.
High Street Impact

- **Leveraged retail ‘chains’**: Likely to be greater as PE-backed firms continue to go insolvent

- **Concept food chains**: Likely to be greater as many entered into leases in new developments and have high fixed real estate costs and are funded by debt

- **Independent retailers**: Lockdown period has put many businesses in jeopardy as often have limited cash reserves

The survival of high street businesses will be heavily influenced by the speed at which businesses can adapt to social distancing measures and can open, and the spending power of local residents in the next few months. With that said, there are patterns emerging.

Early signals are that high street businesses likelihood of survival is less linked to the individual retail sector they are in (e.g. children’s clothes) but a function of leverage. Many national retail chains and ‘concept casual dining’ chains (e.g. Byron, Las Iguanas, Ask, Zizzi) have funded expansion into town centres using private equity and competed against each other for locations. As a result leases have been entered into at the height of the market; a number have already failed and once the government’s furloughing scheme comes to an end more are likely to. At the opposite end of the spectrum many independent retailers are less likely to survive as three-months without income and the upcoming ‘rent Armageddon’ in Q3 and Q4 2020 may push many under as they required to also repay Q2 2020 deferred rent.

The independent food sector is proving to be more resilient with individual proprietors finding creative and innovative ways to provide food for take-away and home delivery. There has also been an upswing in consumer demand for food and drink from independent businesses, a trend that has been accelerated by the COVID-19 crisis, and that can be built on.

Fast food chains are also likely to survive as many chains either directly own the sites on which they operate and have sufficient cash reserves to make operational changes to accommodate social distancing. Franchisees appear to have been provided support by parent companies.
Tourism Impact

- **Business and large conferences**: Likely to be greater as PE-backed firms continue to go insolvent

- **BIDs and tourism support groups**: Likely to be greater as many entered into leases in new developments and have high fixed real estate costs and are funded by debt

- **International flights**: Lockdown period has put many businesses in jeopardy as often have limited cash reserves

---

- **UK Staycations**: greater likelihood of bouncing back, but require support from ‘rent armageddon’ in Q3 and Q4 2020

- **Day Trippers**: Post lockdown an increase in day trips are expected across the country

Over the summer period, much of the tourism across the Greater Brighton region is linked to major events and festivals such as Pride, the Fringe and the Arts Festival, all of which have been cancelled or postponed. As a result it was estimated that tourism was down across the region by 90% in April.

Looking forward it is likely that business and political conferences that are frequently held in the region may be postponed or cancelled for up to two years. For instance the Geneva Motor Show recently cancelled their 2021 event. Gatwick Airport has estimated it could take between four to ten years for international slot traffic to return to previous levels which suggests that the decline in international tourists will be depressed for a long period. However, as the region is more dependent on domestic visitors, this could help the tourism sector to recover more quickly.

Countries further along the COVID-19 curve, such as Australia and New Zealand, saw that in the weeks post-lockdown 50% of the population made arrangements for short overnight trips, with the majority aiming for seaside towns. In the last few weekends a large number of day trippers have travelled to the south coast, which reflects this pattern. There will be a challenge to ensure large inflows of tourists maintain social distancing whilst also encouraging people to use newly opened restaurants, bars and shops.
Education Impact

• **HE Sector**: numbers of international students are likely to be decreased for academic year 2020. Some fears that domestic places will also be lower.

• **Private institutions**: Private language schools and those that target international students are likely to be hit with related GVA spending also reduced.

• **Apprenticeships**: Risk that apprenticeship opportunities will reduce with some apprentices losing placements months from achieving qualifications.

The Greater Brighton region is more exposed to the economic impacts of COVID-19 on the education sector as it is home to two world-leading universities: Brighton and Sussex. For both universities, like many across the country, international students are an important source of income. It is unlikely that international students will be able to take-up places in UK HE institutions this September, especially students from Asia: the International English Language Testing System (IELTS) exams (a pre-condition for attendance) have not been rescheduled, UK visa offices remain closed in most countries and international flights may not have resumed. In addition, many students will choose not to relocate to another country during a period of such heightened uncertainty. Many of these same issues apply to private language schools and preparatory schools. This could be compounded by a decline in university take-up by domestic students who choose to defer their first year.

The apprenticeship sector has also been greatly impacted: new apprenticeship places have disappeared with large employers like Rolls Royce, Boeing and Glaxo all suspending new apprenticeship places. There is a particular risk to young people who are partly through an apprenticeship and find the sponsoring employer either going insolvent or suspending the programme weeks or months away from a qualification.

In the medium and longer term there will be a large opportunity for the FE and other educational sectors to help reskill and retrain people as unemployment increases.
Transport and Logistics Impact (including Aviation)

- **International Freight**: Decline in exports of non-essential goods and cars with knock-on effect on transport and logistics companies.

- **Small Ports**: Increasingly being bypassed by mega-vessels and this pattern is likely to hold post-Brexit.

- **Domestic Haulage (non-essential)**: Sharp fall in demand and growing issue with warehousing

- **Belly Cargo Freight**: Suspension of flights in and out of Gatwick has impacted pharmaceuticals and medtech logistics

- **Food Industry Haulage and Logistics**: Significant growth over the last few months and forecast to continue.

- **Rail Freight**: Internationally has been an increase in usage of rail freight in place of belly cargo

COVID-19 has a mixed impact on transport and logistics and the impact on Greater Brighton mirrors this. Transport and logistics businesses related to the export of non-essential goods have seen a sharp drop-off of activity. In Manor Royal Business Park, 40% of logistics companies have experienced a dramatic drop in revenues and the majority of these companies are linked to exports. This is likely to continue in the medium term as international consumer demand for non-essential UK goods and the cost of exporting increases. In the last few weeks international freight costs have increased from $1.5-4.5/kg to $7-8/kg. The spike is related to China’s return to manufacturing and the diminished belly cargo capacity as there are few international flights. In addition many mega-vessels are now bypassing smaller ports in order to speed up deliveries. There is a risk that this pattern may hold post-Brexit.

Gatwick Airport has indicated that it will take years to return to the same volume of flights and this has a consequential impact on belly cargo capacity in the region. As many pharmaceutical companies and med-tech companies are based in the region (and who prefer belly cargo to freight for speed) an in-region alternative would be helpful.

Transport and logistics companies linked to food distribution to retailers, hospitals and key services have seen surges in demand and have increaser revenues and this is expected to continue.

There is also a growing opportunity in rail freight and this is an area the region may wish to consider in lieu of belly cargo and the increasing cost of freight.
Section 3: Five Year Strategic Priorities

