



Evidence of Need

Impact of Covid-19 on Pendle

Report – September 2020

HATCH

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Executive Summary

The Coronavirus (Covid-19) pandemic has presented the UK with the most significant health and economic challenge for several decades. Across the country, the scale of impacts in the short, medium and longer term, varies from region to region and from town to town. This is due to differing socio-economic circumstances of different parts of the country including their sectoral business and employment composition, demographic composition, and prevalence of deprivation and health related issues.

The full scale of the economic impacts of Covid-19 are still emerging, with the picture changing constantly. The borough of Pendle has, like all areas, felt some significant immediate impacts, with unemployment rising rapidly and local consumer spending falling. This report considers the scale of the impact of Covid-19 on Pendle based on its level of exposure to some of the more apparent impacts.

A Covid-19 induced economic downturn, as with most other recessions, has – and will continue to – highlight an area’s pre-existing strengths and weaknesses. The broad sectoral composition of the borough has given a level of protection from some of the worst business and employment impacts of Covid-19. However the sub-sector strengths which exist in Pendle such as aerospace presents a significant future threat given the turmoil that the aviation industry is facing as a result of an extreme fall demand for air travel.

Furthermore, infrastructure weaknesses exist in the borough that have contributed to social and economic exclusion. For example, digital connectivity, particularly at the ultra-fast and full fibre broadband coverage levels are poor in Pendle compared to the national average. This may have limited opportunities, particularly at the height of the lockdown, as many activities from employment and education to shopping and socialising shifted out of physical spaces and moved online.

The impacts of Covid-19 and the prevailing socio-economic conditions that exist in the borough will likely contribute to and guide policy strategies to overcome the evolving socio-economic challenges. Countering immediate impacts will be crucial as will activity to pre-empt and avoid the worst of future medium and longer term Covid-19 impacts that are likely to occur due to Pendle’s socio-economic circumstances.

Introducing Pendle & Coronavirus

Pendle

Pendle is located within the county of Lancashire in the North West of England. The town of Nelson is the borough's primary service centre along with other key settlements of Colne and Barnoldswick. The economy of Pendle is oriented around manufacturing with a focus on with particular focus on manufacturing of metals, electricals and machinery. Larger employers include Rolls Royce, Protec Fire Detection and Daisy Communications Ltd.

The borough has age demographics in line with the national rate, with roughly 20% of the population of Pendle being under 15 and 20% being over 65, with the remaining being of working age.

Covid-19

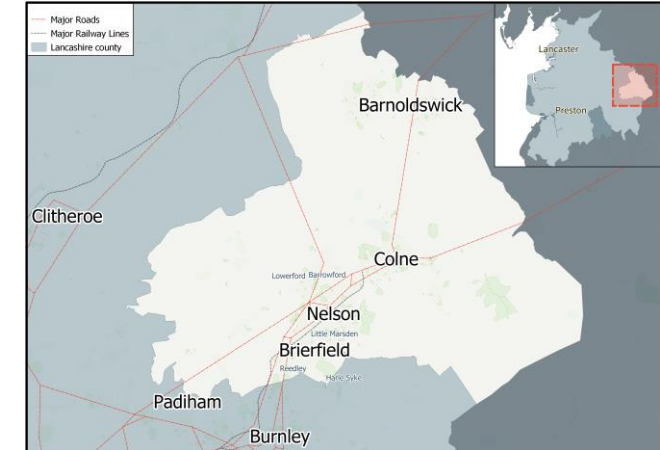
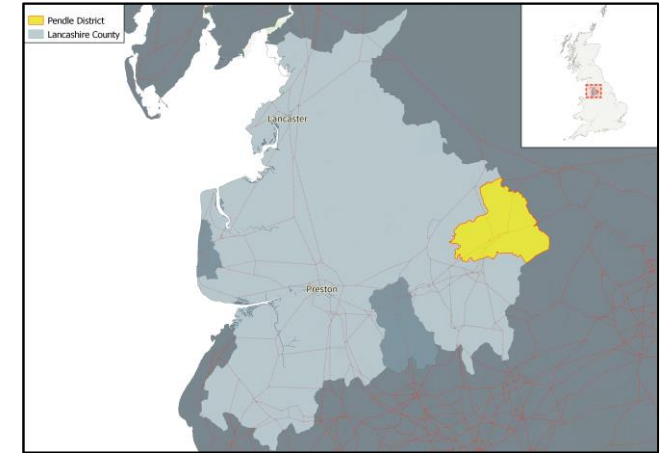
Covid-19 has had an impact on many aspects of life and the economic wellbeing of Pendle and its residents. It is clear that employment has become more precarious, job opportunities have reduced and methods of working have been transformed as a result of physical distancing measures.

There was a rapid rise in new business incorporations, perhaps giving an indication of entrepreneurial resilience and early signs of recovery amongst Pendle's business base. Many businesses in Pendle have been hit by direct impacts of Covid-19 and resulting restrictions, movements of people to retail and commercial spaces have fallen, as has spending in larger towns across Lancashire.

Nelson Town Deal

The economic impacts of Pendle have already been so extensive that a long term recovery plan is crucial. Further impacts will continue to emerge over the next few months and possible years. This study will provide insights into the still developing picture of Covid-19 and inform the development of the Nelson Town Deal submission. It is for this reason that we have, where possible provided detailed data insights below the borough level for the town of Nelson.

Geographic Context



Spotlight on Covid-19

Pendle exhibits a degree of exposure and vulnerability to Covid-19. Areas of vulnerability include health and economic exposure and impact. For example, while Pendle has been less exposed in various health and wellbeing indicators (a low number of over 85s and a very low percentage of overweight or obese adults), there is a 'very high' proportion of LSOAs in the most deprived nationally which presents an increased risk of health exposure, many of these deprived LSOA around key urban areas such as the town of Nelson.

At the outset of the Covid-19 pandemic, it was assumed that Pendle would have a very high degree of economic exposure, particularly in terms of at-risk employment as defined by the Office for Budgetary Regulation (OBR), which includes Pendle's main employment sector: manufacturing. The vulnerabilities of all sectors of the economy are likely to be significant, however indications from the national picture as shown by July's ONS Business Impact of Coronavirus suggest a slightly quicker recovery in the manufacturing sector, although it is clear that individual manufacturing sub-sectors, such as aerospace – a crucial sector to Pendle's economy, are facing specific difficulties as a result of falling demand in the travel industry.

Indicator	National Average	Pendle	Benchmark
Aged 85+ (%)	2.43	2.26	Low
BAME (%)	14.58	20.14	Very high
Claimants as a proportion of residents aged 16-64	3.00	3.70	High
Mean total income (£)	33844	29,200	Average
% of premises below the USO	0.43	0.10	Low
Travel time in minutes to nearest food store by PT/walk	9.04	7.06	Very low
Employment at risk (%)	48.80	69.29	Very high
COVID GVA impact (%)	14.26	16.85	Very high
Self employed (%)	15.50	18.60	Very high
Percentage of adults (aged 18+) classified as overweight or obese	62.34	62.12	Very low
Estimated diabetes diagnosis rate	77.95	83.83	Average
Smoking Prevalence in adults (18+) - current smokers (APS)	13.88	17.42	High
IMD - Proportion of LSOAs in most deprived 10% nationally	10.00	31.58	Very high
Furloughed employment take up rate (%)	29.72	37.00	Very high
NEETs %	5.15	4.23	Low

Spotlight on Covid-19

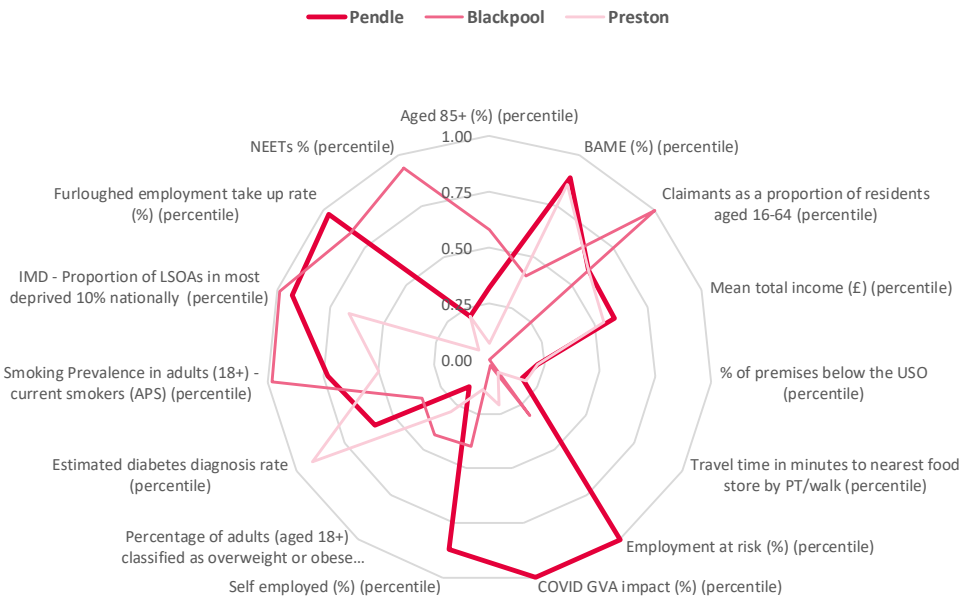
Looking closer at the metrics identified on the previous page, we can see that Pendle’s exposure and experience of Covid-19 impacts differ to some degree against other Lancashire local authorities who are applying for Town Deal funding (Blackpool and Preston).

Again it is crucial to note, that Pendle has a high degree of at risk employment by this metric, due to the initial predictions by the OBR in April 2020 that the manufacturing sector would be one of the hardest hit sectors from Covid-19. Results from the ONS’ business impact of coronavirus show that by July 2020, this sector had actually recovered at somewhat greater rate than other sectors at the national level so may reduce employment exposure.

However, early indications are less positive at the local level. Due to the composition and sub-sectors of Pendle’s manufacturing industries there is considerable exposure with manufacturing employment contracting in the local aerospace production sector through redundancies at Rolls Royce, announced in August 2020.

Other indicators show Pendle being broadly in line with the two other boroughs show, although there are also indications of occasional resilience and low impacts – for example, Pendle may find itself in a better position to combat youth unemployment as it has a low level of NEETs (young people not in education, employment or training).

