

Agenda Item 5

Title:	Economic Outlook and Impact of Covid 19.
Purpose:	To provide board members with an overview assessment of the impact of the Covid pandemic on the Buckinghamshire economy and to consider the future implications on the direction of local economic strategy and LEP programmes.
Recommendation(s):	That board members consider the structural economic changes highlighted in the Board Presentation and support the proposal to commission a future employment land assessment to identify potential opportunities for additional development within Buckinghamshire and to support the regulatory plan making process within Buckinghamshire.
Impact on Risk Register:	The need to maintain accurate and up to date data on the economic outlook for Buckinghamshire is one of the primary objectives of the LEP, we will help to share this information with the wider economic community as part of the Buckinghamshire Data Observatory.

At the outset of the Covid pandemic in March 2020, Buckinghamshire LEP set out to measure the immediate impact on our business base and local economy. Over the next two years, we maintained a dynamic dashboard to understand the rapidly evolving impact on our communities during this period.

Over the past few months, national data covering the early part of the pandemic has begun to emerge giving clearer insight into the potential longer-term impact on the national and regional economic base. We will present to the board a summary of the key findings from this analysis to support a discussion of our economic strategy.

Our analysis covers a number of themes, including the GDP changes, business conditions, the differing impact on key sectors, labour market, Infrastructure and property. The analysis also covers the results of behavioural changes of employers and the wider workforce.

The GDP of Buckinghamshire was recorded as £16.265bn in 2020 a fall of 11.2% from the 2019 pre-covid level. This represents a bigger percentage fall than at both national and regional levels where changes of -10.7% and -10.3% respectively were recorded. This fall came on the back of significant growth over the two years before the pandemic but followed a similar pattern to the financial crisis of 2007/2008.

We need to look at the reasons why the Buckinghamshire economy appears to be more susceptible to global economic shocks. The accommodation and food services sector reduced most significantly, showing a 40.3% decrease in turnover, but this was largely in line with the national picture. In other sectors, the decrease in Buckinghamshire was significantly higher than the national picture, notably in the Arts, Entertainment and Recreation Sector which contracted by 7% more than nationally, the transportation and storage sector which was 13% below the national average, largely as a result of the impact on the aviation sector and the wider service sector which was 6% below the national average.

The construction sector in Buckinghamshire remained more resilient than elsewhere across the country, and our more knowledge intensive industries, including those identified within our Local Industrial Strategy, continued to perform strongly, with the space sector maintaining its growth trajectory over this period and the Creative Industries sector responding well after the initial lockdown period.

Prior to the pandemic, 84.3% of the Buckinghamshire population aged 16-64 were economically active. This decreased to 79.5% by March 2021, but by March 2022 had recovered to 83.2%, indicating the local jobs recovery has been above the national trajectory. There, however, remain 3,245 more benefit claimants in Buckinghamshire in July 2022 than at the start of the pandemic.

Lack of available working opportunities does not appear to be a major factor in the higher claimant count remaining higher than at the start of the pandemic. The past 12 months has seen a continued increase in the number of jobs being posted with the largest number of vacancies being posted in the health and social care sector. Further work is ongoing to assess this mismatch as part of the Opportunities Bucks programme looking at the skills, access, cultural or other barriers that are preventing people from taking up these opportunities and the impact this is having on some of our communities with the highest levels of deprivation. We will have the opportunity to discuss this issue in further detail as part of this discussion around this presentation.

Travel to the workplace is down 30% from pre-pandemic levels, reflecting the continued shift to home working for many sectors, notably the information and communication and for those employed in professional scientific and technical activities where over 50% of the workforce report to be home working. Given the sectoral makeup of Buckinghamshire, coupled with 34% of the workforce employed outside of the county, we expect higher rates of home-working for Buckinghamshire than nationally.

To date, this change in working patterns does not seem to have had as significant an impact on the workplace and property vacancy rates as may have been expected. After initial rises in 2020, vacancy rates for office, retail and industrial premises in Buckinghamshire all began to fall in the second quarter of 2022, whilst rental and purchase values have continued to increase. This would appear to indicate that the historical scarcity of suitable employment property, particularly for growing businesses in Buckinghamshire, could continue to be a limiting factor on the future growth opportunities for the area.

The impact on existing employment workspace and the projection for future needs is an area that we would like to explore in more detail. We would, therefore, like to commission a new independent study into the employment and land allocations in Buckinghamshire, looking at the current market performance and identifying opportunities for future development. This assessment will help support how Buckinghamshire may respond to national calls for innovation, will assist in investment decisions, and will also support how we may contribute to future planning policy development.

Board members are asked to:

Consider the structural economic changes highlighted in the Board presentation, and support the proposal to commission a future employment land assessment to identify potential opportunities for additional growth within Buckinghamshire and to support the regulatory plan making process within Buckinghamshire.