This section focused on four of the strategic priorities. The talent section has been omitted as until the longer term cycle of coronavirus and associated quarantining rules are determined, it will be difficult to compete for new global residents. Training and upskilling will undoubtedly be an important priority, but recommendations should be shaped once a fuller picture of unemployment patterns merge in the post-furlough period from October 2020 onwards.
<table>
<thead>
<tr>
<th>Priority</th>
<th>Objective</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>Build an <strong>international profile</strong> with strong and relevant supporting messaging</td>
<td>This will be particularly important in relation to the University of Brighton and the University of Sussex, who will need to convince overseas applicants. Doubling down on efforts to establish international partnerships with universities around the world will play an important role in ensuring that they still attract and retain skilled international talent within the region. However, there is also an opportunity to pivot the university’s focus onto a more locally-specific research agenda, especially as part of the COVID-19 socio-economic recovery.</td>
</tr>
<tr>
<td></td>
<td>Establishment of an <strong>inward investment</strong> proposition, maximising potential of international gateways</td>
<td>The region has strong emerging positions in the digital and green sector. This should be actively promoted – developing a promotional campaign around the region’s digital and green assets would give investors more appetite to invest in the region. However, in the short-term, efforts should be focused on refining the ‘Pitch for Place’ and accelerating the Board’s current work on Inward Investment.</td>
</tr>
<tr>
<td></td>
<td>Using connections of universities to gain access to international skills and expertise</td>
<td>Recruitment difficulties, often driven by issues around skills and availability of workers, were already pronounced in the region before the COVID-crisis, especially in hotels/ restaurants, administrative/ support services, education and health. Compounded by high unemployment, and declining international talent matching local talent to businesses in need, there is a role universities could play in helping to retrain/upskill those that have become unemployed and who could be transitioned into low carbon and clean tech businesses.</td>
</tr>
<tr>
<td>Creative</td>
<td>Investing in infrastructure of our <strong>creative and cultural economies</strong></td>
<td>This objective should remain at the forefront of The Board’s agenda, as it will likely be the sector requiring the most recovery support and the sector most likely to contribute to GBRC’s region rebranding and attractivity. Short-term efforts should be focused on supporting jobs in this sector, as well as upskilling those who will have become unemployed and transitioning them into jobs within the region’s emerging sectors around the green and digital economy.</td>
</tr>
<tr>
<td></td>
<td>Supporting <strong>innovative businesses</strong> to scale and grow</td>
<td>To support innovation within the business ecosystems, local authorities will have to come up with innovative ways of financing and delivering this innovation, especially in the face of the upcoming recession. Examples of innovative financing and delivery models include green bonds, citizen hackathons and innovative procurement. Creating and promoting an environment that is conducive to innovation will incentivise new businesses to move to the region and existing businesses to look in new directions. Where possible, innovation efforts should be channelled towards strengthening the region’s low carbon/green sector.</td>
</tr>
<tr>
<td></td>
<td>Maximising the opportunities through knowledge sharing and commercialisation</td>
<td>Encouraging exchange of knowledge will be crucial, as will opening up new channels of communication in the regional economy. The Brighton Chamber of Commerce has a key role to play in this, particularly in terms of making its service offer more inclusive and affordable for small businesses.</td>
</tr>
<tr>
<td>Priority</td>
<td>Objective</td>
<td>Commentary</td>
</tr>
<tr>
<td>----------</td>
<td>-----------</td>
<td>------------</td>
</tr>
<tr>
<td>Connected</td>
<td>Roll out of fibre infrastructure and become the most 5G-enabled City Region</td>
<td>According to The Board’s 2019 Business Survey, most firms that ‘need’ superfast broadband have access to it and are broadly happy with it. Looking forward, increasing the supply and affordability of ultrafast should in turn drive its take-up. There may also be a case for a more targeted approach, to focus in particular on those sectors making most current use of superfast. Once ultrafast infrastructure has been deployed, work will need to be done with businesses to ensure that the investment in ultrafast and 5G can lead to business growth*. Coming out of lockdown, the expansion of 5G and technology infrastructure across Brighton City and the region should be an important priority for The Board, and is an area that the region could grab a national lead on to help support the growth of the digital sector and new remote work patterns.</td>
</tr>
<tr>
<td>Resilient</td>
<td>Economic resilience – enabling an economy that is dynamic and learns to adapt to external forces</td>
<td>Effectively, these three pillars of resilience are interdependent and should be considered with equal measure. Building back a more resilient economy, environment and society should be the key focus of the region’s recovery strategy, and this will require engaging with businesses as much as with residents. The region’s economic strategy is now its health and people strategy; the ability to keep the workforce healthy, the way in which inequality will be tackled and the capacity to make livelihoods more resilient will essentially determine how quickly the economy can recover. Inequality will have worsened due to crisis and unemployment effects will be scarring, especially for young people, women and people with no qualifications (Learning and Work Institute). The upcoming economic challenges will have indirect and long-term repercussions on society’s wellbeing and quality of life. If not given proper attention, rising inequality will cause structural damage to the region’s social inclusion, productivity and prosperity. The recovery provides an opportunity to do things differently and to set a new precedent for “prosperity without growth”, redefining what economic success means. Focusing on strengthening the resilience of local places and communities and the systems predating the crisis, rather than boosting productivity in new areas, could help the GBCR rebuild better and stronger.</td>
</tr>
</tbody>
</table>

* An efficient travel network with effective regional, national and international connections | Despite speculation around changes in WFH patterns, it is unlikely that the whole economy will become remote-based. Already key sectors are planned to open up in June. Given that local transport concerns already existed in the region before COVID-19—particularly congestion and parking—investment in transport infra (E.g. Brighton Main Line) should be pursued. Good transport network determines ease of connectivity to employment nodes, ensures that key workers can access some of the region’s key service sectors (retail, hospitality, visitor economy), and that the region is generally conducive to workforce mobility and productivity. The Boards 2019 Business Survey further states that “transport impacts appear particularly pronounced for some sectors, so there may be value in exploring the scope for measures to address issues for specific industries.” This course of action should be pursued, particularly for those sectors most hard-hit by COVID-19. |
Recommended campaigns and policy interventions to be led by Greater Brighton Economic Board

**Greater Brighton Region Presents.** Using convening powers, lead the establishment of a single online platform/virtual stage (and associated social media) under one brand to host all of the region’s festivals, converts and arts events that are likely to be postponed for at least the next year. Part of the construction should include an online shop for ticket sales and merchandising for the events.

**High Street Recovery Commission.** As we discuss in the report, there are likely to be a large number of retailers going insolvent over the coming months, many large chains. The Board could lead the set up of local high street commission where commissioners are landlord created jointly to ensure the growth of independent retail, coordinated ‘meanwhile’ uses for vacant sites and support for innovative new formats like Sook.

**Greater Brighton Region Artists Resilience Funds.** Many global cities home to large populations of artists have established single platforms that centralise grants and funds available for artists similar to Kickstarter (as opposed to arts organisations). The Board could lead the establishment of a single Greater Brighton Resilience Fund aimed at Artists. If the region is to retain its cultural heritage and character it will be important to support individuals, many of whom do not have access to any other support.

**Green Infrastructure New Deal.** The Government will start releasing funds to accelerate infrastructure construction projects. Using its lobbying powers, the Board can help to create the narrative and pitch to government to secure funding for a range of infrastructure projects from long-awaited improvements to the Brighton-London line, expedited 5G and the provision of bicycle lanes and routes. The projects GBEB has been supporting including on energy and water plans should be put forward.
Annex: Further Sector Analysis
Creative and Digital

Baseline Prospects

• The creative and digital sector plays a vital role in the Greater Brighton City Region economy and makes up around 15% of the area’s total business base, generating a turnover in excess of £1.5 billion. Most creative and digital activities in the region revolve around music (11.7%), marketing and advertising (11.4%), design (10.8%), architecture and planning (10.3%), computer software (9%), apparel and fashion (8%) and arts and crafts (8%). Other smaller activities include publishing, PR & comms, media production and photography. Since 2014, growth has been particularly prominent in the software and performing arts.

• Employment growth in this industry has been particularly strong in Brighton, where most of the region’s creative companies are located. Worthing, Lewes and Burgess Hill also have concentrated clusters of creative and digital firms.

• Some of assets in the region supporting the growth of the creative and digital sector are:
  - New England House is one of the major hubs for Brighton’s thriving Creative, Digital and IT (CDIT) businesses and is also home to the Digital Catapult.
  - The Plus X Laboratory at Preston Barracks, Brighton, which is a planned state of the art creative and design facility for entrepreneurs, inventors and students.
  - The Bognor Regis Creative Digital Hub (The Track) and Colonnade House in Worthing are two growing hubs for the creative and digital industries in the region, providing working space for artists, makers and other digital and creative business owners.

• The 2019 GEB Business Survey found that:
  - Creative businesses are very small: out of the 22% businesses that have no employees, a quarter are in the creative industries.
  - Technology intensive and creative businesses are highly reliant on international import-export chains: 34% of technology intensive businesses and 36% of creative businesses were more likely to export internationally; and 47% of technology intensive businesses and 34% of creative industries relying on imports of goods or services.
  - Product and service innovation is most common within information/communication businesses (46%) and arts/entertainment/recreation services (46%).
  - One in five businesses working around the arts/entertainment/recreation mentioned lack of demand as an obstacle to business growth.
  - A higher proportion of those in the creative industries reported they were planning to relocate outside of GBCR because of cost of workspace.

COVID-19 Challenges

1. Alongside the tourism and retail/wholesale industry, the creative sector is among the most affected by the coronavirus crisis. Lockdown and social distancing measures have significantly changed the way we interact with creative and digital content.

2. The visual and performing arts (cinema, theatre, live music) and traditional media production activities (TV, radio, newspaper, books and advertising) have been hard hit by the crisis, with the majority of these sectors being forced to suspend their activities. This has had an immediate impact on self-employed freelancers, who have found themselves out of work, facing bankruptcy and in urgent need of financial support. 1 in 7 creative organisations believed they could last only until the end of April on existing financial reserves.

3. In the long-term, one challenge for the digital and creative industries will be to find new ways of engaging consumers remotely, while navigating competition. Creative and digital industries will have to adapt their production to changing media consumption habits, and think creatively about how to best engage consumers in an increasingly competitive online sphere.

4. As the economy opens up, the industry’s reliance on international import-exports supply chain models will come under scrutiny and require some adaptation.

* Creative Industries in Greater Brighton, Dr. Josh Skepel, Jan 2020
** Evaluating the initial impact of COVID-19 containment measures on economic activity, OECD, April 14th 2020
*** Home is where the art is, Creative Industries Policy and Evidence Centre (PEC), April 8th 2020
**** Creative Industries Federation Survey of 2,000 creative organisations, April 2020
***** Likely Impact of Covid-19 on the UK media industry, PwC, April 2020

HATCH
Creative and Digital

COVID-19 Response & Opportunities

• With consumers likely to spend more time online than ever before, there is an opportunity to capitalise on increased demand for online products and grow digital creative activities, particularly around advertising and digital entertainment media services such as online-gaming, eSports, elearning and VOD services. Brighton’s high levels of specialisation in computer games and animation (three times more than across the region) presents an opportunity to make the city emerge as a leading destination for business in this industry.

