

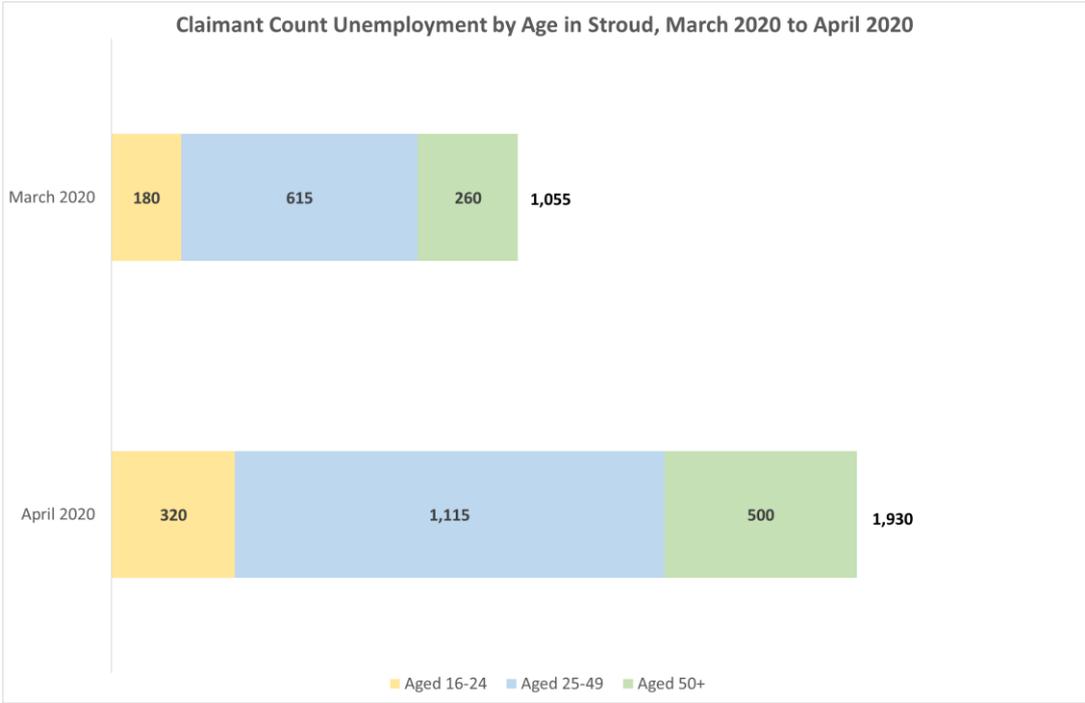
Addendum Note on Implications of Covid-19

Introduction

- 1.1.1 The purpose of this note is to update the Cotswolds Canals Connected Economic Impact Report (prepared by Stantec between August and December 2019), to reflect the possible implications of Covid-19 on the proposed intervention.
- 1.1.2 It follows the same structure as the report and considers in turn the possible implications of the outbreak on the baseline conditions, on target audience groups, and on the likely economic impact of the project.

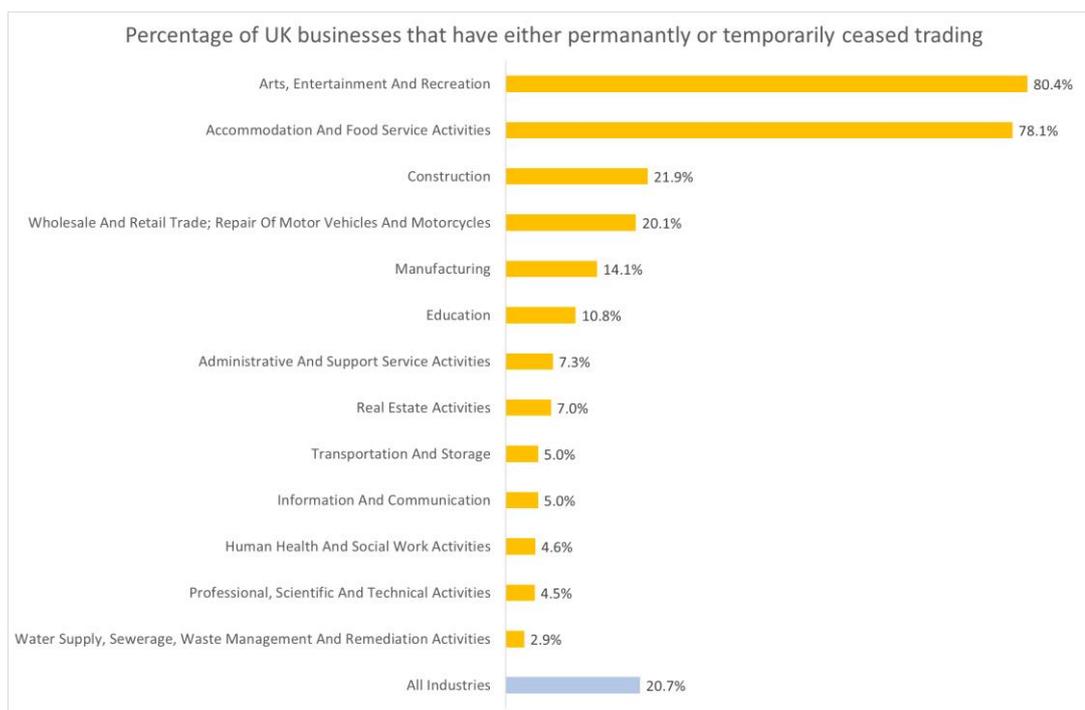
Impact on Baseline Conditions and Counterfactual Trends