Relative Exposure and Scale of Covid-19 Impacts in Pendle, Blackpool and Preston



+ Impact on **The Economy**





Impact on **The Economy**

Key Points:

- + The scale of Covid-19 impacts on the economy, will be significant for all areas around the UK. Many areas have an economy that, due to sectoral composition and other factors leave them more exposed to economic shocks, such as the one induced by Covid-19.
- + At this current stage of analysis the full impacts of Covid-19 on the Pendle economy are still materialising and are likely to depend on a multitude of factors including, the likelihood of a second lockdown, the emergence of a vaccine or simply the willingness of consumers and businesses to resume pre-Covid-19 levels of consumption.
- + Some indications from the UK Office Budgetary Responsibility and analysis by Hatch show that:
 - + Prior to Covid-19 Pendle's economy grew at an average rate of 3% a year since 2010, faster than the UK growth rate of 2%
 - + The total scale of the economic impact of Covid-19 on the Pendle economy is estimated to be between 12% - 19%; there is a significant chance that the economy will not get back to its pre-Covid-19 growth trajectory before 2030 and interventions will be required to stimulate recovery and growth
 - + The sectoral distribution of GVA losses in 2020 point to a significant fall in manufacturing output for the borough valued at -£124.6m of GVA
- + The Pendle economy's exposure lies in its dependence on the manufacturing sector. Particularly its orientation around aerospace manufacturing. Indications from the OBR suggest this sector will contribute most significantly to the borough's loss in GVA. Other sectors will also be hit, either as a direct result of Covid-19 or as a knock-on from other sectors – for example sectors operating within the supply chain of the borough's aerospace sector.
- + To ensure a speedy and sustainable recovery, there must be a concerted effort to support enterprise and innovation within Pendle. Efforts to diversify the local economy beyond the manufacturing sector, alongside intensive support to assist in this sector's recovery will need to be made. Moreover, if the economy is to get back on track before the end of the decade, a considerable economic growth rate will be needed, something that is unlikely to occur without pro-active business and innovation support.



Impact on **The Economy**

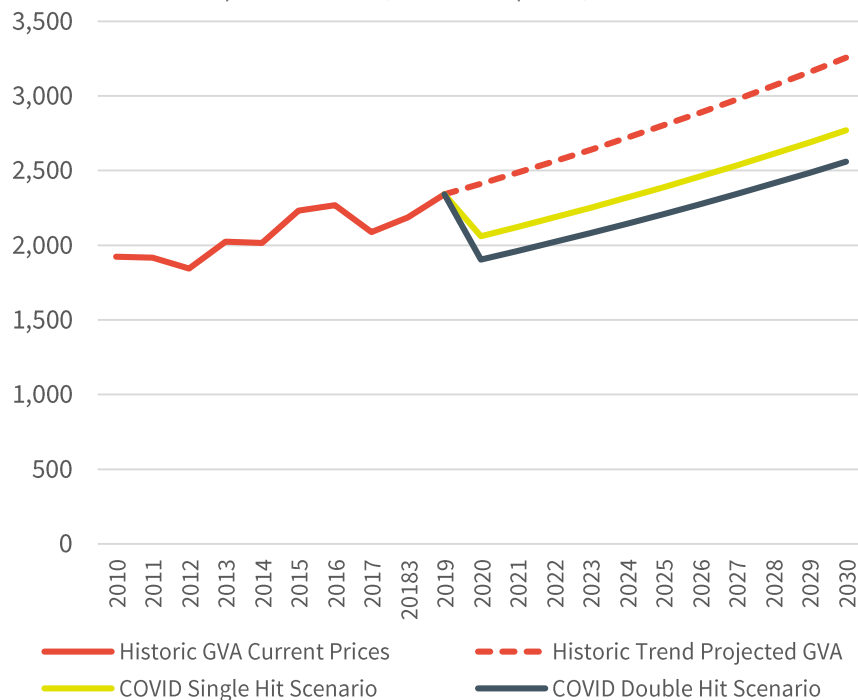
The OBR Reference Scenario estimates that the borough will experience a 12% loss of output in 2020, meaning the area will be impacted at broadly the same rate as the wider UK economy...

As the medium and longer term impacts of Covid-19, and to some extent some of the immediate effects, are still emerging it is not possible to fully understand 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 UK GDP have ranged from a drop of 2.1% (KPMG) to a drop of 30% (Morgan Stanley). The Government's revised central scenario (as of July 2020) is that the UK economy will contract by 12% in 2020.

For the purposes of providing a central estimate of the impacts of Covid-19 on Pendle, we have used the latest OBR and OECD figures to produce a coronavirus reference scenario. Using this methodology, we have built a model that uses the OBR's revised 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 full lockdown event in Q4 2020.

The chart shows that the nine-year average growth rate for Pendle borough was 3%, which is higher than the national growth rate (2%). The model indicates that under the Single Hit scenario, the contraction of GVA in 2020 is estimated at 12%. Should there be a second lockdown event that contraction could increase to 19%. The distribution of losses across sectors varies and is outlined on the next page.

Pendle GVA Impact of COVID (£m in 2020 prices)





Impact on **The Economy**

Pendle's manufacturing sector will be hardest hit by Covid-19, losing an estimated £124.6m of output in 2020...

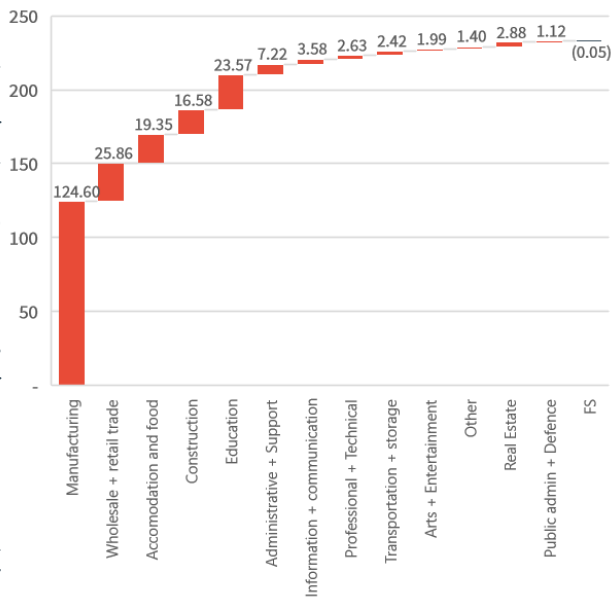
It is estimated that Pendle's GVA in 2019 was £2bn. Of that it is estimated that just over 10%, or £200m will be lost during 2020.

Over half (53%) of the loss in 2020 GVA is manufacturing. During Q1 2020 this was mainly driven by the global lockdown which curtailed the demand for UK exports, particularly those related to manufactured goods, and more specifically for Pendle a sharp fall in demand for aerospace goods as global air travel was severely curtailed. When the UK lockdown was imposed at the end of Q1 2020, assembly lines were closed and most manufacturing ceased operations, so there is expected to be a greater impact in Q2 2020.

Latest ONS GVA estimates for Pendle show the scale of the importance of the manufacturing sector for the borough. Manufacturing accounts for 56% of the borough's GVA, this goes some way to explaining why contraction in this sector will have such a significant impact on the wider Pendle economy.

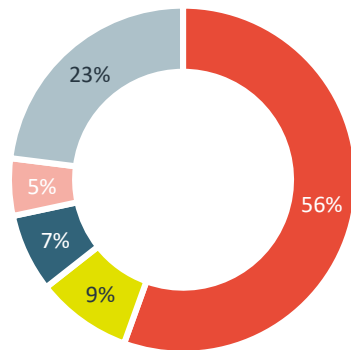
Wholesale and retail trade contracted as social distancing protocols were put in place, this is similarly the case for the accommodation and food sector. Interestingly, the model does suggest very minor growth in Pendle's financial service (FS) sector, this may be a result of activity being displaced from larger cities – however given the how small this increase is predicted to be there is no way it will counter other decreases.

Pendle GVA Impact of COVID (£m in 2020 prices)



GVA of Pendle, 2018*

- Manufacturing
- Motor Trade
- Property
- Education
- Other





Impact on **The Economy**

A bounce back in Pendle's manufacturing sector will be crucial to the borough's economic recovery...

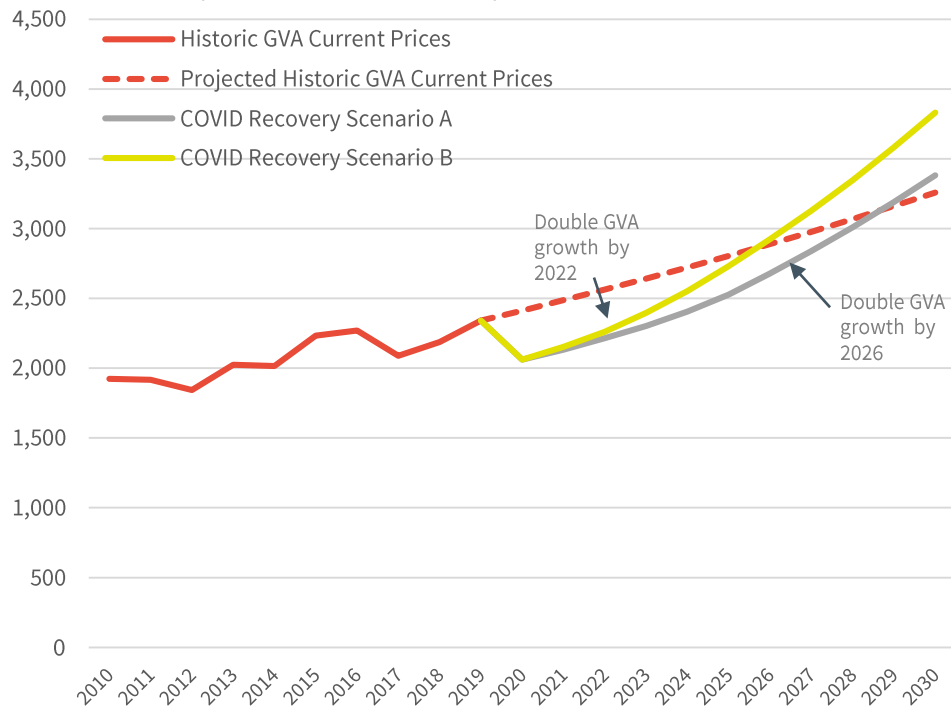
To provide an estimate of the GVA growth rate required across the region to recover, we have modelled the trajectory of the historic growth rate (2% over the last 9 years in 2020 prices) to show the trend in a pre-Covid-19 world.

In order to rejoin the same growth trajectory, Pendle would need to double its historic growth rate to 6% by 2022 to rejoin its pre-Covid-19 growth rate by 2025, this is shown as Scenario A on the chart to the left.

A less ambitious, but still bold, scenario would be a doubling of GVA growth rates by 2026, allowing a bounce-back before the end of the decade (Scenario B). Pendle therefore needs a significant recovery within the next five to six years to get back to its pre-Covid-19 trajectory before 2030.

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 beyond the rates before Covid-19 hit.

Pendle GVA Impact of COVID (£m in 2020 prices)





Impact on Business

HATCH



Impacts on Business

Key Points:

- + Covid-19 and the restrictions that have been implemented as a result created a massive economic shock for many UK businesses. So far impacts have been short term, with supply chains disrupted and pause in trading due to lockdown restrictions. As time progresses the impacts on businesses will likely still be felt but through more medium- and long-term effects – for example additional health and safety regulation, low consumer spending and changing consumer behaviour. While in the longer term some businesses may simply never recover or reopen thereby changing the business landscape within sectors of the economy and fundamentally the overall sectoral composition of the economy.
- + Impacts are unlikely to be felt evenly across the UK, considering the impact of Covid-19 on various places in the UK requires an understanding of areas of exposure and underlying economic strengths and weaknesses. Factors determining an area's business exposure include the amount of businesses in an area from the most heavily impacted sectors (within both national and local metrics), and the importance of these sectors for an area in terms of GVA contribution.
- + While pre-existing business circumstances will likely have contributed to the scale of Covid-19 impacts, some impacts may be less predictable, we are already able to consider how Covid-19 has directly impacted Pendle in terms of corporate insolvencies and incorporations.
- + How Pendle recovers from this crisis depends on its level of exposure, but also on activities taking place now and, in the future, to assist businesses and help them navigate the challenges of Covid-19.