• Filmed performances of theatre, concerts and dance shows, alongside online photography, painting and art have witnessed an increase in consumption.*

• In light of high street store closures, many retail companies will be transitioning to e-commerce services, further benefitting the ad platforms and digital designers supporting these ecosystems.

• Creative and digital content is also playing a key role in addressing the mental and psychological wellbeing consequences of social distancing and economic uncertainties in the UK and across the world.** There is an opportunity to rethink how these industries can collaborate with mental health and wellbeing services.

• COVID-19 is disrupting how we shop, exercise, learn, socialize and spend free time. The creative and digital sector will thus have a significant role to play in the recreation of the human and social dimensions of society, and in shaping recovery.***

• Digital has become the most critical part of the UK’s infrastructure during the COVID crisis. The expansion of remote working and the shift towards e-commerce during the pandemic have accelerated the move towards digital as the new operating default. Digital companies can capitalise on these opportunities to support lead change and support other parts of the economy to be more agile, innovative and remote-ready.

• In the face high street store closures, many retail companies will be accelerating their transition to e-commerce services, creating demand for software development, mobile technology, and logistics and distribution companies to support the developing ecosystem.

• Ensuring that workers remain productive and efficient in these remote conditions is putting pressure on businesses to invest in remote collaboration tools, secure endpoint solutions, cloud-based storage and CRM systems. Growing demand for these services represents an opportunity for software and cyber security companies to grow their customer base and increase their revenues. This transition to the online working world will also likely create a higher demand for IT consultancy services.

---

* Cultural consumption in the UK during the COVID-19 lockdown, Creative Industries PEC, April 29th 2020
** Understanding changes to the way we consume culture at home during COVID-19, Creative Industries PEC, April 2020
*** COVID-19 Resilience: Creative Industry Options and Strategies, HEVA, May 2020
**** We need a creative EdTech revolution in the COVID-19 lockdown, Creative Industries PEC, May 22nd 2020
# Creative and Digital

<table>
<thead>
<tr>
<th>Greater Brighton Economic Board Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> In the short term, support should be focused on providing self-employed creatives and artists as many do not meet the requirements for government support packages. In the US a coalition of national arts and creative sector grantmakers have come together to create <a href="http://www.artsrelief.org">www.artsrelief.org</a>. A similar financial support programme could be put in place, which includes a creative and cultural rescue fund, advantageous debt financing, artist stipends for things like food and rent, production-from-home grants or corporate tax and individual income tax waivers.</td>
</tr>
<tr>
<td><strong>2.</strong> The Oxford Business School Pop Up offers a good model for business support. In the long term, existing creative and digital centres should be used to:</td>
</tr>
<tr>
<td>* Hold drop-in sessions to help firms access public and private grants and support such as the Futures Fund;</td>
</tr>
<tr>
<td>* Provide free social media training sessions for creative businesses struggling to set up an online presence; to guide them in becoming more global, tapping into new consumer markets and participating in global content ecosystems</td>
</tr>
<tr>
<td>* Set up legal protection for online content training, to ensure that firms retain the revenues they deserve</td>
</tr>
<tr>
<td>* Host innovation hackathons to help creative and digital businesses develop new business models and products and coordinate relief resources</td>
</tr>
<tr>
<td>* Share knowledge around coping and recovery strategies, and showcase success stories of online transitions (e.g. Chichester Festival Theatre broadcasting).</td>
</tr>
<tr>
<td><strong>3.</strong> Work with creative and digital business organisations across the Greater Brighton City Region to strengthen local supply chain potential, reduce reliance on international imports-exports and better embed businesses in the local area.</td>
</tr>
<tr>
<td><strong>4.</strong> Support the creation of new partnerships or collaboration within the Greater Brighton City Region’s ecosystem of creative and digital firms. Design firms should be encouraged to offer discounted services to other creative firms struggling to build an online presence, digital firms should explore how they can support the region’s universities’ transition to e-learning.****</td>
</tr>
<tr>
<td><strong>5.</strong> Help smaller creative and digital businesses explore scope for mergers to increase firm size, cash flow and consolidate business resilience.</td>
</tr>
<tr>
<td><strong>6.</strong> Broker relationships between creative and digital businesses and local authorities to reach new audiences such as younger demographics or vulnerable groups to address issues relating to mental health and youth education.</td>
</tr>
<tr>
<td><strong>7.</strong> Implement a “Pay It Forward” initiative, similar to the one implemented by the Greater London Authority, to secure the future of creative businesses by pre-selling vouchers, good and services</td>
</tr>
<tr>
<td><strong>8.</strong> Identify places where fast and reliable digital connectivity is most needed to support economic growth. This will principally be about ensuring fullfibre ultrafast connectivity in business locations and then spreading out enhanced connectivity to residential locations to support home working and 5G rollout.</td>
</tr>
<tr>
<td><strong>9.</strong> Work with a digital skills market to help people at risk of losing their job in the digital economy, but who may have valuable digital skills to contribute to the local economy in other digital economy sub-sectors.</td>
</tr>
<tr>
<td><strong>10.</strong> Work with the Coast to Capital Growth Hub to ensure appropriate support is in place to help traditionally non-digital firms adopt digital tools and make best use digital connectivity as they transition their business to a more robust online operation.</td>
</tr>
<tr>
<td><strong>11.</strong> Engage local digital economy businesses to offer tech support to small businesses (likely via the Growth Hub) to ensure greater local resilience in support and know how around cyber risk management measures and efficient IT operations.</td>
</tr>
<tr>
<td><strong>12.</strong> Make the case with partners to central government for revenue from the new Digital Services Tax to be partly invested in the UK’s digital enterprise and skills base.</td>
</tr>
</tbody>
</table>
Wholesale and Retail

Baseline Prospects

* The wholesale and retail sector accounts for 17% of the total business base in the region, according to The Board’s recent 2019 Business Survey. This is equivalent to 18% of all employment in the region.

* Wholesale and retail activity is particularly established in Brighton and Hove, with Brighton city currently sitting at 22nd in the UK CACI retail towns ranking. Crawley and the area surrounding Gatwick Airport are also hotspots for distribution and warehouse operations.

* The Business Survey further highlighted online competition as one of the key challenges to growth that businesses in this sector face. The lack of financial resources was also cited as an obstacle to growth, resulting in low levels of product and service innovation in the retail sector.

COVID-19 Challenges

1. The retail and wholesale sector (excluding food, drug or other “demanded products”) has experienced a strong drop in demand, due to the contraction of public facing activities, closed shops and the collapse in consumer spending. 80,000 stores are expected to close across the UK by 2028. Retailers across the UK have reported the sharpest fall in sales in the year to April, a level unmatched since the financial crisis of 2008. According to CBI, wholesalers expect an even sharper pace of decline in the year to May.

2. While shops have begun to reopen since early May, a recent Ipsos Mori survey* found that 40% of Britons would feel not very/at all comfortable shopping, other than in supermarkets. Another survey by GfK** saw a drop in consumers’ perceptions of the general economic situation along with a sharp rise in personal finance savings.

3. The same research by GfK highlighted that “While many shoppers will return to high streets and malls once safety returns, the outbreak may accelerate a long-term shift from in-store to online shopping. The reduced traffic will prove fatal to some traditional stores already under stress” and COVID-19 consumer behaviors may “stick” long after the crisis.

4. This end of the JRS scheme will also likely put hundreds of thousands retail employees livelihoods at risk, especially given the forecast that up to a fifth of smaller shops will not reopen after the pandemic.***

5. The Government has offered a 12 months business rates holiday to businesses, which is putting at risk the work that the Brighton City BID does for the city centre, as a large part of the BID’s operations is dependent on a business rates levy.

*Comfort in returning to “normal”, 8 11th May 2020, Ipsos Mori
**Impact of COVID19 on consumer behaviour, April 2020, GfK
***British Independent Retailers Association
Wholesale and Retail

COVID-19 Response & Opportunities

• According to ONS’s early research on the impacts of coronavirus, the wholesale and retail sector had the 4th largest proportion of businesses restarting trade at 9.8% between 20 April and 3 May 2020.

• While it has suffered from sluggish or decreased demand for workers, the switch to e-commerce services has helped to keep retail businesses afloat. Around 50,000 new small businesses have signed up to eBay since February, twice the normal number of enrolments, while others have moved onto Amazon Marketplace. The shift of the retail landscape from bricks-and-mortar retailing to online shopping means that consumers will increasingly be shopping online.

• This presents an opportunity for smaller players, who can now tap into a new and expanded digital market.

• The acceleration of the rise of e-commerce also presents an opportunity to rethink the role of high streets, already stricken before the COVID-19 crisis. In many ways, the crisis now gives local authorities a massive mandate to champion place making and shaping the town and city centre of the future as a destination for leisure, culture, health services and social integration.

• While physical retail will still have to exist in some shape, retailers will likely be re-evaluating the amount of physical space they require to carry out business and prioritise e-commerce operations. The rise of e-commerce will likely benefit warehousing and logistics companies, alongside the digital companies focused on automated warehousing and distribution, cloud and mobile technology, data storage, e-commerce fulfilment and software development.