- 1.1.3 The Covid-19 outbreak has already had an impact on Stroud's economy, demographic composition and labour market, and it is likely to have further short, medium, and long-term impacts on the area.
- 1.1.4 The social distancing measures introduced in March have had a severe adverse impact on the area's labour market, and claimant count unemployment in Stroud rose from 1,055 to 1,930 between March and April 2020 (an increase of 83%).



Source: Nomisweb (latest figures as at 24th May 2020)

- 1.1.6 In addition to these claimants, evidence from HMRC indicates that, as of 17th May, 8 million UK workers had been furloughed across 986,000 businesses, at a total cost to the Department of £11.1 billion¹. This figure is equivalent to approximately one-quarter of the total UK workforce². While some of these individuals are likely to return to their original jobs by the time the scheme ends (currently scheduled for 31st October 2020), many will not, and could therefore become unemployed after this date.
- 1.1.7 While local data on applications to the furlough scheme are unavailable, we note that the Arts, Entertainment & Recreation; and Accommodation & Food Service Activities sectors are the two hardest hit sectors at the UK level, and that both of these sectors employ a higher percentage of the workforce in Stroud than the UK average³.



Source: ONS Business Impact of Coronavirus (Covid-19) Survey Wave 4, based on a survey of 6,196 UK businesses, conducted between 20th April and 3rd May

- 1.1.8 Looking ahead to the point at which these businesses will be allowed to re-open (possibly Q3&Q4 of 2020)⁴, there is a likelihood that these businesses will continue to experience a loss of trade, due to customer concerns around possible infection; the impact of the lock-down on disposable incomes, and the impact of continued social distancing measures on the number of customers that businesses are able to serve. However, these may be partially offset by

¹¹ Source: <https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics>, these were the most recent figures available online as at 24th May 2020.

² The ONS Business Impact of Corona Virus (Covid-19) Survey (Wave 2) Report indicates that 27% of the UK workforce had been furloughed under the Coronavirus Job Retention Scheme during the period between 23rd March and 5th April

³ According to data from the Business Register & Employment Survey (as reported on Nomisweb on 24th May), the Accommodation & Food Service sector employed 8.9% of the workforce in Stroud, and 7.5% across all of Great Britain, while the Arts, Entertainment & Recreation sector employed 4.6% of the workforce in Stroud and 4.5% across all of Great Britain.

⁴ The UK Government's Covid-19 recovery strategy indicates that this will take place on a date no earlier than 4th July, at a point at which the five tests related to hospital capacity, daily death rates, rate of infection, testing & PPE capacity, and likely impact of policy adjustment all provide evidence to suggest that it is safe to make this change

consumers having a pent-up demand for visiting hotels, pubs and restaurants, and by continued restrictions on international travel creating an increase in demand for 'staycations'.