Impacts on Business

Business Exposure

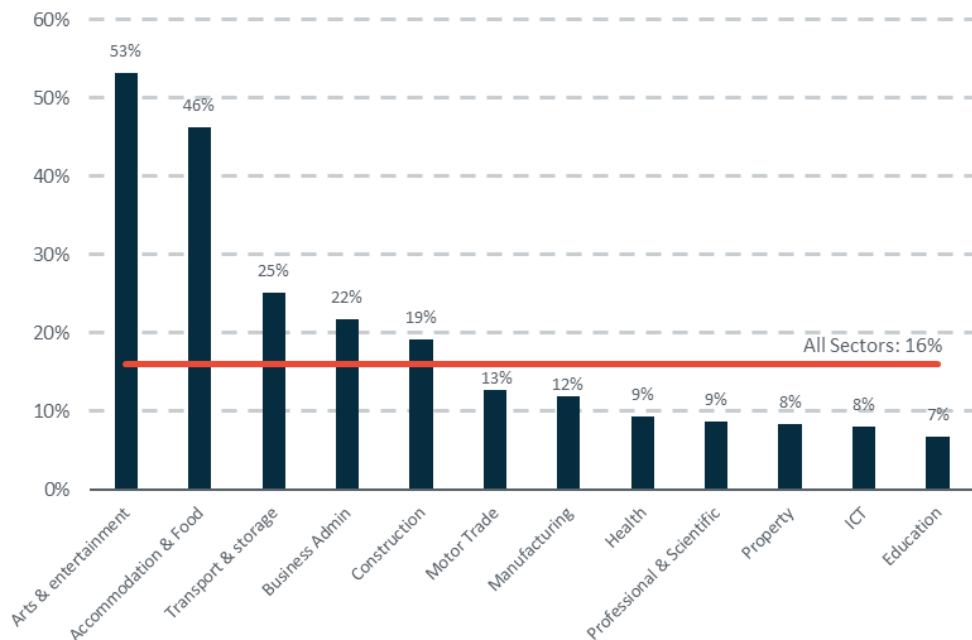
The national picture shows that Covid-19 has not impacted all businesses equally. The path to recovery is much slower for several key sectors...

Understanding the sectoral impacts of Covid-19 can be done by considering the sectors that have been most severely impacted at the national level and then undertaking local analysis of the business base to see if an area has a high prevalence of vulnerable sectors. Many sectors have seen revenues of businesses fall, according to the latest ONS Business Impact of Coronavirus Survey (BICS), five sectors have seen higher than average counts of businesses reporting revenue falling by over 50% (compared to the same time in 2019). These sectors are:

- + Arts, entertainment and recreation
- + Accommodation and food service activities
- + Transportation and storage
- + Administrative and support service activities
- + Construction

Many of these sectors had been impacted so heavily, to the extent that many were still reporting a complete pause in trading as of July 2020 and did not expect to resume trading in the next two weeks following the survey. 48% of arts, entertainment and recreation businesses and 22% of accommodation and food service businesses were still pausing trading compared with 6% for all sectors. This further emphasises the sector-specific dimension of the economic impacts of Covid-19.

UK BICS Respondents Citing a 50%+ Fall in Revenue in July 2020 Compared to July 2019





Impacts on **Business**

Business Exposure

At the local level we are able to infer the level of exposure of Pendle's business base...

Looking at the proportion of businesses in Pendle, and in Nelson, that are from the five most impacted sectors shows that although none of these sectors individually account for a large proportion of the borough's business base, combined, these highly exposed sectors account for a third of Pendle's entire business base. This may imply a level of vulnerability for many of Pendle's businesses in these sectors and in other sectors who may operate with these directly exposed businesses in their supply chains.

However, it is also clear that these sectors make-up broadly the same share of Pendle's business base as they do for the wider county, region and country. This may imply that Pendle has a business base that will not be disproportionately impacted by Covid-19, when compared with national impacts and exposure.

Despite relative recovery rates, Pendle is heavily reliant on the manufacturing sector. It is yet to be seen if longer term impacts, such as global growth reductions will negatively impact this sector in the longer term. It is already apparent that manufacturing sub-sectors that play a significant role in the supply-chains of other heavily impacted sectors will have a greater degree of exposure and risk.

Proportion of Business Base Made up of the UK's most impacted sectors

Sector	Nelson	Pendle	Lancashire	North West	England
Business admin	9%	9%	8%	9%	9%
Construction	9%	12%	13%	12%	13%
Transport & storage	7%	4%	5%	5%	4%
Accommodation & food	7%	7%	7%	6%	6%
Arts & entertainment	1%	1%	2%	2%	3%
Total	34%	33%	35%	34%	34%

Data source: UK Business Counts, ONS, 2019

Spotlight on Aerospace

Pendle's economy is heavily oriented towards manufacturing with key specialisms including the aerospace sector...

Aerospace manufacturing is of significant importance to the borough's business and employment base. 4.4% (1,500 jobs) of employment in Pendle is in the aerospace sector*, this is ten times larger than the national proportion of employment in this sector (0.3%).

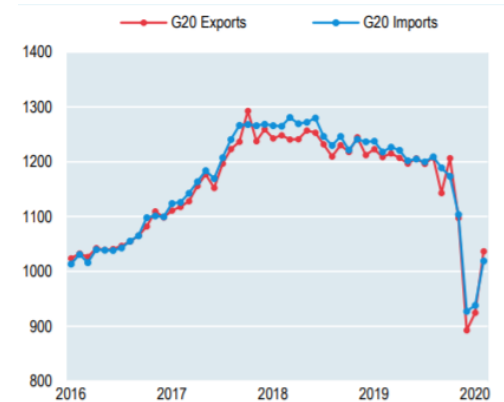
At the county level, Lancashire's aerospace sector cluster is recognised as the fourth largest in the world and one of three key regions within the UK. The cluster was estimated to be worth £7bn to the UK economy, accounting for 25% of UK aerospace production¹.

This sector, as with others, has been heavily impacted by Covid-19 as a result of the significant reduction in air travel. OBR estimates in April 2020 saw manufacturing, in which aerospace is a sub-sector, as particularly vulnerable to Covid-19's economic impacts. Looking at insights from the ONS business impact of coronavirus survey, we can infer that, particularly in the immediate term (spring to summer 2020), the manufacturing sector – at the national level – has somewhat recovered at a quicker rate than other sectors. In part this is likely down to person-to-person interaction in the manufacturing sector compared to service, and particularly hospitality, sectors.

However, at the local level, due to the Pendle manufacturing sector being heavily reliant on aerospace we can already see some significant negative impacts taking place now and likely to take place in the near-future. According to UK Civil Aviation Authority data, there was a 77% reduction in flights in and out of major UK airports in July 2020, compared to the same month in the previous year and a 90% fall in passenger numbers across the same period. The negative implications of this, and the inevitable drop in demand for aerospace components, that make up such a significant part of the Pendle manufacturing and wider economic base, indicate a challenging period for the borough.

Despite national indicators presenting a positive picture for the entire manufacturing sector (in the short term) there are some causes for concern for Pendle and Lancashire's aerospace sector. The Lancashire Local Industrial Strategy states that the total turnover of the county's aerospace sector was £35bn, with a significant proportion of these being sourced from export goods to international markets. Any disturbance to international trade will undoubtedly have a serious impact on Lancashire and Pendle's aerospace cluster. The OECD reports that total G20 exports fell by 18% and imports fell by 17% in the second quarter of 2020 compared with the first quarter. This indicates some immediate impacts of Covid-19 on trade, however by June there were some indications of recovery, although this recovery should not be overstated there are indications that exporting businesses, such as aerospace businesses in Pendle may have already been through some of the worst impacts of Covid-19.

G20 International Trade (in current USD prices)



Source: Business Register and Employment Survey, ONS, 2018; ¹Lancashire SEP, Lancashire LEP, 2014; Lancashire UAV Innovation Cluster, UCLAN, Lancashire LEP & partners, 2019; Draft Lancashire Local Industrial Strategy: Evidence Base, Lancashire LEP, 2019; G20 International Merchandise trade statistics, OECD, 2020; CAA Airport Statistics, CAA, July 2020
* Aerospace is defined as sic code: 30.3 Manufacturing of air and spacecraft and related machinery – this definition is used by the UK House of Commons Library

Spotlight on Rolls-Royce

Within Pendle's aerospace sector, Rolls-Royce at Barnoldswick is one of the most significant businesses. The importance of the business to employment and economic wellbeing of the borough is clear and as such Covid-19 impacts on Rolls-Royce will have a knock-on effect for Pendle as a whole...

At a national level, Rolls-Royce is responsible for approximately 135,000 jobs and accounts for 2% of all UK goods exported, contributing a total of £12.2 bn to the UK economy.

At the borough level, Rolls Royce operate two sites in the town of Barnoldswick employing around 740 people. Following several years of investment at the Barnoldswick site, including a £50m investment in the production of aviation fan blades in 2016, there have been suggestions that Rolls Royce will initiate redundancies of at Barnoldswick, as part of a company wide reduction of 3,000 jobs across the UK.

In August 2020, Rolls Royce confirmed its intention to merge the two factories at Barnoldswick putting 350 jobs at risk. The impact of these job losses on the Pendle economy will be detrimental and would indicate a -23% fall in aerospace manufacturing employment based on employment in the sector in 2018.





Impacts on Business

Business Impact

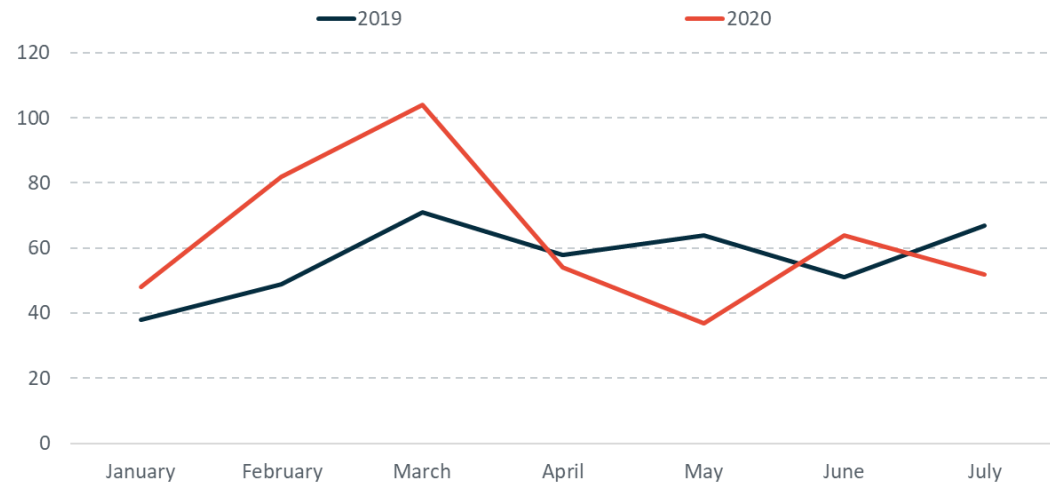
The short- and medium-term business impacts of Covid-19 are still materializing at this stage. We are able to see how individual businesses in the wider area have coped during and immediately after the ease of lockdown.