Greater Brighton Economic Board Priorities

1. The Board’s 2019 survey stated that “innovation support needs to be part of the mainstream business offer to establishments in retail sector (...) in particular this should seek to stimulate collaboration between businesses, alongside sector bodies and with universities.” Renewing this commitment should be a priority for The Board as the retail and wholesale sector will likely be one of the most hard-hit sectors in the region. Innovation support could come in the form of financial packages or networking support.

2. Encourage greater engagement within the regional network of wholesalers and retailers to support smaller retailers to enter in partnerships with bigger companies, to utilise spare capacity, access tech or expertise.

3. Broker relationships between “big” retailers who may be reconsidering their property portfolio and local authorities who could put idle retail units to alternative use, such as for independent retailers, the voluntary sector, affordable workspaces to retain creative and digital businesses in the region, or for housing.

4. Offer free drop-in training sessions to independent retailers to establish a stronger online presence through bodies like the Brighton Chamber of Commerce.

5. Provide skills support alongside the phase out of the JRS scheme to support unemployed individuals from the retail sector to transition into new jobs in emerging economies like the low carbon sector.

6. Lobby government to save the Brighton City BID, which is at risk of becoming insolvent by July 2020; and lobby to extend business rates relief to 2021 to support retailers.
Visitor Economy

Baseline Prospects

• The visitor economy has helped to position the Greater Brighton City Region as a leading area for hospitality, tourism and culture. In Brighton and Hove alone, there are 14,000 jobs in the accommodation and food services sector, making up around 42% of all the employment in that sector within the Greater Brighton City Region. Brighton is also the tenth most visited town in the UK by both inbound and overseas visitors.*

• The presence of a thriving performing arts sector in Brighton and Hove, which had a yearly turnover of £329m in 2019 and employs 3,500 people**, is in part due to the presence of assets like the Royal Pavilion, the Brighton Museum & Art Gallery, Brighton Dome & Theatre Royal, and events such as the Brighton Pride and Brighton Festival. Another key event is the Sussex Festival of Performing Arts. The proximity to the South Downs National Park is also an attractive factor of the region’s visitor economy.

• Overseas visitors to the region accounted for 20% of all visitors in 2019, a drop from the 26% rate in 2016. Scandinavia, Germany, the United States, France and Australasia were the most frequently mentioned countries of residence. Domestic visitors mainly come from the South East (24%) and the Greater London Area (20%)**

• Some of the main reasons for visiting Brighton include going to the beach (26%) and seeing friends/relatives (18%). Most people staying overnight use serviced accommodation, while 8% stay in AirBnBs. The average overall spend for an overnight stay was £177 or £71 excluding accommodation costs.

COVID-19 Challenges

1. The impact of COVID-19 has been severe. Lockdown measures have forced the closure of all restaurants, arts and cultural locations that support the visitor economy. The bans on public gathering and travel restrictions (both local and international), alongside night time curfews, social distancing measures, closure of public spaces, and restrictions on movement, have triggered a near-total shutdown of the visitor economy. Future levels of unemployment will dictate the disposable income available and therefore the propensity to spend on leisure-based experiences.

2. Key visitor events in Brighton have been cancelled (such as the Brighton Marathon or Brighton Pride), resulting in huge losses given that some of the logistical preparations had already been put in place. The pandemic has also been anxiety-inducing for most creatives, given that this situation has denied them a platform to earn a living.

3. Commercial rents are an important issue, particularly for music venues, and are taking up all their resources. Rents and private landlords are also a major issue within the local independent hospitality sector.** The Treasury’s ban on commercial evictions for three months protects hospitality businesses in the short term. However, many landlords are requiring businesses to repay the missed quarter of rent in the next quarter, essentially doubling rent. This is being referred to as the “rent apocalypse” and it is forecast to potentially force more than half of all hospitality businesses into bankruptcy.

4. The visitor economy is social and communal in nature. COVID-19 has disrupted that, and the sector may never exist exactly as it did before. These disruptions affect all professions in the sector, and their daily revenues and income, from tour operators, hotel staff, tent suppliers, food vendors and caterers, light and sound engineers, artists, exhibitors, music performers to security guards. The events value chain supporting this industry has also been hard hit. As of April 2020, 80% of all UK workers in hotel, food and accommodation are on furlough and 68% in arts, entertainment and recreation are on furlough.*** Should social-distancing requirements continue in the months following the closure of the government’s furloughing scheme (currently scheduled for June 2020), the majority of furloughed visitor economy staff would likely be made redundant reasonably swiftly as firms run out of cash.

5. This will cause knock-on effect when social distancing is relaxed as it means the visitor economy facilities like restaurants, tourist shops and hotels will not be available, further damaging GVA. Moreover, social distancing measures are likely to still be in place until December 2021 (UK Hospitality), meaning that businesses are only going to be able to reopen at 30% per cent of normal revenues.

6. Paranoia around social gatherings may stick beyond COVID and persuading fearful Britons to venture out again will likely be a challenge for the visitor economy.*****
Visitor Economy

COVID-19 Response & Opportunities

• Drawing on the experience of countries further along the COVID-19 curve, an Australian survey undertaken last week indicated 50% of Australians were actively making plans for domestic trips*. The main motivator cited is the need to support the Australian economy (as well as a need to get out). Respondents indicated that coastal towns were the most popular destination by a wide margin, with cities the least appealing.

• There is also evidence that future travellers are spending time during lockdown curating whole day trips/overnight trips and choosing destinations on the basis of choice of hotels, food, cultural and natural attractions. **In line with this, a recent survey by Ipsos Mori indicated that 60% of Britons were not very/ at all comfortable taking holidays abroad – as a result, it is probably that demand for domestic trips will increase, a silver lining for the Greater Brighton’s visitor economy and coastal towns.*** Knight Frank, a real estate group, further predicts that "with all schools closed (...) the traditional 6-week summer holiday period will effectively be extended, allowing families the opportunity to take a UK holiday perhaps in June or early July (...) coastal areas are likely to benefit and see a greater uplift in trading. Regional UK, therefore has the potential to benefit from sources of demand not previously at its disposal pre-COVID-19".****

• The Australian survey and others have shown that future travellers will be hyper-aware of hygiene standards in accommodation, public facilities, restaurants and pubs and this will become a major driver of choice.

• Large hotel chains may only fully reopen when social distancing measures are eased, to ensure operating losses are less than the holding costs of keeping the hotels closed. ***** Thus, we may see demand rise for smaller boutique and independent hotels, alongside AirBnB.

• Empty hotels and unused venues offer an opportunity to rethink how these assets could be repurposed temporarily to meet other social needs around housing, education or health. These might be .prove particularly useful in dealing with homelessness, or in providing extra space for care homes or food banks.

• According to ONS’s early research on the impacts of coronavirus, the accommodation and food services activities sector had the largest proportion of businesses restarting trade at 19% between 20 April and 3 May 2020. This will likely one of the sub-sectors of the visitor economy that will recover quickest.

*University of Queensland Survey
**COVID update report Expedia, released 21 April 2020
*** Comfort in returning to "normal", Ipsos Mori Coronavirus Polling, May 2020
**** COVID-19 - The impact on the UK Hotel Market and its forecast recovery, Knight Frank, April 2020
Visitor Economy

Greater Brighton Economic Board Priorities

1. Help prepare a strategy for scenarios once lock down restrictions have been removed, to allow businesses within the hospitality industry to source and prepare the right equipment/PPE supplies.

2. Support the development of a strong communication campaign to brand the Greater Brighton region as safe to visit once social distance measures are eased. This will include:
   • Developing a promotional scheme for businesses to demonstrate their cleansing & distancing measures, reassuring consumers that staff from the visitor economy are being tested and that PPE standards are being respected.
   • Emphasising coastal towns as safe and open spaces where social distancing measures are easy to follow
   • Putting funds into the promotion of the region

3. Work with trade bodies and VisitBrighton to lobby national government for a tourism sector plan to maintain the furloughing scheme (or a variant) to bridge through to the end of social distancing.

4. Set up a SWAT team to work with visitor economy-related local businesses to ensure they are accessing as much of the government's loan and grant schemes available to maximise chances of survival.

5. Pivot the Visit Brighton website and wider region tourism material to target day trippers from London and the Southeast, and to encourage residents to go on “staycations”. The offer should include whole curated day trips including restaurants, cultural and natural attractions to boost per visitor spend.

6. Develop innovative ways of marketing and promoting the region’s tourism assets, through activities such as live streaming the city and virtual events. Collaboration with the local creative and digital sector should be an integral part of this process.

7. Commit a pot of funding to support festivals and events that have had to cancel but can play an important role in attracting people back to the region once social distancing measures are eased.

8. Support councils in developing a best practice guide when it comes to negotiations between tenants from the visitor economy and landlords, and give clear direction on their strategy for tenants so that private sector landlords can follow.