- 1.1.9 Looking further ahead to the point at which all lockdown measures have been lifted (possibly 2021), there is a high likelihood of the UK experiencing a severe recession. For example the EY ITEM Club Spring Forecast 2020⁵ (published on 27th April) concluded that *"the UK economy is not expected to return to its Q4 2019 size until 2023"*. This is likely to lead to both a contraction in UK private sector production and, (as a result of a reduced tax-take and an increased debt servicing requirement) a reduction in UK public sector spending.
- 1.1.10 It could reasonably be argued that the development of public amenity infrastructure such as the Cotswold Canals Connected Project may serve as a 'New Deal' stimulus measure to assist the economy in this recovery⁶.
- 1.1.11 Looking further ahead still, to a point beyond the recession and recovery, and to a point at which the proposed canal link would be built and operational, it is possible that the experience of Covid-19 may lead to longer term changes in the economy and society including:
- **Increased home working:** The Covid-19 outbreak has been described by several commentators as 'the world's biggest home working experiment'⁷, and has encouraged large numbers of workers to work from home and to make greater use of video conferencing technology. If this increase in homeworking persists beyond the duration of the outbreak, then this could increase demand for housing in areas like Stroud, as distance from work becomes less of a consideration in people's decision around where to live.
 - **Increase in perceived value of green space:** the requirement for social distancing during the Covid-19 outbreak, and the possibility of similar human Corona-virus strain outbreaks in future, may increase public appreciation of, and demand for green spaces such as the proposed canal corridor
 - **Increase in 'stay-cations':** should Covid-19 lead to any persisting changes in the cost of, inconvenience of, or perceived risk of foreign travel, then this could lead to an expansion of the 'stay-cation' market, and make the Cotswolds more attractive to UK-based visitors, though conversely it may also reduce demand from overseas based visitors

Impact on Target Audience Groups

- 1.1.12 There is a significant degree of overlap between the audience groups that the project seeks to support, and the segments of the society that are most exposed to the health risks and economic risks created by Covid-19.
- 1.1.13 There is research to suggest that older people⁸, BAME communities⁹, homeless people¹⁰ and people with long term health conditions¹¹ are all disproportionately likely to experience severe

⁵ https://www.ey.com/en_uk/growth/ey-item-club/uk-economy-headed-for-record-contraction

⁶ The New Deal was a policy enacted by US President Franklin D Roosevelt between 1933 and 1939 to support the US economy through the Great Depression. It included, among other measures, a series of public works projects designed to stimulate demand in the economy, and thereby incentivise businesses to increase their productive capacity

⁷ <https://www.bloomberg.com/news/articles/2020-02-02/coronavirus-forces-world-s-largest-work-from-home-experiment>, <https://edition.cnn.com/2020/02/14/asia/coronavirus-work-from-home-intl-hnk-scli/index.html>, <https://www.ft.com/content/75639ffa-6f95-11ea-89df-41bea055720b>

⁸ <https://www.bgs.org.uk/resources/covid-19-bgs-statement-on-research-for-older-people-during-the-covid-19-pandemic>

⁹ [https://www.thelancet.com/journals/lanres/article/PIIS2213-2600\(20\)30228-9/fulltext](https://www.thelancet.com/journals/lanres/article/PIIS2213-2600(20)30228-9/fulltext)

¹⁰ <https://epha.org/the-impact-of-the-covid-19-crisis-on-homelessness/>

¹¹ <https://wellcomeopenresearch.org/articles/5-75>

health issues as a consequence of Covid-19. This arguably strengthens the rationale for projects designed around the needs of these groups.

- 1.1.14 Likewise, there is also evidence to suggest that young people have been more severely affected by recent economic downturns than their older counterparts¹², while research by the Sutton Trust highlights the challenges that parents on limited income and with limited internet connectivity have experienced in home schooling their children¹³. This arguably strengthens the rationale for projects targeted towards young people and people excluded from education.

Economic Impact Analysis

- 1.1.15 While there is currently insufficient evidence to re-run the economic impact assessment to reflect the economic impacts of Covid-19, it is possible to identify those assumptions within our impact model which are most liable to changing as a result of the outbreak. These include:

- **Towpath & canal usage:** in the short term, social distancing measures may reduce towpath uses. However, longer term, increased visits from 'staycation' visitors may bring about an increase in usage.
- **Development timescales:** these may be a risk of slippages in the project delivery timescales, both due to planning and preparation activities slowing down during the lock down phase, and due to the impact that any possible long term social-distancing requirements may have on those involved in the construction of the project.
- **Land value uplift:** should homeworking become more commonplace in future years, and should this lead to an increase in demand for housing in attractive locations that are not within easy commuting distance of cities, then this could bring about an increase in land values along the canal corridor.

Stantec
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¹² <https://www.closer.ac.uk/wp-content/uploads/US-Recession-Casestudy.pdf>

¹³ <https://www.suttontrust.com/our-research/covid-19-and-social-mobility-impact-brief/>