Gazette insolvency data provides data for businesses insolvencies by postcode area. According to this data, there have been no registered insolvencies in Pendle, however some insolvencies may have occurred but not been picked up by analysis undertaken by Gazette due to size or company HQ location.

Insolvencies appear to have been broadly the same in Lancashire in 2019 and 2020. However, a significant increase in insolvencies in March 2020, against the previous year, may be a better indication of the business impacts from Covid-19. As the pandemic progressed, the UK government initiated various business support schemes that may have meant some businesses who would have otherwise become insolvent April 2020 instead kept operating (although possibly not actively trading).

The question of whether we will see an uptick in insolvencies as business support schemes are wound down cannot, at this stage, be answered with any confidence. It may also be the case that without business support schemes in place registered insolvencies in Pendle may begin to occur in earnest.

Monthly Businesses Insolvencies in Lancashire, 2019 & 2020





Impacts on Business

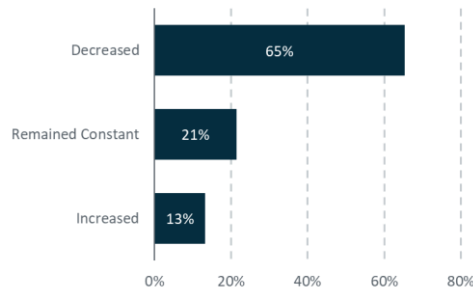
Business Impact

The position amongst local businesses in East Lancashire in June showed that there was a high degree of concern about the short and medium term impacts of Covid-19...

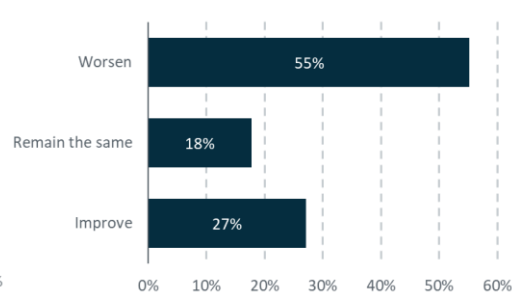
Insights from existing local firms have been expressed in the June East Lancashire Chamber of Commerce Business Insights Survey. Where 65% of respondents stated that cash flow had decreased in the past 3 months. This may be an expression of the scale of the challenges facing businesses at the local level. At the time of the survey over 80% of firms responding to survey stated that they were operating below their normal level of capacity - the implications for employment and economic growth are therefore likely to be negatively impacted.

This survey was undertaken in June with many businesses still tackling some of the most significant challenges around lockdown restrictions and overall business interruption. It is unclear how many of these firms have since been able to operate at full capacity or recoup lost turnover, however it is likely many firms will struggle to make-up the loss in trading, particularly in the immediate or medium term. This sentiment is expressed in the degree of short to medium term local business confidence. The majority of respondents in the survey stated that they believed their profitability will worsen over the next year.

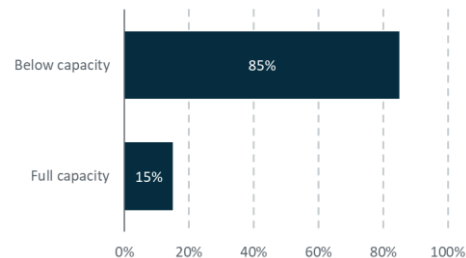
East Lancashire Business Insight Survey: Over the past three months cashflow has..



East Lancashire Business Insight Survey: Over the next 12 months do you believe your business's profitability will...



East Lancashire Business Insight Survey: Are you currently operating at...





Impacts on Business

Business Resilience and Path to Recovery

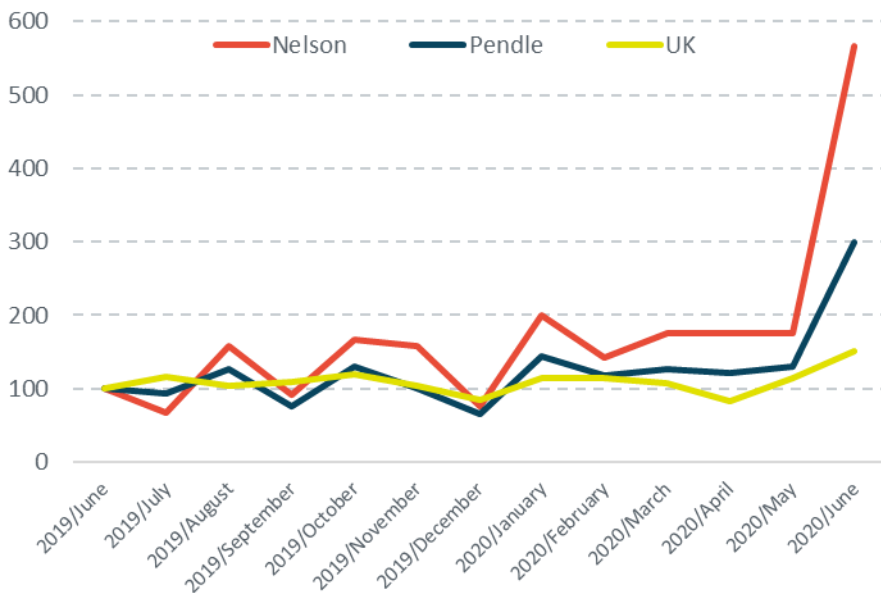
Despite clear challenges, there has been some good news, there has been a surge of entrepreneurial activity in Nelson and Pendle over the past few months...

Using Companies House data we can determine the volume of business incorporations each month.

Across all areas, there have been broadly static levels of growth in business incorporations. However, there appears to have been a surge of incorporations in June 2020. This may be the result of some business not forming in the preceding months due to Covid-19 restrictions, or it may be a result of increased unemployment and employment precarity prompting individuals to start their own businesses.

June 2020 monthly incorporations increased dramatically in Pendle and in Nelson compared to the same time in 2019. Pendle saw business incorporations increase by 42% in the first half of 2020 compared to the first half of 2019.

Business Incorporations per Month, June 2019 – June 2020





Impacts on Business

Business Resilience and Path to Recovery

Across Pendle business incorporations in the first half of 2020 were greater than the same period of 2019 by 41% (an additional 92 incorporations) we can see the sectoral breakdown of these new businesses...

Some sectors, such as the motor trade and construction saw impressive growth in the number of incorporations between Jan-June 2019 and Jan-Jun 2020 (an increase of incorporations by 52% and 67% respectively.)

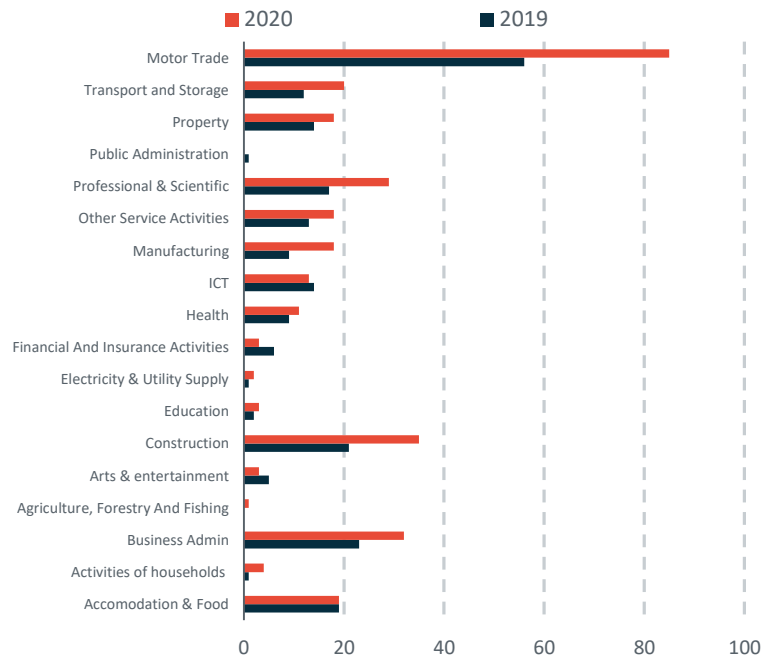
Alternatively, some sectors in Pendle have seen a reduction in incorporations, such as Arts & entertainment, where the number of incorporations fell by 40% (2 less incorporations in real terms). Given the scale of negative impact this sector has experienced due to Covid-19 this is perhaps unsurprising. However, other highly impacted sectors – accommodation & food and transport & storage – have not seen the count of incorporations fall. With accommodation & food incorporations remaining the same in 2020 as in 2019, and transport & storage increasing.

There are multiple reasons for changes in business incorporations, it is possible that despite some sectors being heavily impacted by Covid-19 at the national level, they may be insulated by a multitude of factors at the local level which explain continuing growth in these sectors. Alternatively these business formations may be due to a change in employment composition as occurred during the 2008 financial crisis where self-employment (and therefore business incorporations) rose as PAYE employment fell due to redundancies.

Insights on self-employment (page 24) may support this hypothesis, with more self-employed workers dealing with immediate unemployment and underemployment starting new businesses.

Identifying these factors is not yet feasible in the short term but will emerge in the coming months and years.

Business Incorporations in Pendle, Jan-Jun 2019 versus Jan-Jun 2020





Impacts on Business

Business Resilience and Path to Recovery

Business incorporations in the first 6 months of 2020 in Pendle were spatially distributed, but there were a large number in Nelson.

Pendle experienced a large increase in business incorporations at a greater rate than the national trend in the first half of 2020 compared to the previous year.

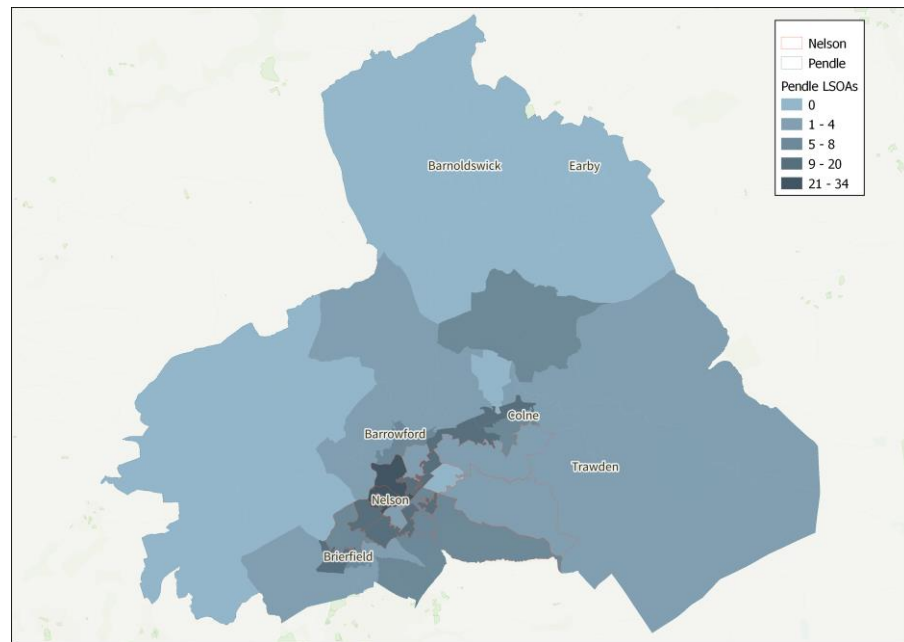
Within the borough of Pendle the town of Nelson has been a hotspot of business incorporation activity. Business incorporations in the town of Nelson increased by 85% in Jan-Jun 2020 compared to the same period in 2019.