*University of Queensland Survey
**COVID update report Expedia, released 21 April 2020
Education

Baseline Prospects

- The education sector accounts for 9% of all employment in the Greater Brighton City Region and is characterised by three anchor institutions: the University of Brighton, the University of Sussex and the Greater Brighton Metropolitan college, which play an important role in drawing skilled people to the region and in driving innovation. Together, they accounted for 52,000 students in 2018-19.
- The two universities have a large body of international students, with 13% non-UK students at the University of Brighton, and 32% non-UK students at the University of Sussex in the year 2018-19.*
- A study by the University of Brighton** further found that:
  - The Universities’ graduates enhance the skilled talent pool available to employers in the city, and across the region, supplying highly qualified workers to key sectors like the knowledge economy. Over 40% of graduates are employed in East Sussex and West Sussex;
  - The University of Sussex supports over 5,000 jobs in Brighton and Hove, East Sussex and West Sussex;
  - Through its Academies Trust, the University of Brighton directly supports the education of over 7,500 local pupils in 15 schools;
  - The University of Brighton and GBSMet are the largest providers of apprenticeship training in Brighton and Hove, together accounting for almost one in three of all participants in the area in 2018-19;
  - A significant majority of GBSMet higher education students are from widening participation and non-traditional backgrounds. It has major provision for vulnerable students and for re-engaging NEETs.

COVID-19 Challenges

1. Education will be the second hardest hit sector by the coronavirus crisis, according to the OBR analysis for the GBCR region. The COVID-19 crisis has already cost the University of Sussex £13 million.*** The summer break and suspension of summer schools will worsen the financial impact in terms of (a) a significant fall in international students and (b) a rise in home student deferrals, with students not wanting a virtual experience in place of a campus in-person education.

2. A sharp drop in international student numbers is anticipated. A research study by London Economics ** revealed that universities with significant numbers of international students would be hit hardest, while a survey by the British Council*** revealed that some universities are forecasting a fall of international students by 50% compared to last year, with 39% of Chinese applicants unsure about study plans. This will not bode well for the University of Sussex, whose revenues are particularly dependent on Chinese students. For a comparison, recruitment recovery following the SARS epidemic which mainly only affected China, took 5 years.*

3. International fee income is vital to the finances of many universities. It allows universities to generate funds to support high-cost science-based research. This might further cause a loss in research and innovation capacity for the region, and the region could suffer from a “brain-drain” and heightened challenges around local skills retention/recruitment and intensified competition for domestic students. The brain drain phenomena could be accentuated by the fact that one year after having left full-time education, more than one-in-five graduates would normally work in a sector that is now mostly shut down (non-food retail, hospitality, travel, arts, entertainment).**** The difficulty of getting onto the first rung of the employment ladder could mean that the region will suffer from particularly intense youth unemployment.

4. A number of longer-term challenges around commercial property are also predicted: universities have taken an immediate hit on rent revenues from vacated accommodation, shut down of catering and loss of rents at assets like the Innovation Centre. Students at the University of Sussex normally boost additional off-campus spend by around £200m, which will also be lost.

5. The challenges faced by the education sector will have knock-on effects on university jobs, the night-time economy and spend in night-time venues by students. Public transport will likely also be affected, alongside Gatwick Airport, of which international students are significant users.

6. More generally, universities generally act as emblematic anchor institutions for an area and its community, and their demise could further destabilise the prosperity and identity of the region.

*HE student enrolments by HE provider and domicile, HESA, May 2020
**Brighton & Hove: economic impact of the tertiary education sector, University of Brighton Evaluation and Policy Department, May 2020
***Higher Education: The University of Sussex, Professor Stephen Shute, May 2020
*****Class of 2020: Education leavers in the current crisis, Nuffield Foundation and Resolution Foundation, May 2020
COVID-19 Response & Opportunities

As regional anchor institutions, the Universities have a leading role in economic development to play.

- There is an opportunity for the two universities to make themselves more relevant to the Greater Brighton City Region by prioritising a more concrete regional and locally-specific research agenda. The University of Sussex’s COVID-19 research group is currently looking to build on locally-relevant research already underway and to form knowledge transfer partnerships with the region’s business community to push forward this research.

- The Brighton and Sussex Medical School (BSMS) is an equal partnership between the Universities and NHS partners which produces high-quality medical graduates who are well prepared to lead the health service during the COVID recovery period.

- GBMet offers online professional development short courses and programmes for the unemployed, which can offer a useful platform to support people back into jobs during the economic recovery.

- “If social distancing continues until December 2020, the space constraints on the teaching estate of the University of Sussex’s Falmer campus will mean the University will have to deliver much of its teaching remotely without the benefit of face-to-face contact, particularly large lectures”. *There is an opportunity for local e-Learning digital companies to step up. B&H Music Service and East Sussex Music have already planned online lessons to 3,000 children in the summer term.

- There is also an opportunity for creative businesses to integrate their offer within e-learning services, to make it more engaging. Research by the Creative Industries Policy and Evidence Centre suggests that “access to remote learning resources should also extend to those that nurture the creative digital skills of young people”, helping to equip them for the economies of the future.” **

- To expand these e-Learning services beyond the region and to drive additional volume, the quality of technology will be critical. This is dependent on 5G development and the quality of online content acting.

Greater Brighton Economic Board Priorities

1. Engage with universities to support the upskilling and creation of jobs in the green sector, and specifically with the University of Brighton’s Green Growth Platform which could absorb unemployment from some of the sectors which have shut down.

2. Partnerships with the Sussex Innovation Centre and PlusX Brighton should be leveraged to further reboot start-up and SME innovation activity in the region.

3. Help universities create a greater sense of certainty about the upcoming academic year through a clear communication strategy, to reassure undecided applicants and give them confidence to study at the University of Sussex and University of Brighton.

4. With few vacancies opening up, The Board should work with partners to put in place targeted supported for youth unemployment. The Future Jobs Fund proved a successful model that could be used as a basis for a new scheme that would develop job guarantee under which public and private sector

*Higher Education: The University of Sussex, Professor Stephen Shute, May 2020
** We need a creative EdTech revolution in the COVID-19 lockdown, Creative Industries PEC, 21 may 2020
Aviation

Baseline Prospects

• The UK is the worlds third largest air passenger market, with 120m passengers flying to the UK in 2019, supporting 1.5m jobs and generating around £100bn.

• Greater Brighton is home Gatwick Airport which is the second busiest airport in the UK. Through direct activities associated with the airport the sector supported economic output of £1.5bn in 2016, with a further £1.1bn of indirect economic output*.

• Greater Brighton is a hub for aviation, aerospace and defence manufacturing which is driven largely by the direct activities associated with Gatwick Airport.

• Prior to the Covid-19 pandemic the airport had reported that there had been growth in both passenger numbers and revenue in the 9 month period leading up to 31st December 2019. The published results, by Gatwick Airport, showed that just under 37 million passengers passed through the airport, resulting in an 0.3% increase. The increase in passengers was mainly down to long haul flight passengers**.

• The airport still has plans to bring the existing Northern stand by runway into use in the future, which is expected to increase traveller numbers and revenue.

COVID-19 Challenges

1. Travel bans and lockdown restrictions across the world have severely impacted flight numbers. London Gatwick is currently seeing just 1% of the flights made this time last year**, with Global commercial flight activity almost 75% below 2019 by mid April 2020**. The airport has brought in temporary consolidation of operations into the South Terminal and the limiting of flight schedules to between 1400 and 2200 each day.

2. Gatwick airport does not expect flight numbers to return to recent levels until 36 to 48 months. This reduction in traffic through Gatwick Airport will likely reduce demand for digital economy services related to logistics and aviation***.

3. There have been widespread job losses throughout the aviation industry as a result of Covid-19 with British Airways parent company IAG announcing that it was cutting 12,000 positions from the airlines 42,000 strong workforce. Whilst Easyjet laid off 4,000 UK-based cabin crew for 2 months, Qantas has put 20,000 staff on leave and 700 American Airlines pilots have agreed early retirement.

4. The chancellor announced that the furlough scheme will be extended until the end of October, however the demand in airlines is not expected to achieve pre Covid-19 levels until at least a few years.

5. Further strain has been placed on the industry with the Governments implementation of a required 14 day self isolation following the return to the country. This has led to British Airways reviewing its plans to resume 50% of its flights in July. The 14 day isolation for incoming passengers has been met with stern force by the aviation sector, with a law suit pending.

*Oxford Economics, The economic impact of Gatwick Airport, January 2017
**Eurocontrol, COVID-19 Impact of European Air Traffic
***IEA, Changes in transport behaviour during the Covid-19 crisis, 23rd May 2020
Aviation

COVID-19 Response & Opportunities

* Many large travel companies aim to begin operating flights across Europe to popular holiday destinations such as Greece and Spain.

* The airports majority shareholder, Vinci Airports, took action to safeguard their financial investment through placing over 90% of staff on the UK Governments Job Retention Scheme.

