

Yorkshire Forward and Economic Development

Learning Legacy Module 3:

Responding to Economic Shocks



July 2011

written by: Tim Frenneaux

with support from: James Farrar, Patrick Bowes , Les Newby



The Region's
Development Agency

Executive Summary

The Yorkshire and Humber region experienced a number of economic shocks during the lifetime of Yorkshire Forward, including the Foot and Mouth outbreak (2001) extensive flooding (2007) and recession (2008). Yorkshire Forward played a key role in working with businesses to ameliorate the impact of these shocks on businesses and the economy, and by extension on the environment and society. This paper draws out the key lessons from this work. These lessons are detailed at the end of the report, but reproduced in shortened form for this summary.

By way of illustrating how these lessons were learnt, the paper examines the organisational response to each shock in turn, before reviewing the results and outputs from these interventions. This provides a snapshot of an organisation stepping outside of its usual operational activities in order to respond to urgent and important events. The lessons which flow from this experience are of relevance to all organisations likely to find themselves in a fire-fighting situation, and particularly those who may be required to respond to economic shocks in the post RDA period. Whilst this paper touches on issues such as risk management, it does so in terms of activity that has an external focus, not risk management of Yorkshire Forwards internal corporate activity.

The key lessons learnt from Yorkshire Forward responses to economic shocks include the following:

- a) **Acting quickly is crucial.** Yorkshire Forward was swift to recognise the potential economic impact of the Foot & Mouth outbreak, and to put in place measures to support businesses. Speed of response has been crucial to all subsequent economic shocks, and in many cases the speed of response increased, based on experience of the best ways to respond.
- b) An **element of calculated risk** is often required to deliver results. Responses to economic shocks are not routine circumstances. Time is often tight, scale of incident can be large and potential impact may be significant. At such times the extent to which risk informs the response needs to be recalculated.
- c) The ability to be **flexible in response** is important. Whilst all the response programmes worked within existing processes, they demanded flexibility on the part of these processes and the people managing them.
- d) The **strength and resilience of networks and partnerships** that aid with effectively delivering day to day activity become crucial in times of response to economic shock.
- e) Economic shocks bring about change, and **for some businesses and entrepreneurs, this change will bring opportunity.**
- f) **Establishing clear and effective two way communications** protocols are crucial. The volume of requests for information from Government and the media can potentially prove a distraction from responding to the incident. Coordinated communication also ensures

that all organisations and particularly their staff, responding to shocks are effectively briefed on the emerging situation and response.

- g)** The provision of emergency grants to business, and organisations supporting business, has been the overriding approach and it has had demonstrable success. However at the beginning of any incident a **robust assessment of potential suitability of a range of responses** is important.
- h)** The assessment of the range of potential responses needs to be based on the **best possible evidence and intelligence**. Yorkshire Forward was able to combine senior business engagement and intelligence with hard economic data to ensure that both the organisation and its partners were as informed about the incident as possible.
- i)** **Organisational preparedness for shocks** is important and an ability to learn and retain lessons from previous shocks is crucial. This is the most difficult aspect to pass on from organisation to organisation. The inevitable conclusion is that lacking any capacity to replace the RDA's response role, the ability for the region to respond to economic shocks has been reduced following the demise of the RDA.
- j)** Yorkshire Forward's work in response to economic shocks also demonstrates the **importance of effective leadership that drives activity and ensures coherence**. Being a well regarded regional organisation Yorkshire Forward was large enough to lead on developing a coherent approach, whilst still small enough to understand the nuances of an incident and its impact. Once again, in the absence of the RDA, this balance will be difficult to achieve.

1. Task and Purpose

Yorkshire and Humber has experienced a number of economic shocks during the lifetime of Yorkshire Forward. These shocks have stemmed from both local and national environmental incidents and the global economic crisis. The impact of these shocks has been felt in the region's environmental, social and economic systems. Yorkshire Forward played a key role in working with business to ameliorate the impact on local businesses and the economy, and by extension on the environment and society.

The key shocks which Yorkshire Forward responded to include:

- Global credit crunch and UK recession from 2008
- Nationwide Foot and Mouth outbreak in 2001
- Extensive flooding in South Yorkshire and the Humber in 2007
- Localised flooding in North Yorkshire in 2005.

This paper provides a summary of the approaches taken to respond to these challenges and draws out some of the common lessons that can be learnt. Further detailed information in relation to Yorkshire Forward's approach to economic shocks can be found in evaluations of its response to the major flooding event and the recession.