Business Incorporations in Nelson, Pendle & England, Jan-Jun 2019 Jan-Jun 2020

	Nelson	Pendle	England
Jan-Jun 2019	93	225	346,077
Jan-Jun 2020	172	319	351,592
% Change	85%	42%	2%

Data source: Companies House, HMRC, Jan-Jun 2019 – Jan-Jun 2020

Business Incorporations in Pendle, Jan-Jun 2020



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Impact on People



HATCH



Impacts on People

Key Points:

- + The economic impacts of Covid-19 on the people of Nelson and Pendle has been considerable in the immediate term and is likely to continue to present further challenges.
- + As with national impacts the pandemic has exposed systemic weaknesses in the local economy which in turn has exasperated and revealed employment and wellbeing challenges in the town. For example, a dramatically increasing number of self-employed people and a population that, relative to the national rate, have persistent skills gaps that may prevent economic opportunity for the people of Nelson.
- + The immediate economic impacts of Covid-19 on people show increasing rates of unemployment with more individuals claiming unemployment income support. In addition to this Nelson has seen a stark decrease in online vacancy adverts underlining that those finding themselves unemployed will experience considerable difficulty in re-joining the job market.
- + Placing people and employment opportunities at the centre of a recovery will be crucial for the town, there are emerging opportunities to restructure the Nelson economy around higher skilled employment, to do this a concerted effort needs to be made to re-skill and upskill the people of Nelson.



Impacts on People

People Vulnerability & Exposure

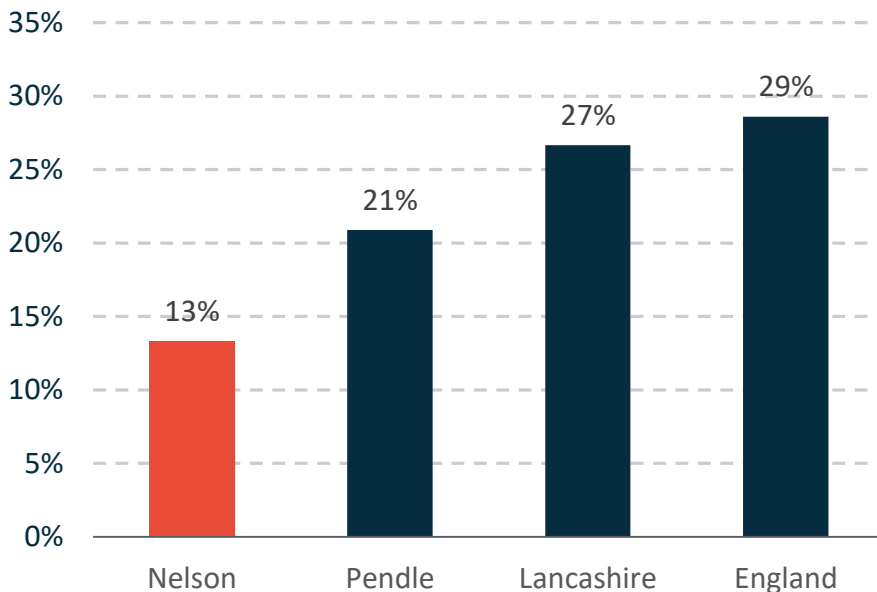
As with the business base, using the ONS Business Impact of Coronavirus survey we can measure how much employment in an area is dependent on the most impacted sectors and therefore its vulnerability to employment impacts.

Similarly to GVA measures, although the top five most exposed sectors (arts and entertainment, accommodation and food, transport and storage and construction) account for over 30% of the Pendle's business base, they account for lower amount of employment in the borough (21%).

In 2018, 7,100 people were employed in these sectors in Pendle, although this is proportionally lower than the national level, it is still a significant proportion of employment in the borough. Employment in these sectors is proportionally lower still in Nelson where these sectors account for just 13% of employment.

Manufacturing is the largest employment sector in Pendle and in Nelson, employing around 30% of the population at the borough and at the town level. Initially this sector was deemed to be highly exposed to Covid-19 impacts, however indications in the ONS BIC survey suggest that manufacturing has somewhat recovered with a lower than average rate of manufacturing businesses reporting a 50%+ Fall in Revenue in July 2020 Compared to July 2019.

% Employment in Sectors Significantly Impacted by Covid-19





Impacts on People

People Vulnerability & Exposure

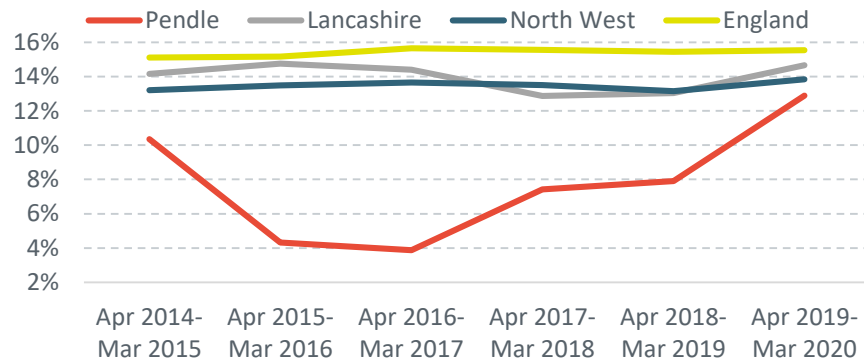
Self employment provides some indication of exposure as it tends to represent businesses with lower cash reserves and less access to crisis mitigation options. It may also provide insights into hidden “under-employment” where self-employment is being undertaken in lieu of PAYE work that has become sparse.

Over the past five years self-employment rates have been broadly static at the national, regional and county level. However, there has been a significant amount of change in Pendle. The borough historically had relatively low levels of self-employment, but began to see this trend reverse from 2016 and latest data indicates that it is now broadly in line with the national trend.

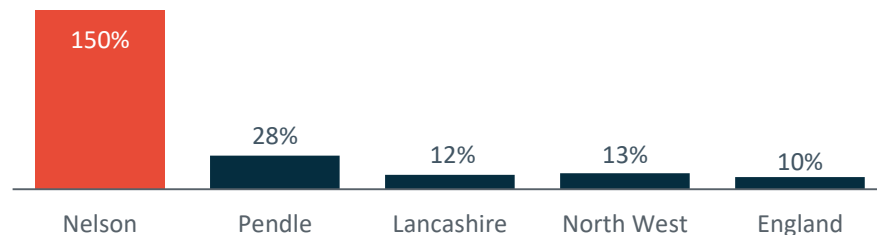
The latest data on self-employment does touch on March 2020 when the economic impact of Covid-19 was beginning to be felt by the UK economy, it is plausible that increases in the latest series of data for Pendle are a result of this impact. We will be able to determine this as time progresses and we will see if the pattern holds.

Time series data is not available for Nelson, however we can see a comparison between Apr14-Mar15 and Apr19-Mar20. The town has seen a dramatic increase in self-employment, well outstripping the borough, county, regional and national level. Again this increase in the latest data period may be an effect of Covid-19 and the reduction in PAYE employment. Determining whether people have freely opted self-employment over PAYE employment is hard to determine particularly in the short term.

% of Self-Employment 2015 – 2020*



% Change of Self-Employment 2015 – 2020*





Impacts on People

People Vulnerability & Exposure

A further indication of the exposure of an area's people and workforce is the proportion of employment in the public and in the private sector...

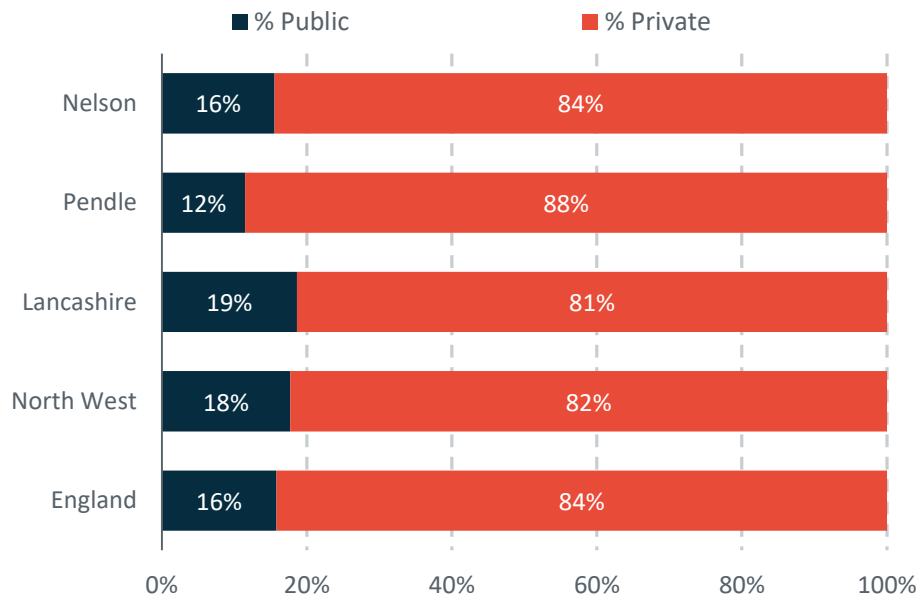
The immediate impacts of an economic downturn will tend to impact the private sector more than the public sector due to the former having greater reliance on market demand to sustain the business.

However, it is plausible, as was the case post-2008, that the government may seek to “balance the budget” in a response to the immediate fiscal stimulus used to mitigate the harshest short-term impacts of a recession. If this course of action is taken, areas with a higher dependency on the public sector may find their economies greater exposed in the longer term.

Pendle has a lower rate of public sector employment than the wider county, regional and national level. It may therefore be more immediately exposed to market downturns that are likely to be negatively effect the private sector more than the public sector due to the former's greater exposure to market forces.

Nelson itself has a public/private employment split in line with the national rate, therefore indicating that - with all other things being equal - any resulting positive or negative impacts due to this public/private sector split will be in line with the national impacts.

Public/Private Sector Employment Composition, 2018





Impacts on People

People Vulnerability & Exposure

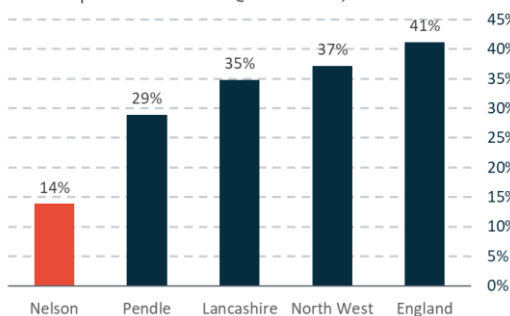
The skills of an area's population may also help to provide indications of resilience and eventually may be a test of an area's ability to bounce back from economic changes and crises.