* The airport secured a £300 million loan with a consortium of banks on the 3rd of April, which will improve the airports liquidity.

* Gatwick airport has announced that the work to the Northern stand by runway is to go ahead post Covid-19 pandemic, this could aid the recovery of the airport through investment opportunities. Additionally the project will create employment opportunities for local residents.

* Manor Royal is heavily involved in Gatwick Airport, it is now offering post Covid-19 contingency solutions, offering office space for small teams as a ‘fall back’ option. This can help combat Crawley’s exposure to the crisis, as the Centre for Cities estimates Crawley to be the most exposed of the UK’s largest towns, due to its linkages to vulnerable sectors, particularly the aviation industry**

* Work travel has reduced – alternative measures to carry out meetings online have been introduced with PWC forecasting this to remain post crisis. Gatwick Airport’s flight traffic is likely to see a decrease as a result of reduced international business travel, at least until business confidence in travel picks up.

* Global occupancy rates are beginning to increase, especially in locations in Asia and North America. While domestic rates continue to remain low there is a growing demand for traveling abroad***, especially since June 19th, when Easyjet resumed its flight operations from London Gatwick Airport.

Greater Brighton Economic Board Priorities

1. Due to the expected reduction in long haul travel/city breaks breaks both initially and in the long term – there is expected to be a shift towards holiday parks/camping/caravan holidays with domestic travel set to increase***. According PWC, this could help to offset some of the lost business through the aviation industry by angling Brighton as one of the top domestic locations for summer holidays.

2. In light of recent announcements from the major airlines, there is a need to engage the research community with Gatwick to develop plans for Gatwick to be an exemplar in how airports function safely in the face of COVID-19 (and other transmissible conditions) including adoption of new contactless hygiene measures, innovative people movement management, additional procedures for virtual check-in and border checks and redesign of airport layout.

3. Use local manufacturing businesses to supply PPE for passengers and staff at Gatwick Airport. Within the current guidelines traveling passengers are expected to wear PPE protection including masks and gloves in order to travel. This precautionary step will increase passenger confidence and reduce fears surrounding air travel.

4. Due to the long lay off pilots will need ‘time in the air’, or in the simulator in order to maintain their ratings or permits to fly specific aircraft. Gatwick and Manor Royal are equipped to offer such training. There are state of the art facilities such as the London Training Centre and the new Avlon and JAGO training centre located in Manor Royal. Alongside this position Greater Brighton – specifically Manor Royal (heavily dependent on tech and aviation) as a fall back option for firms located in London. Much of the office space offers parking (avoid public transport) and increased space – social distancing in teams within the building.

5. Lobby government for a bailout scheme similar to the scheme in France in order to bailout airline companies with The Board to lobby for similar scheme to supporting aviation staff which has been furloughed and help reboot this vital economy to the region.

* Manor Royal, Post Covid 19 Office Contingency Solutions
** The Impact of COVID-19 on Commercial Real Estate, Costar
*** PWC, When will holidays take off again and how can the travel sector prepare?
Baseline Prospects

- The professional, scientific and technical sector is one of the more-established sectors in the region. Through work to prepare the sector for Brexit, the Board has engaged in strong dialogue with many of these firms, which will be important to maintain over the coming months. In 2019, the Board conducted a Business Survey across the region. Key findings include:
  - 19% of establishments are in the professional, scientific and technical, employing around 8% of the region’s workforce;
  - within this sector, finance and insurance businesses were more likely to have experienced higher employment growth in recent years;
  - 22% of businesses found that online competition was already an obstacle to growth;
  - 30% of businesses in the professional, scientific and technical sector reported higher than average levels of exporting
  - Product and service innovation was most common within the professional, scientific and technical sector.
- Most activity in this sector is concentrated within Brighton and Hove and Mid Sussex. Some notable new assets coming to the region, which will support the performance of this sector include the Science and Technical Park in Burgess Hill, the Environmental Technologies Centre near the Brighton City (Shoreham) Airport and the Sussex Innovation Centre near Brighton Station.

COVID-19 Challenges

- The professional services sector is being both positively and negatively impacted by COVID-19. As client’s priorities are shifting, projects and investments are being cancelled or delayed and this has a direct consequential impact on the sector.
- As a result, the short-term priority for many firms has been to reduce costs quickly by making redundancies or other measures. The large banks and consultancies have been hesitant to furlough staff for fear of further damaging their reputations. Ernst and Young has “strongly encouraged” all of its 17,000 staff to take 70% of their annual leave allowance before the end of August.
- Some of the lost income is being made up by an upswing in regulatory and legal responsibilities as well as the need for restructuring support. However as these are specialist disciplines some firms, including law firms are still making staff in unrelated areas redundant in order to hire restructuring experts.
- The professional services sector has been able to move relatively seamlessly to online working and this has raised questions about the need for large centralised offices in central London going forward.
- COVID-19 has exposed the fragility of national supply chains with an emphasis in reshoring in the future. The sector expects a large increase in work to novate existing contracts and restructure supply chains. For this reason the medium term outlook for the sector looks buoyant.
Professional, scientific and technical

COVID-19 Response & Opportunities

• The sector has been surprised at how seamless the move to home working has been. Large firms, including Barclays, have stated that they may no longer require their London HQ in Canary Wharf and instead operate using a series of satellite offices. This provides an opportunity for the Greater Brighton City Region as many of these firms already have regional bases and the area has a highly skilled labour force on its doorstep.
• Accountants and restructuring experts (management, operations and strategy consultants) are likely to be in high demand, as small businesses and large organisations will look to restructure their debt and work around cash shortages caused by the Covid 19 crisis. UK banks will put aside £5bn to cover the first quarter of loan losses which gives an indication of the upcoming scale of support required.
• Only one in five UK businesses who have formally applied for government-backed loans have been granted emergency funding. One of the issues has been the banks’ reduction in staff capacity as many self-isolate or are required to look after family.
• In the medium term, there will be a focus on fixing the weaknesses in supply chains with particular emphasis on risk and compliance challenges. This will be particularly pertinent in the Gatwick Diamond area as so many businesses are part of national and international supply chains.

Greater Brighton Economic Board Priorities

1. Many businesses will be seeking specialist professional services support for the first time and in a distressed state. Set up a Greater Brighton City Region/LEP wide call-off contract with locally based professional services firms for businesses in the area to procure support easily and on fair terms.
2. Liaise with large professional services firms based in the area to understand space requirements and other needs over the next few months. Look at converting unused space to set up a hub with conference rooms and flexi-work space for use by large central London firms when required.
3. Liaise with local bank representatives to see if additional capacity can be found to help businesses submit CBILS applications, or to help process them.
4. Work with partners to set up a Greater Brighton City Region online resource to help professional services firms recruit locally-based specialist staff including supply chain and risk experts to ensure talent stays in the area.
Horticulture and Viticulture

Baseline Prospects

• The Horticulture sector in the Greater Brighton City Region is deemed a priority business cluster. The sector is predominately located in rural areas and is home to some of the largest horticultural business. The horticultural sector in Brighton offers strong growth and stability with many of the current largest businesses starting as small family businesses such as Kate’s Cakes and Higgidy Pies*.

• There is a strong market for locally sourced produce which is pushed by the thriving retail and hospitality sector. However, the number of related businesses is less than the UK average.

• The Industry in West Sussex produces over £1 billion in annual sales of fruit, vegetables, salads and plants and employs more than 9,000 people. The continued success of the industry relies on free access to the European Labour Market****.

• Plumpton College has recently opened the Rathwinny Research Winery and started the UK’s first MSc in Viticulture and Oenology back in September 2014.

• The Brighton wine industry has been touted with putting English sparkling wine on the global map, mainly due to the success of the family run Ridgeview vineyard. The success of Ridgeview vineyard has contributed to the speed that the British wine industry is developing at – which according to Wine UK – the production of wine has trebled from 5.9m bottles in 2017 to 15.6m in 2018.

COVID-19 Challenges

1. There has been a reduction in demand for consumers, particularly in the ornamental part of the sector (including non-edible products such as flowers and bedding plants). This has been driven by the closure of garden centres and a reduction in orders from supermarkets. Due to a reduction in demand the value of lost plant sales in the UK will be £637 million by the end of June***.

2. The retail and hospitality sector have been struggling – therefore there has been less demand on fresh produce leading to crops going to waste. This has been especially tough for the industry as the HTA claimed 70% of plants are sold between the months of March and June.

3. Covid-19 has enhanced existing issues in the industry, with 99% of seasonal jobs typically filled with EU national workers**. Travel restrictions have reduced the supply of workers from abroad.

4. Education and training is of fundamental importance to horticulture businesses, through strong links with local universities and apprenticeship schemes. The closure of universities and largely education as a whole enhances existing issues in the industry with 70% of bosses in the sector saying that they struggle to fill vacancies, with 83% putting this down to the poor perception of horticulture in schools and colleges.