2. Approaches Adopted

2 a) Response to the Recession

The economic shock with the greatest absolute impact on the region and its businesses has been the global recession from 2008. Whilst at the time of writing in early 2011, economic growth remains “flattish” and well below pre recession levels, the UK officially came out of recession in January 2010. The Yorkshire and Humber region fared worse than the national average during the recession with output falling by 6.1% from its pre recession peak to its low point during the recession, in comparison to a fall of 5.3% nationally¹.

Recession was confirmed in the UK in the 4th quarter of 2008. Yorkshire Forward’s response was immediate, with an Economic Response Unit established within the organisation specifically to coordinate the agency’s response to the recession. However it had no dedicated budget and minimal staff. Its purpose was to provide a strategic framework for our response, a single point of contact and coordination, and to work alongside other Yorkshire Forward teams and partner organisations to ensure the alignment of activity. In this respect it was the hub of Yorkshire Forward’s response, both internally and externally. This approach of having a dedicated hub working to ensure alignment of other activity was judged to be the most effective course of action, a view borne out by subsequent evaluations.

i) Strategic response to the recession

Reflecting the importance of a strategic response to the recession, the organisation’s corporate objectives and the priorities flowing from them, were completely revised in January 2009. The aim was to mitigate the immediate effects of the recession whilst ensuring we were also creating conditions to support the long term recovery of the economy. The revised Corporate Objectives were as follows:

- Keep as many people as possible in jobs or work related training in 2009/10;
- Work to maintain and build the number of competitive, innovative and resilient businesses in 2009/10;
- Sustain the momentum of economic renaissance schemes in priority cities and towns (urban and rural) and support business start-ups and growth with a property offer that meets their changing needs;
- Deploy Yorkshire Forward’s resources quickly and effectively to help the region get through the economic downturn;
- Develop new industries and new jobs; and
- Establish and agreed Integrated Regional Strategy that is distinctive to Yorkshire and Humber, with a low carbon focus.

A key element in the strategic response was having **robust intelligence** on which to base our activity. To this end the Chief Economists Unit was augmented and its focus refined to providing effective economic intelligence within the organisation, within the region and to central government. This included a direct link into the Bank of England Monetary Policy Committee providing intelligence on the situation in the region. This intelligence helped identify the parts of the region and sectors most badly affected by the recession, and was

¹ “Evaluation of Yorkshire Forwards Response to the Recession” Ekosgen, 2010

updated on a monthly basis to ensure the emerging situation was effectively tracked. Further intelligence was gathered in particular by the senior leadership team and Board members on the companies and activity most at risk. This combination of hard economic data along with nuanced anecdotal evidence helped ensure that Yorkshire Forward understood what was happening and knew how best to respond.

In practice, Yorkshire Forward's response was a combination of strategic leadership and influencing, along with a range of project activity amounting to some £90m (this figure is a combination of the YF single pot funds, plus the estimated amount of Business Link funding, that was specifically focussed on recession response). Given the scale of the regional output at the time was some £70,079m annually, the funding devoted to remediation was clearly a drop in the ocean. How this funding was used will be considered in further detail shortly, however in many regards it can be suggested that the greater impact came from strategic leadership and influencing, rather than project activity.

Key amongst the strategic interventions were the establishment of a series of Task Forces, focusing on specific economic sectors judged to be at risk or having the potential for beneficial impact. The Task Forces secured high level representation from key businesses, local and central government and Yorkshire Forward's Board and Executive Team.

A **Financial Services Taskforce** was established due to the importance of the sector to the region, as Leeds City Region is the most significant financial services hub in England outside London. The Task Force was instrumental in lobbying Lloyds Banking to retain a significant operational presence in the region following their takeover of HBOS. This led to the safeguarding of thousands of jobs within the region, and mitigated a significant impact in the borough of Calderdale had these been lost.

The region has retained much of its manufacturing base and the sector was particularly hard hit by the recession. A **Manufacturing Task Force** was created to redress concerns that the region's long term development, particularly from the much heralded low carbon revolution, would be set back by short term losses of jobs, skills and businesses. The Task Force took a twin track approach, much as Yorkshire Forward did with their revised Corporate Objectives, to focus on making the most of support available to manufacturers in the short term and developing a long term strategy to grow the sector, particularly in terms of advanced engineering, digital materials, healthcare technology and low carbon technology.