Pendle has over double the national rate of people with no qualifications, as well as a much lower rate of people with level 4+ qualifications. This may indicate a greater challenge in ensuring a quick and sustained economic recovery that is based in high skilled and high paid employment.

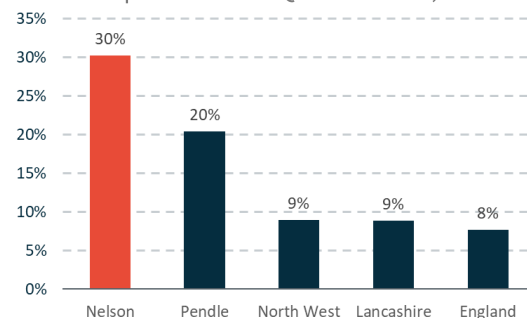
Nelson has an even lower level of individuals with a NVQ4+ education level, and a much higher proportion of individuals with no qualifications compared with the wider borough, county, region and country.

There has been an increased policy focus around the take-up of apprenticeships in recent years. In the last full year of data (2018/19), there 10,410 apprenticeship starts across Lancashire. However, despite an increase, apprenticeships starts fell rapidly in 2017/18 meaning over the last decade in Lancashire and at the national level there has been a decline in apprenticeship starts since 2010/11.

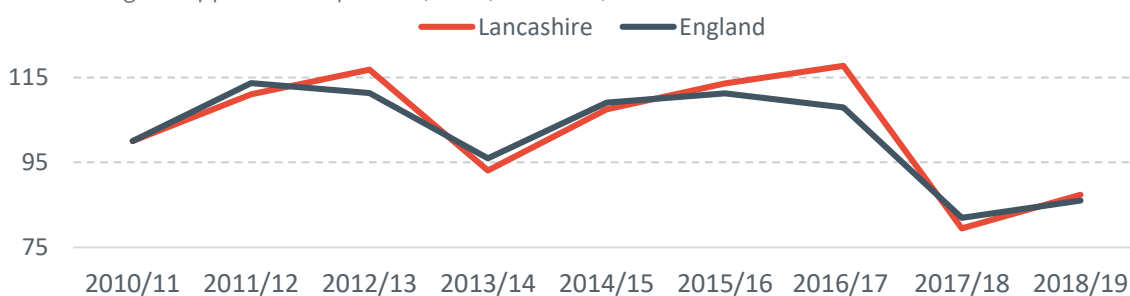
% of Pop. With an NVQ Level 4+, 2019



% of Pop. With an No Qualifications, 2019



Index Change in Apprenticeship Starts, 2010/11 – 2018/19





Impacts on People

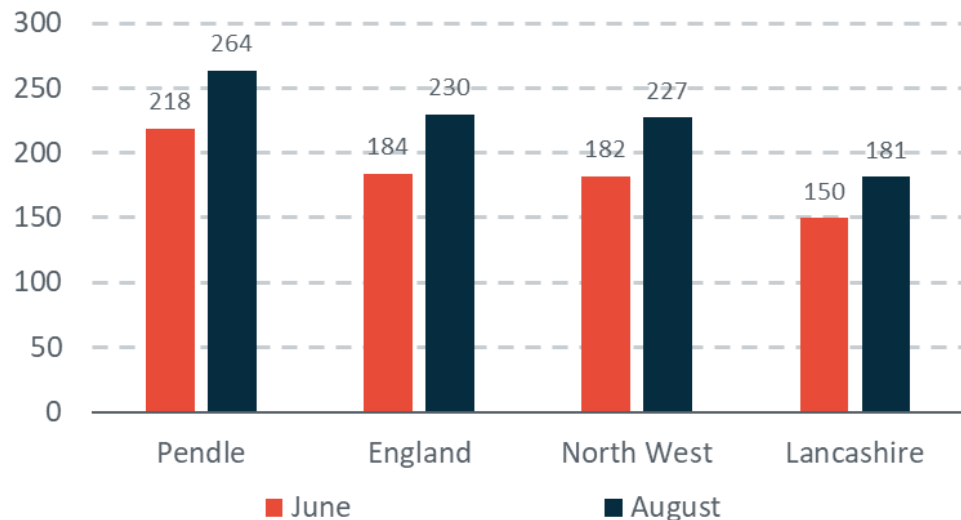
People Impact

As a means of reducing immediate and dramatic rates of unemployment due to Covid-19 and the subsequent economic restrictions the UK government initiated the Coronavirus Job Retention Scheme...

This scheme allowed employers to furlough workers often in lieu of making redundancies. The scheme can therefore be seen as a proxy Covid-19 employment impacts that may have occurred if the support had not been offered. The Job Retention scheme is being wound down gradually, ending in October. Latest data for August 2020 shows that across the country take-up of the scheme actually increased with more furloughed employments in August than in June.

As of August 2020 (latest data), 14,600 employments were furloughed in Pendle. This equates to 264 furloughed employments per 1,000 working age residents. This is a higher rate than Lancashire (150), the North West (182) and England (184). It is also an increase of 21% from the start of summer where Pendle had 12,100 furloughed employments this may imply a deteriorating picture and a bigger cliff edge for when the job retention scheme is finally wound down.

Number of Furloughed Employments per 1,000 Working Age Residents, June & August 2020





Impacts on People

People Impact

In addition to the job retention scheme, support was also offered to self-employed workers via the Self Employment Income Support Scheme (SEISS). This scheme offered grants to self-employed workers in the form of two separate grants.

The eligibility for the SEISS scheme, given prevailing complications for non-PAYE workers, was more complicated than the job retention scheme in its roll out. However, insights into the eligibility of self-employed workers are available as well as the average value of claims made via the SEISS.

In Pendle, Lancashire and the North West 72% of eligible self-employed workers made claims from this support scheme. Slightly higher than the national take-up rate of 70%.

In terms of the size of claims, Pendle's average claim via the SEISS was lower than the county, region and national average. The grants were based on the size of a company's average monthly profits over the past 3 years. This indicates self-employment in the borough is more likely to involve lower value activity relative to benchmarks.

Average Claim from the Self Employment Support Scheme, first grant wave, June 2020





Impacts on People

People Impact

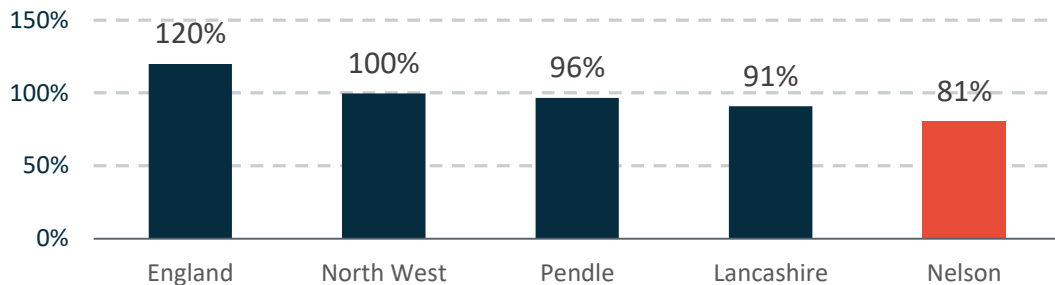
In addition to the two Covid-19 specific support schemes mentioned, we are also able to consider the changing employment landscape of Pendle by observing the claimant count. This is the number of individuals claiming out of work income support including Universal Credit (UC) and Job Seekers Allowance (JSA).

Between January and June 2020, there have been considerable increases in the claimant count across the country. The graph shows that this rise has been considerable in Pendle albeit at a lower rate than benchmark areas.

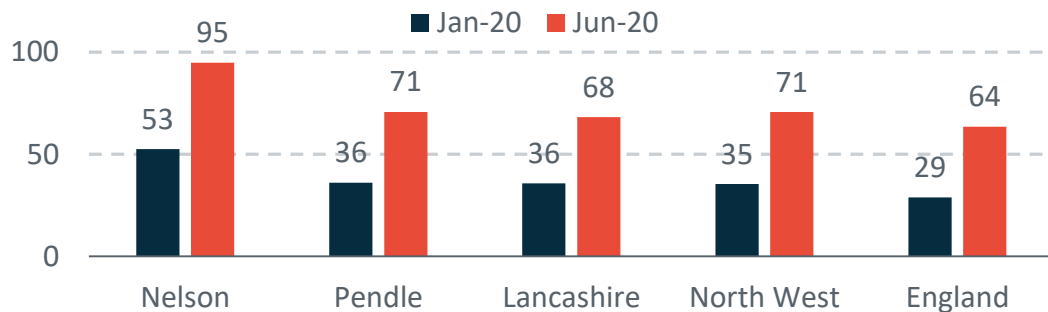
At the start of 2020, Pendle saw 36 out of 1,000 working age residents claiming out of work income support, this was more than the national level (29 people per 1,000). Both Pendle and England's position has deteriorated as the employment impacts of Covid-19 have materialised, with Pendle still having a greater number of claimants per 1,000 working age residents than the national rate.

Nelson experienced a lower rate of increase in overall claimant count, although this increase was still over 80% and therefore not unsubstantial. Moreover, as of June 2020 the town had a much higher rate of claimants per 1,000 working age residents, with 95 claimants per 1,000 – considerably more than the borough, county, regional and national rate.

% Change in Claimant Count January – June 2020



Claimant Count per 1,000 Working Age Residents, January 2020 & June 2020





Impacts on People

People Impact

Using Adzuna vacancy data, which measures the volume of online job vacancies, it is clear that vacancies have fallen considerably across the country since March 2020.

Using and index change rate to control for differing sizes of geographies we can see that the fall in vacancies have been more substantial in the main towns in Pendle than the change at the county and national level (data not available for the borough as a whole). In all there were 70% fewer vacancies in the key Pendle towns in August 2020 than in September 2019. More positively, vacancies began to trend back up since May 2020.

It is also worth noting that, although vacancies fell rapidly in March 2020, job vacancy numbers have been consistently falling in Pendle's key towns since September 2019, well before Covid-19. This may be an indication of underlying problems that have only been exaggerated and brought to the surface by the economic shock of Covid-19. A jobs focused recovery will therefore need to not only consider how to resolve short term Covid-19 induced effects, but also be conscious of prevailing challenges that were present in the Pendle employment market before Covid-19.