5. The wine industry in Brighton has been heavily impacted with vineyards such as Ridgeview furloughing workers, closing their cellar doors and cancelling all vineyard tours during their normal peak season.

6. The sector has seen a number of local challenges with West Sussex grower Far Plants announcing that it had lost around £5 million worth of stock due to the coronavirus lockdown. While the cancellation of food and wine events has led to a reduction in orders it has also reduced the level of media coverage and marketing cancelling events.

---

*Nalme B (2014) Greater Brighton and West Sussex Business Survey
**NFU (2020) Coronavirus: The impact on seasonal labour in the horticulture sector
***HTA (2020) Horticultural Sector worth £1.4 billion could be wiped out by Coronavirus shutdown in just weeks
****WSGA (2017) Growing Together – Strategic Plan
Horticulture and Viticulture

COVID-19 Response & Opportunities

• Garden Centres were announced as one of the first retail shops to reopen as part of the governments exit strategy. They opened on the 13th May, over a month before ‘non-essential’ shops were allowed to reopen. This provided the sector with competitive advantage on the high street and a chance to capitalise on increased consumer demand in gardening as a result of the lockdown, with the Seed Co-operative operating that reports that orders are 6 times higher than a year ago.

• One of the main concerns is the level of stock available, and with staff shortages, how the industry will be able to capitalise on increased demand. In the neighbouring region the WSGA has made a call for workers to fill staff shortages which generated 305 applications in the first two weeks. This includes students and people currently furloughed.

• Defra launched a pick for Britain campaign to bring workers and employers together in response to a diminished agricultural workforce. The campaign has raised awareness and attracted new workers to the sector.

• The HTA has launched a mobile APP which provides up to date information to the horticulture industry, information, resources and training opportunities. The E-Learning content is designed to help upskill staff and track their progress to help fill skill gaps.

• There will always be a demand for food, the industry has seen adaptability through food delivery boxes, with Abel and Cole announcing that it has seen a 25% increase in orders weekly. While CEBR estimated that the food takeaway sector has experienced a £6 million daily GVA increase since lockdown was enforced.

• There is growing positivity globally that the sector recovery will be strong, with a survey conducted by the AIPH finding that 71% of growers will soon recover after the crisis, which is a drastic change from their previous survey which predicted that 70% would be out of business by the end of 2020**.

• Great British Wine Tours are offering express next day delivery on local wines and artisan food to help promote the local wine scene. While PWC forecast that spending on groceries could help combat the loss of demand from the hospitality sector, offering local produce either through farmers market initiatives or food boxes. While the Sussex wine school, located in Brighton, has begun holding wine tasting classes online, while the vineyard Ridgeview has introduced complimentary next day delivery on any quantities of its wines.

• The NFU successfully lobbied for an exemption for seasonal workers from the strict quarantine requirements which have come in as of the 8th June.

Greater Brighton Economic Board Priorities

1. Firms in a number of priority sectors and those aiming for growth are more likely to trade with the EU or employ EU nationals – and so appear to be most exposed on EU exit

2. Brighton food and drink – supporting local, Brighton Chamber reported that sales of wine have increased by 31%. Continuing the promotion of local businesses and producers can help sustain the sector, both in the short term and for long term sustainability. Can help expand on the Vision set out in Brighton and Hove Food Strategy Action Plan, where there is a conscious effort to produce sustainable food production – shortening supply chains and retaining the value in the local economy****.

3. One way to boost the demand on local produce is through a voucher scheme***, or the ADHB is using its platform to create demand for domestic products through schemes such as #likoyourmoments and #MakeItSteak****. As a strategy it is providing marketing and some media coverage for companies that are missing out on food and drink festivals.

4. The introduction of part-time furlough could relieve some of the strain on the industry – employers that are on furlough to be permitted to work in the industry. While job posting in the hospitality industry are at an all time low, online sales are increasing including the sale of food and beverages. (ONS)

5. The ADHB state that travel accounts for over half of the emissions in the horticulture industry******* , therefore focusing on locally sourced produce can help reduce the emissions as well as creating a more sustainable supply chain.

6. WSGA have also created a labour availability spreadsheet where businesses with surplus staff can offer them to those with shortages. A similar scheme could help the GBCR area.

---

*West Sussex Growers' Association, Covid 10, Update, 29th May 2020
**AIPH Global Impact Survey During the Coronavirus Pandemic, May 2020
***Centre for Cities, Road to Recovery, 8th June 2020
****AIPH, Coronavirus Consumer Marketing Support
*******Brighton and Hove Food Strategy Action Plan, 2016

****ADHB, Inspiring farmers, growers and industry to succeed in a rapidly changing world, Annual Report and accounts 2019/20
Construction and Manufacturing

Baseline Prospects

- The construction sector in Greater Brighton is one that is thriving, due to the large number of developments in the region, including those funded by One Public Estate Funding. 11 of these projects are expected to produce 1,792 new homes, £86 million in capital receipts, 5,042 new jobs and 29,000m² of employment floorspace*

- There are well-established clusters of manufacturing around Adur and Worthing, where there exists a strong pharmaceutical base.

- Advanced manufacturing is a key sector in the economy with around 830 businesses and 8,000 people. The area has a variety of world leading high-tech manufacturing businesses including Rolls Royce Motor Cars, Bowers and Wilkins and Eurotherm.

- Prior to Covid-19 the advanced manufacturing sector had been negatively impacted by Brexit uncertainty. According to research from Make UK (the UK manufacturing body) the sector had ground to a halt at the end of 2019 and had experienced big drops in European exports over previous years**.

- The Greater Brighton Business Survey found that 55% of manufacturing companies export internationally, which is over double the SME national average. Additionally, 18% of the manufacturing businesses stated that they were heavily reliant on EU markets, while 30% of manufactures stated economic uncertainty as a reason for not innovating.

COVID-19 Challenges

1. The economic impact upon the manufacturing sector has been widely publicised:
   - CEBR estimated that the manufacturing sector lost on average 69% of daily GVA revenue due to lockdown, equivalent to £538million a day***.
   - In March the UK manufacturing sector saw output and new orders fall at a rate not seen since mid-2012****
   - The Bank of England forecasts that manufacturing companies as a whole will see sales drop at around a 50% average. While demand for the sector is weak, the automotive and aerospace sectors have been impacted particularly hard*****.
   - The manufacturing sector experienced a decrease in output by 1.7% in the 3 months leading up to March 2020, compared to December 2019.
   - Out of the businesses continuing to trade, 29.1% of manufacturing businesses reported a decrease in turnover of more than 50%, while 40.2% of construction businesses reported similar losses.******

2. Although government guidelines issued on 10th May resulted in the first wave of manufacturing firms returning to work along with automotive companies Ford, Vauxhall and Jaguar Land Rover restarting their production lines in the UK, over a third of manufacturers said that they would wait for an increase in orders before bringing employees back from furlough. Additionally, there are concerns surrounding the efficiency of manufacturing plants, with Toyota estimating engine build times at 10% slower than pre lockdown, due to the enforcement of social distancing measures*******.

3. The Covid-19 pandemic has led to changing commuting patterns with bike sales rising by 40% as commuters search for new ways to travel, supported by the governments £250m emergency travel fund for cycling and walking initiatives. While bike sales have soared vehicle sales are expected to fall more than 22% year on year in demand – which will represent a downgrade of around 18.8million units globally.

4. Although initial data from China shows that there are behavioural changes occurring – with moving away from public transport and into car travel (hollowing out of cities), maybe at the expense of public transport, there is also an opportunity for increased car manufacturing especially innovation around the reduction in emissions****.

5. The Covid-19 crisis is increasing the argument for adding resilience to the factory floor – through the automation of the manufacturing process********.
Construction and Manufacturing

COVID-19 Response & Opportunities

• The government issued guidelines for the construction sector in order to continue their jobs, with the development of the Site Operating Procedure (SOP). As of the 8th April there was no restriction on manufacturing continuing under the current state rules.

• The adaptability of the manufacturing sector resulted in a ‘call to arms’ for many within the sector to help combat the Covid-19 crisis, with Greater Brighton firm Ricardo using its expertise and resources to create bespoke face shields for the NHS healthcare staff*. Nationally, Mercedes and F1 teams helped in the manufacturing of ventilators, which combated the furloughing of staff— which was the case for BMW and other firms which were less adaptable.

• The Covid pandemic has lead to a change in perceptions towards commuting, which could help drive a shift towards reducing the impact on climate change, highlighted through a substantial uplift in bike sales. Public transport capacity is expected to fall. Prior to the global pandemic electric vehicles (EV’s) were experiencing rapid growth, although the future market has been predicted to both increase and decrease. However, initial data shows that while the automotive market has taken a dive the EV sector has shown strength which could continue in a greener world with Germany and France announcing a €500 billion green recovery fund to accelerate the EU’s shift to a low-carbon economy**.