In addition to the Financial Services Task Force, a **Banking Group** was also established bringing together regional representatives of UK based banks. Whilst it would be difficult to contend that this group led to higher lending rates for the region's businesses, it did engender greater understanding and awareness, building stronger relationships which will leave a lasting legacy of resilience.

ii) Project response to the recession

Responses to the recession can broadly be structured around three distinct areas:

- Urban renaissance and property
- Business support and access to finance
- Economic inclusion and skills

Urban renaissance and property

As the recession took hold, there was a real danger that key developments in the region would be stalled mid-development. The spectre of half-finished developments blighting cities and towns in the region loomed large, coupled with potential for significant short term job losses in the construction industry. As a result, Yorkshire Forward worked quickly to establish an approach whereby we could intervene in failing schemes, to ensure they remained on track. As with much of YF's direct intervention in the economy as a result of the recession, the process was made difficult due to commercial confidences and a reluctance on the part of developers to admit that schemes were potentially facing difficulties. Yorkshire Forward also had to revise its approach to where and when it would invest, and saw funds being channelled towards projects that would not have received public sector support under ordinary circumstances. The priority was ensuring that support went to schemes that would have the greatest positive impact by remaining on track, or conversely those which threatened the greatest negative impact should they have failed.

In total 10 schemes were supported through this process, with support ranging from £350,000 to £7m. Supported schemes included:

• Trinity Walk, Wakefield	£5,050,000
• Tower Works, Leeds	£6,471,000
• Broad Street, Halifax	£2,979,000
• Waterfront, Huddersfield	£6,340,000
• Bradford Business Forest	£7,000,000
• Southgate, Bradford	£1,846,190
• Listerhills, Bradford	£1,190,000
• Greyhound Drive, Bradford	£353,000
• Moor Markets, Sheffield	£2,900,00
• Dinnington Colliery, Rotherham	£6,700,000

Provision of this support, which amounted to £29m in 2009/10, was made possible as BIS enabled Yorkshire Forward to bring forward £23m of its budget from future years to be spent in 2009/10 in response to the recession.

Case Study: Urban Renaissance, Tower Works, Leeds

Tower Works sits in the Holbeck area of Leeds which has become a key centre for creative and digital industries within the region. The project represents a catalyst for the wider regeneration of the area and the site contains three listed towers that represent landmarks for the city.

Prior to recession the proposals for the site consisted of a £60 million mixed-use scheme. The recession caused the main developer to withdraw from the project and proposals were then put on hold.

The financial uncertainty surrounding the scheme combined with increasing liabilities as listed buildings on the site continued to deteriorate and the catalytic nature of the scheme led to a rethink of the potential for intervention within the site. Ultimately it was decided that a public-sector investment to kick-start the development was appropriate. Work commenced on a scaled down £6.5 million build in 2011. This will enable the scheme to develop 18,000 sq feet of grow-on work-space that links to the businesses based within the successful Round Foundry Media Centre already located within the area. This work tackles the listed building liabilities, opens up part of the site for access by the general public and prepares the remainder of the site ready to attract private interest for the market.



Business support and access to finance (see also Module 7: Access to Finance)

When the recession began, the Yorkshire Forward funded business support organisation, **Business Link** was newly established with a regional presence, in contrast to the previous sub-regional model which operated until mid 2008. This shift to a regional approach immediately bore fruit as it was possible to roll out a coherent region wide Business Link response, which benefitted from economies of scale and a consistent message. Whilst the early days of any organisation are a difficult time to respond to major challenges, particularly such as this one, the organisation was instrumental in providing a frontline response to business needs. Some £50m of their £70m budget was directly aligned on safeguarding existing jobs and businesses during the recession. Whilst much of the Business Link response was not a case of doing anything new, rather refining their message to ensure that advice was consistent, a major new element in their response was the provision of free

financial healthchecks for businesses, to ensure that they understood where their strengths and weaknesses stood. Because the entire organisation was focused on responding well and consistently, and backed by a major advertising campaign, Business Link Yorkshire took 18% of all calls to Business Link nationally, from only 8% of the business base.

In addition to this Business Link led activity, Yorkshire Forward revised some of its programmes and developed new financial support mechanisms in response to their needs. The pre-existing **Manufacturing Advisory Service** was considered to have a key role to play in supporting the fortunes of the sector. However it was recognised that the existing intervention rate was not attractive to firms facing difficulties in the teeth of the recession, and it was accordingly revised upwards to 75% from 50%.

Recognising the risk of viable businesses going to the wall due to short term financial problems, and to complement the Financial Healthcheck offered by Business Link, a new fund was created to offer working capital to companies judged to be fundamentally sound. This **Transitional Loan Fund** was delivered through three existing business funding organisations: The Community Development Financing Association, The Viking Fund and Yorkshire Fund Managers. This was in line with best practice guidance from BIS to use organisations with established track records of this type of activity.