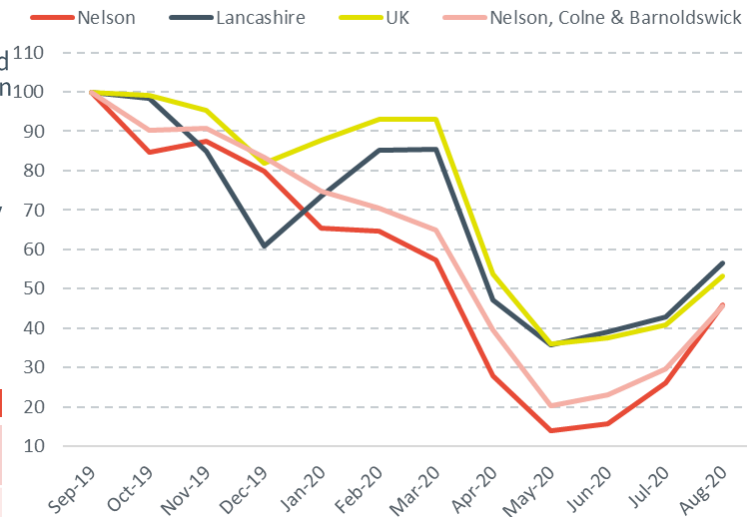
Change in Online Job Vacancy Postings, Sept 2019 – Aug 2020

	Sep-19	Aug-20	Change	% Change
Nelson, Colne & Barnoldswick	378	173	-266	-70%
Nelson	229	105	-169	-74%
Lancashire	13,889	7,855	-7,950	-57%
UK	998,532	531,696	-590,055	-59%

Data Source: UK Labour Market Statistics, Adzuna, 2019-202

Note: Data only available at national, region, county and town level, no data available for Pendle LA as a whole

Index Change in Online Vacancies, September 2019 – August 2020





Impact on **Place**



Impacts on Place

Key Points:

- + Physical distancing as a result of Covid-19 has meant that many places, such as Nelson, have been heavily impacted by a reduction in high-street spending and utilisation of the town centre.
- + As with many towns, this impact has occurred at a time when high-streets are already going through challenging times and as such have been left incredibly vulnerable to dramatic shocks. 18% of UK retail businesses were deemed to be “Zombie businesses” with significant balance sheet deficits totaling £2.2bn. The vulnerability of towns like Nelson *prior* to Covid-19 were significant.
- + Beyond the high-street, infrastructure, particularly access to digital infrastructure, is likely to play crucial role in any recovery. Pendle has acceptable access to broadband speeds over 30mb/s, yet there is very poor coverage of fibre broadband, this may stifle future growth that is dependent on high speed and reliable coverage.
- + Opportunities for recovery are clear in Nelson. Pendle is leading the way on Co2 reductions and will therefore be in a good position to lead the way in any form of green recovery.



Impacts on Place

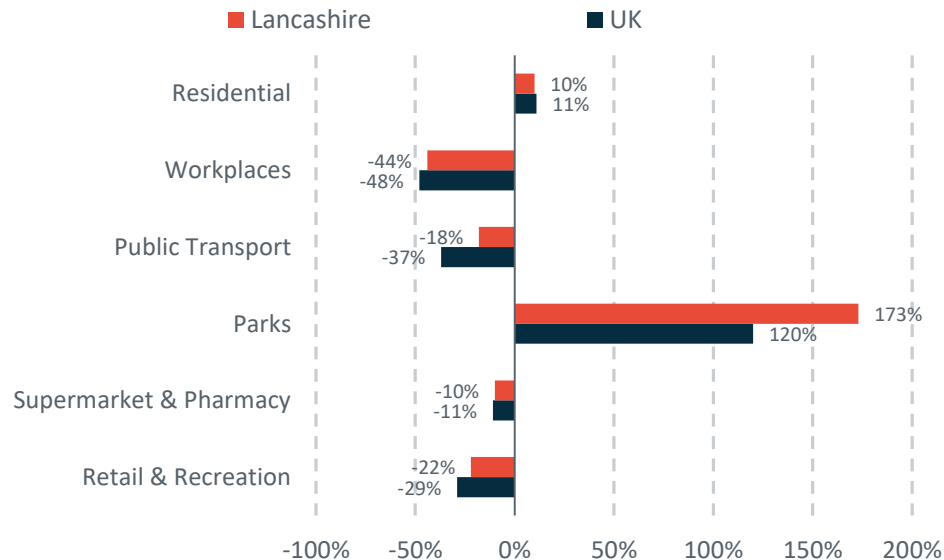
Place Impact

The extent to which Covid-19 has impacted the movement within and between areas will also provide a lens into the scale of the economic downturn in an area.

Google Mobility data provides insights into the change in movement habits each month compared to a baseline in January 2020. Latest data for July shows that Lancashire saw its movements patterns broadly in line with changes occurring at a national level. This being a rise in park usage but drops in movement to places of; retail and recreation, supermarkets and pharmacies, public transport and workplaces.

The implications of this may still mean that town centres are still yet to see a much-needed increase in footfall as residents choose to stay in residential areas and venture out only to open spaces such as parks.

Changes in Mobility Patterns, July 2020 Against January 2020 Baseline





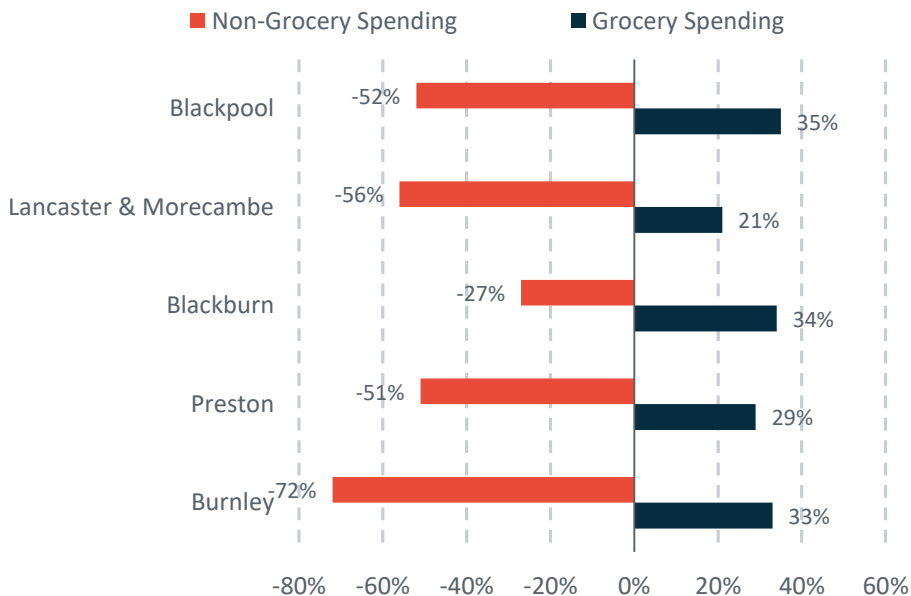
Impacts on Place

Place Impact

Measuring the changes in consumer spending that have resulted from Covid-19 also give an indication of how severely particular high-streets have been hit by the pandemic.

Data shown here shows how consumer spending has changed in April 2020 compared to the same time in 2019 across major towns and cities in Lancashire. Data isn't available for Nelson; however Burnley is the major town closest to Nelson and may therefore give some indications of how well the Nelson high street has dealt with the pandemic. Burnley had the most dramatic fall in non-grocery spending of all Lancashire towns and cities listed and saw the greatest overall fall in consumer spending by 59%.

Changes in Spending Patterns, April 2020 Against April 2019 Baseline





Impacts on Place

Place Recovery & Resilience

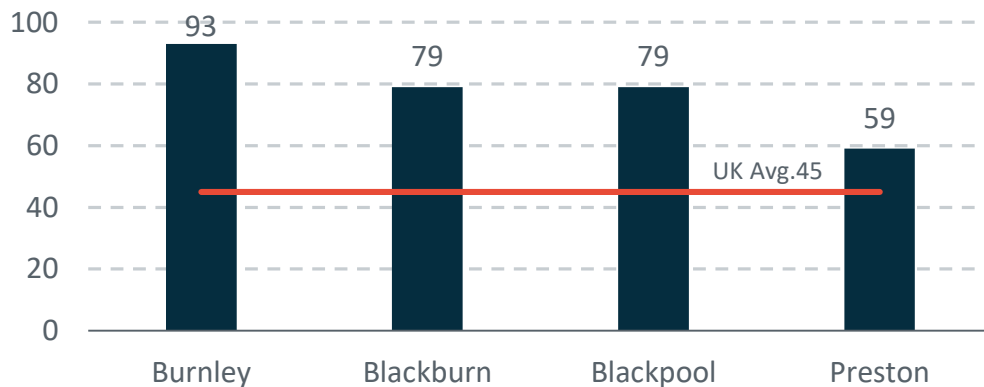
The recovery of towns can also be determined by footfall at key times compared with a pre-lockdown baseline.

The Centre for Cities, looks at the number of people in a town/city centre in July compared to a pre-lockdown baseline of 100. If the score in July is close to 100, there are indications (by this metric) that the town is beginning to recover back to its pre-lockdown level of people in the town/city. Using a baseline of February 2020 (pre-lockdown) of 100 the recovery scores include

- + An overall recovery score - looking at the number of people in the town centre at any time of day compared to the baseline.
- + A workers score to recovery – looking at the number of city-centre workers in the centre in the daytime on weekdays.
- + A weekend score to recovery – looking at the number of people in the centre in the daytime on weekends.
- + A night-time score to recovery – looking at the number of people in the centre in the evening.

Of the key towns and cities in Lancashire, Nelson's closest larger town of Burnley scores above average in all scores to recovery. Perhaps implying some level of resilience.

Centre for Cities High Street Overall Recovery Index, Lancashire Towns/Cities



Centre for Cities High Street Recovery Index, Lancashire Towns/Cities

	Night-time score to recovery	Overall score to recovery	Weekend score to recovery	Workers score to recovery
Burnley	70	93	95	31
Preston	42	59	71	21
Blackburn	53	79	76	46
Blackpool	46	79	80	35
UK Average	32	45	55	17



Impacts on Place

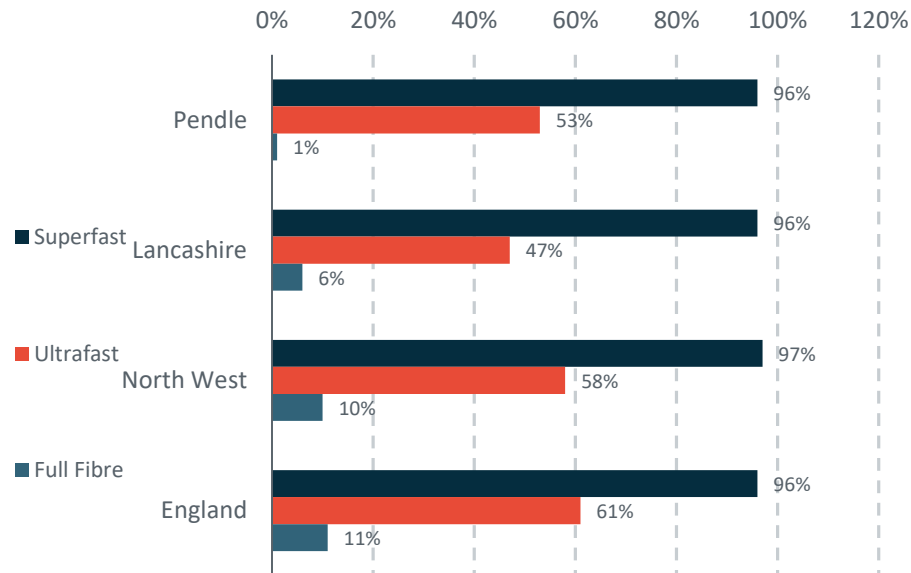
Place Recovery & Resilience

Differing levels of connectivity across the UK have meant some areas have been more resilient to restrictions. In areas with greater high speed broadband coverage the transition to home working, shopping and socialising has been less burdensome. As restrictions remain, these areas are also more likely to see quicker recoveries.