• Companies in the manufacturing sector are continuing to operate, with the latest ONS data showing that 92.3% of manufacturing businesses have continued to trade, which is above the 82% average across all industries. The data implies that the sector is restarting with 13.6% of manufacturing businesses restarting trading after a pause in trading, along with 20.6% of construction firms (2nd highest)***.

• There have been a number of coronavirus business support schemes set up such as the Small Business Grant Fund to help businesses survive the Covid-19 pandemic.

• BDO reported that in May the manufacturing sector regained around half of the losses sustained between March and April due to the easing of lockdown legislation****. Build UK has been working with contractors who are working away from home find accommodation.

Greater Brighton Economic Board Priorities

1. Greater Brighton Partnership has secured revenue funding for 11 projects, which will provide 5,042 new jobs, of which many will be construction jobs. Ensuring that the projects are still able to be completed will help ensure the construction jobs will be created. Additionally, there is an opportunity for new projects with an expected over half of the planning system and an introduction of special development zones, along with an expected announcement from Rishi Sunak that is thought to include extra infrastructure spending in order to kick start the economy.

2. Low Carbon (Eco Tech), Advanced Engineering Centre (AEC) at the University of Brighton are researching more efficient automotive engineering performance, and this ties in with a local push for a reduction in car usage. Developments such as its revolutionary recuperated split-cycle engine can help position themselves favorably for a post-Covid-19 world focusing on reducing carbon emissions. This would help tap into the potential of a greener recovery which offers an opportunity to embed climate and productivity positive behaviors including changes to travel routines and reducing the reliance on fragile supply lines*.

3. Innovation within the sector needs to be supported, as preCovid survey results highlighted a lack of innovation within the sector due to economic uncertainty. In order for the sector to recover innovation is necessary. Focusing on the changing transport demand in a post covid world through increasing EV charging points could increase both opportunities for local manufacturing as well as offering employment in the low carbon transport sector.

4. There is an opportunity to provide necessary training and apprenticeships to compensate for the historical failure to provide the necessary training for non-university bound school leavers *****. Finding premises, training and apprenticeships were cited as one of the main ways in which businesses needed support *****.

5. Lobby government to prioritise Crawley as a Green New Deal growth hub for green technological development and manufacturing which would enable long-term resilience to future shocks. In line with this, a focus on domestic markets would create resilience for both the industry and the UK economy as a whole.

6. Provide one to one support for local businesses to help them access the Future Fund, a scheme offering convertible loans between £25,000 to £5 million to innovative companies.

7. The manufacturing sector will need property that is in line with social distancing measures. The Board should work with commercial agents to make sure space needs are being met, and to look at how public assets could be better used to accommodate the sectors evolving requirements.

8. There is an opportunity to apply the learnings of the Covid-19 pandemic in order to increase local supply chain resilience. Businesses should be supported with shared responsibility and collaboration among companies and authorities to address social and environmental challenges*******.

---

*Greater Brighton, Greater Brighton engineering firm secures places for FFE ICIC responsiveness, 15th April 2020
**BDO, Business impacts of Covid-19 data, May 15th, 2020
***ONS, Business impacts of Covid-19 data, May 15th, 2020
****BDO, Manufacturing output starts to long, April 14th, 2020
*****COVID-19, Covid-19 lockdown, 14th April 2020
******Greater Brighton and West Sussex Business Service, 2014
*******Economics Obstacles, Can policy steer us towards a greener and fairer recovery, 6th June 2021
Public health

Baseline Prospects

- Latest data shows that the Health sector in GBGR employs 56,000 people, with the majority of those employed in Brighton and Hove. However, the health sector accounts for 29% of Worthing’s employment*

- The public administration, health and education employed 43,200 people in 2016, and was a growing employment sector with a 13% uplift since 2011. Brighton has a local specialism in hospital employment, with 10,000 people employed in the sector**. Around 37% of residents are in part-time jobs, with 43% of the part-time workers in Greater Brighton City Region work within the public administration, education, and health sector.

- The public sector has traditionally been a key sector for the Greater Brighton economy, with 31% of people in Greater Brighton employed in public administration, education or human health and social work activities***.

- The green technology and life sciences sectors are some of the strongest in the Greater Brighton area, with the new Bio-innovation Centre continuing the strengths of the sector****.

- Greater Brighton is home to a number of hospitals with the Royal Sussex County Hospital and the Princess Royal Hospital along with a vast number of care homes. The Brighton and Hove CCG (Clinical Commissioning Group) covers 35 practices.

- The health sector in Greater Brighton accounted for 4.63% of total businesses in 2016, which was greater than the South East average of 4.11%*****. The percentage share for Greater Brighton had seen an increase since 2010.

- The Brighton and Hove CCG has been working as part of the Central Sussex and East Surrey Commissioning Alliance which comprises of:
  - NHS Brighton and Hove;
  - NHS East Surrey;
  - NHS High Weald Lewes Havens;
  - NHS Horsham and Mid Sussex; and
  - NHS East Surrey.

COVID-19 Challenges

1. The Covid-19 pandemic has caused a large decline in the number of patients visiting A&E and GP services, with the number of A&E visits in England halving since the coronavirus outbreak started (the lowest level since records begun). The backlog of treating seriously ill patients could take months to tackle, especially as the local commissioning group highlights cancer treatments as an area that needs improvement and increased efficiency******.

2. The Department of Health and Social Care (DHSC) announced that 1.48 billion items of PPE had been delivered since the start of lockdown. However, there have been questions raised as to the quality of some of the items that have been supplied, and the speed and efficiency with which they have been rolled out.

3. Care homes in the UK have experienced unprecedented deaths as a result of Covid-19, according to ONS figures, up to May 1st there had been 8,312 deaths in care homes in England and Wales. This figure represented a quarter of all deaths associated with the virus. The government announced that 131 social care staff had died as a result of Covid – with ONS estimating that care staff are twice as likely to die as healthcare workers.
Public health

COVID-19 Response & Opportunities

- The government borrowed £89 billion in April, more than in any previous month on record. With the government releasing £3.6bn of funding to local authorities, in order to help the adult social care sector*.  
- The UK’s ageing population means there is unprecedented demand for healthcare and old-age social care services. Digital health will become increasingly important in delivering on-demand healthcare. Brighton and Hove’s strength in this sector may be able to take advantage. This is especially prevalent during Covid-19 with the need to isolate those at greatest risk, while also ensuring access to healthcare.
- The acceleration of the graduation of final year medical students allowed them to apply for early provisional registration and become junior doctors to help staff hospitals, especially due to the low death rate of under 40s from Covid-19.
- Since mid-April there have been tentative signs of recovery, almost entirely driven by vacancies in health and social care**. With a report by LinkedIn showing clear signs of growth in the sector as healthcare has experienced a 5.4% increase on hiring increases compared to this time last year***

** Greater Brighton based pharmaceutical firm Roche received backing from UK public health officials for its coronavirus antibodies test. Additionally, the University of Brighton’s Advanced Engineering Centre have used their expertise to test PPE equipment in order to make sure it is of the requisite quality.

- IHS Markit have predicted that the main growth sectors for 2020 will be healthcare related – specifically the life sciences. Revenues at Inspiration Healthcare in Manor Royal have reported a 27% increase in revenue in the first quarter of 2020, which doesn’t include contracts won for the supply of ventilators to the NHS (both contracts in excess of £5m).

Greater Brighton Economic Board Priorities

1. The future of the office market is expected to be heavily revolved around health and wellbeing and especially circulation within buildings**. With a thought to position the area as a satellite office location The Board should ensure that there is sufficient office to accommodate the future of office demands.

2. With the healthcare sector expected to be a growth sector in the years post Covid-19 Greater Brighton is in a prime position to be a leader in the field. Vent-Axia are the leading ventilator manufactures in Britain and are committed to improving indoor air-quality. Additionally a report by the Royal College of Pediatrics and Child Health indicates that respiratory problems among children could be exacerbated by poor ventilation in homes, schools and nursery’s.

3. Use the local wealth of R&D and university capabilities to build on the strengths in clean/green growth and life sciences to develop opportunities for growth and innovation in the public health sector.

4. Following Covid-19 it is expected that healthcare will remain a priority for at least 18-24 months. According to McKinsey the success of the healthcare industry will revolve around the adaptability to key shifts and reacting to the emergence of new growth opportunities and diversification. Much of the advancement is expected to revolve around AI-based diagnostics, online screening and the physical layout of the infrastructure. The hospitals and healthcare facilities should be checked in order to ensure that the layout is flexible with designs that maximize infection control. GBEF hospitals Royal Sussex County hospital and the Princess Royal Hospital should be prompted to ensure the layouts meet the requirements of future demand.

*IPS, Cash borrowing by the public sector was £89 billion in April 2020, for more than in any previous month on record, 2020  
**IPS, Job vacancies during the Covid-19 pandemic, 13th May 2020  
*** Manor Royal BID, Revenues surge at Inspiration Healthcare in Manor Royal  
**** The Impact of Covid-19 on Commercial Real Estate, Costar