The adjacent chart shows that Pendle's digital connectivity could be improved, particularly in terms of access to full fibre broadband, where the borough only has 1% of coverage compared with 11% nationally. Pendle does have almost full coverage of superfast broadband (speeds of up to 30mb/s) which is in line with the national rate. Although coverage of ultrafast broadband (speeds of over 300mb/s) is lower than the national rate at 53% compared to 61%.

It appears that the borough had good basic coverage but significant parts of Pendle does not have the same coverage of faster internet speeds which is key to digital inclusion and business competitiveness. This may present significant challenges and be a barrier to future investment and jobs growth in the area, as well as a possible negative factor in present and future quality of life measures.

Broadband Coverage by Speed, 2020





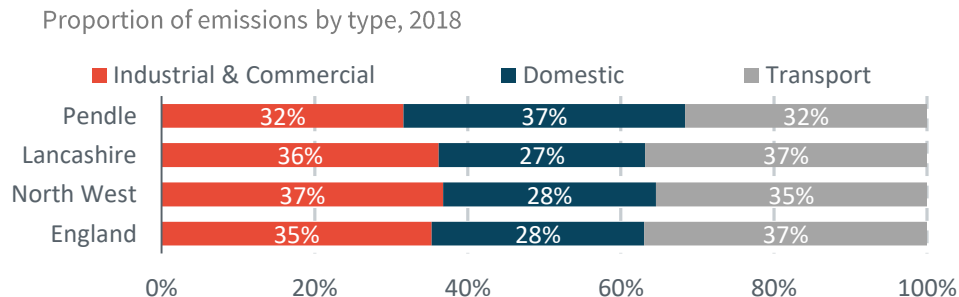
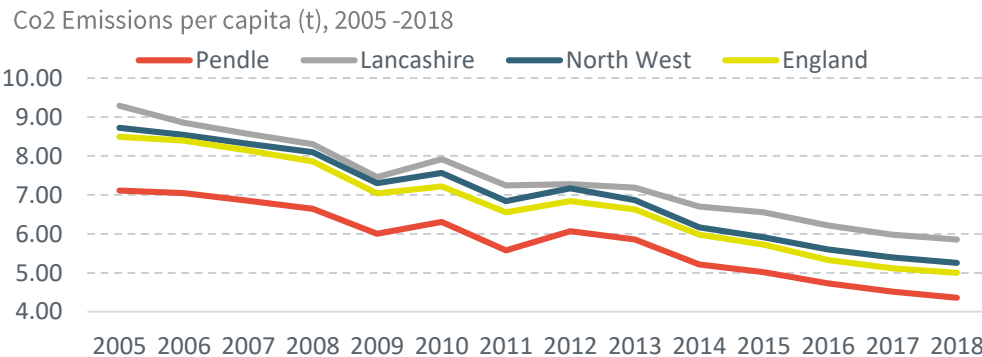
Impacts on Place

Place Recovery & Resilience

Pendle has performed well in terms of reducing carbon emissions, this may give the borough unique opportunities to lead the way in any potential green recovery...

A “Green Recovery” is potentially a key source of post-Covid-19 investment and a large aspect of the UK government’s “Build Back Better” recovery plan.

Co2 emissions in Pendle are well below county, regional and even national levels and have also seen similar reductions since 2005. A key aspect of further reducing this and harnessing Pendle’s lead in carbon reductions will be around reductions in emissions from domestic sources. This is Pendle’s main source of emissions and is well above the national rate. Improving domestic heating, isolation and efficiency therefore presents a key green opportunity for the area.





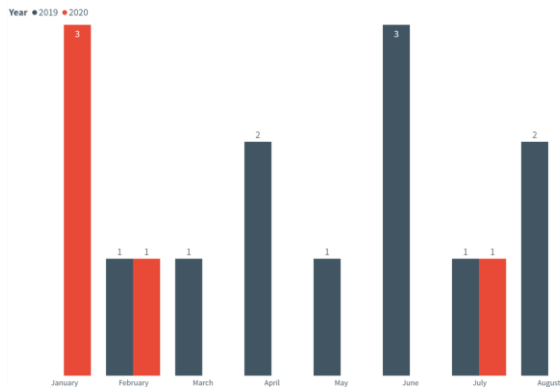
Impacts on Place

Place Recovery & Resilience

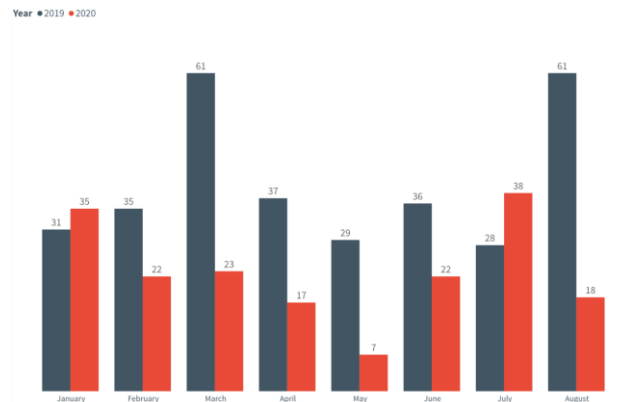
The impact of Covid-19 on commercial property is predicted to be extensive, and measurable through commercial property lease deals..

- + All commercial lease deals, including industrial, office or retail premises, since January 2019 have taken place in three towns in Pendle – Colne, Barnoldswick and Nelson. Only four of these lease deals have taken between January and August 2020, whereas for the same period in 2019 there had been 11, demonstrating a substantial drop off in demand for commercial property in the borough.
- + The impact of Covid-19 is clear here with no deals taking place between March and June when economic restrictions resulting from Covid-19 were most severe.
- + This picture is true of the wider county of Lancashire with deals for commercial property particularly dropping off between March and June.

Commercial lease deals in Pendle



Commercial lease deals in Lancashire





Strategic Implications



Strategic Implications - Business

The economic impacts of Covid-19 on Nelson and the wider borough of Pendle area yet to fully materialise. However, it is clear that the impacts will be difficult to overstate.

Business Support

- + Insights around business incorporations indicate a level of entrepreneurialism in Pendle to be harnessed. Regardless of the source of these business formations, be it a loss of PAYE opportunities or genuine business start-ups, there is clearly scope to build on this and provide a nurturing business environment for new SMEs. This support could be in the form of business advice or perhaps the provision of commercial space for incubation or expansion.
- + In addition to support for newly formed businesses, as can be seen by the number of businesses in Pendle and Nelson from the UK's most vulnerable sectors, there is a need to ensure businesses are supported at the local level to re-open and able to better react to changes in the supply chain and any further shocks that may occur, either as a result of Covid-19 or any other economic shocks. This plan is stated in the *Redefining Lancashire : Our Approach to Recovery* report published by the county council in June 2020.

Diversification of the business base

- + One of the unique aspects of the Pendle economy is its focus around manufacturing. This sector provides over half of the borough's total GVA and is therefore of the utmost importance. The manufacturing sector nationally has been relatively insulated from the worst commercial impacts of Covid-19 (as shown in the ONS' BIC survey) an indication therefore that the borough may have some level of protection. However, as the short-term impacts of the pandemic have shown, an over reliance on specific sub-sectors can put areas in jeopardy if these sectors end up over-exposed to an economic crisis. The aerospace sector is a key example of this.
- + The short-term impacts of Covid-19 have so far disproportionately impacted the service and leisure sectors – however, more medium- and long-term impacts may in turn impact the manufacturing sector as the repercussions of global trade and supply chains interruptions continue into 2021.
- + To ensure the borough's economy is suitably diversified and insulated from shocks to its high value sectors, where it sources the majority of its GVA, there needs to be a focus on supporting these important sectors to be resilient and diversify.



Strategic Implications - People

The economic impacts of Covid-19 on Nelson and the wider borough of Pendle area are yet to fully materialise. However, it is clear that the impacts will be difficult to overstate.

Upskilling the workforce

- + A considerable amount of Pendle's population are severely under-skilled, 20% of the borough lack any qualifications, compared with just 8% nationally. This is a clear challenge that has and will continue to exasperate unemployment challenges resulting from Covid-19 and make the finding of new employment much harder for those lacking skills. Support should be given to upskill and reskill the workforce, particularly among the population facing immediate job losses.
- + These figures are even more dramatic below the borough level when looking at Nelson almost a third of the town's population lack any sort of qualification, putting significant restrictions on possible future growth and recovery options and reducing the chances of high paid high skilled employment opportunities.
- + Upskilling a workforce is a challenge but also a significant opportunity, it is not possible to determine the length of the Covid-19 induced economic downturn and its impact on unemployment rates, however an immediate return to pre-Covid levels of employment is unlikely in the short-term. Ensuring unemployed people have support will be crucial, but in addition to this the scope for reskilling these people will be significantly greater than before as many find themselves with capacity to build up qualifications to create further opportunities in higher paid employment.

Self-employment support

- + Although discussed in Impacts on Business, employment has fallen but business incorporations have risen sharply. Trends since 2014 also indicate that Pendle was seeing increases in self-employment (from a previously very low level) prior to Covid-19. This presents a significant opportunity to create a dynamic and diverse SME based economy. Engagement with new businesses and ensuring they are able to access support they need will ensure that those moving from PAYE employment to self-employment are supported in a challenging economic climate to start and grow a new business.



Strategic Implications - Place

Covid-19 has deeply impacted towns and will continue to do so whilst physical restrictions remain in place. It has also highlighted the need for high quality digital infrastructure that is accessible to all...

The Changing role of the high-street

- + Many aspects of the town will not recover the landscape prior to Covid-19 for many times, was poor, with many retail and hospitality businesses only continuing to trade on the back of large deficits. It is clear that many towns such as Nelson will see the look of the high-street change dramatically if many of these businesses cease operating. This is a significant challenge: certain businesses may never reopen. Work must be done to support firms where possible, but also to ensure that when town centres recover they do so on the basis of strong sustainable growth.
- + Supporting Nelson and its high-street is embedded in the emerging recovery strategy for the wider county council. In *Redefining Lancashire: Our Approach to Recovery* a key element of the recovery proposition is a plan to support town centres, summarised with the mantra “Visit Soon, Visit Safely”. This will include working with Lancaster University to expand and develop the role of local towns like Nelson. Footfall in towns across Lancashire has fallen presenting a challenge for many retailers, but there are also opportunities to change towns like Nelson for the better – such as improving cycle access and creating town centres that act to meet the needs of a community at a commercial and also community level.

An Environmental Recovery

- + As can be seen, Pendle is in a leading position when it comes to Co2 per capita reduction. There is a massive opportunity to harness this potential and establish towns within the borough, such as Nelson, as centres of a green recovery. The UK’s *Build Back Better* initiative, sees a green recovery as fundamental. To further decrease Co2 Pendle could consider its main source of emissions, which are from the domestic market, and initiate a programme that would not only reduce emissions, but also improve the homes and quality of lives of many residence as well.

Digital Connectivity

- + In addition to the environment and high-streets, Pendle is currently underperforming when it comes to full fibre broadband coverage. Due to Covid-19 restrictions, and likely long-lasting impacts, the importance of digital infrastructure will only increase in the coming years. To ensure the town is able to capitalise on this, there needs to be a concerted effort to ensure all homes are connected to fast and reliable internet.