A further fund was established, and managed directly by Yorkshire Forward with the aim of **Safeguarding Jobs in Viable Businesses** through the provision of grants to crucially important businesses.

Economic inclusion and skills

In addition to supporting businesses during the recession Yorkshire Forward was also determined to support individuals facing redundancy as a result of the recession. Accordingly a programme of Skills and Economic Inclusion projects were put together to this end.

The pre-existing **Train to Gain Enhancement Fund**, developed in partnership with the Learning and Skills Council to fund training not covered by mainstream Train to Gain programme, saw its intervention rate raised from 60% to 100% for employees facing redundancy.

A new skills programme, **Time to Train** also developed as a direct response to the recession. The project aimed to provide employees on reduced working hours with opportunities to increase their skills which would be beneficial to them in future employment, either with their existing employer or elsewhere.

A further significant project developed to respond to the recession sought to proactively support businesses and their employees during the recession. The **Responding to Redundancies** project brought together Yorkshire Forward financial assistance with support provided by Job Centre Plus, ACAS and Business Link to provide a holistic approach to mitigating the impact of the recession, by both helping businesses restructure and remain in business and by matching employees facing redundancy with other companies that could make use of their existing skills.

Case Study: Responding to redundancies

A major employer in rural North Yorkshire employing over 700 people from the local labour market announced a reduction in the workforce of 203 employees in early 2009, and a desire to streamline process and efficiencies at their meat processing plant. In order to prevent further staff reductions and increase efficiency, they identified a significant skills and development programme which utilised the existing Train2Gain and Enhancement Fund provision across a wide range of skills including; first line management, Business Improvement Techniques and more specialist advanced butchery skills. In order to make this programme robust they enhanced this training with a series of management briefings and a staff conference.

Their strategy helped ensure that they remained competitive in the meat industry and improved the future viability and sustainability of the company. A £420,000 investment from the Responding to Redundancies project complimented funds from the Enhancement Fund, with the company contributing 40% towards the training of each individual. Yorkshire Forward also paid for the consultancy support to manage the change programme. This intervention also had a beneficial effect on the local supply chain and indirectly safeguarded local jobs.

2b) Response to the Foot and Mouth Outbreak

The 2001 outbreak of Foot and Mouth happened during the early days of Yorkshire Forward, and proved to be a critical incident, both in terms of YF's approach to the rural economy and the organisation's approach to economic shocks overall. A great deal was learnt in a short space of time.

By the end of the outbreak, a total of 139 disease incidents had been confirmed, the majority in North Yorkshire. However due to the restrictions on access to rural areas, and the media images of the countryside, the impact was felt beyond agriculture with a range of rural businesses experiencing difficult times, particularly in the tourism sector. The Yorkshire Forward 'Health of the Rural Economy Indicator' recorded a drop of almost 20% from the start of the incident to its peak², demonstrating a significant impact on the overall rural economy.

The outbreak began in the region in March 2001. By April YF had allocated £250,000 to an emergency response. As the magnitude of the outbreak became clear, £2.5m of government funding was introduced to the region, and in July YF agreed a further £4m package. These sums were progressively revised upwards, and by the end the total value of recovery funds available was £11.5m.

In an approach later replicated in response to other economic shocks, there were two elements of response: the first being to counter immediate short term impacts through establishing a rapid access **Hardship Grant** of up to £2,000, whilst grants of up to £15,000 were available for **longer term business recovery** activity. The total grant fund amounted to £7.5m. The second element focused on the long term recovery of the rural economy and saw the development of a Rural Economy Recovery Plan (RERP) of £4m.

² "Yorkshire Forwards Health of the Rural Economy", Promar Consulting 2005

The **Rural Economic Recovery Plan** included elements such as direct support for new business start-ups, in the form of grants, plus roadshows that helped existing businesses to be as effective as possible, along with a revised tourism campaign. There was also further activity to support rural communities, including support for essential rural services and environmental improvements which helped bolster morale and underpin tourism activity.

The initial response showed for the first time the catalytic role that Yorkshire Forward was able to take in response to economic shocks. Following two months of discussion within the region, Yorkshire Forward took a more prominent leadership role and instigated a strong push to achieve results on the ground. In particular a can do attitude from the Yorkshire Forward team led to demonstrable benefits for those affected by the outbreak. Response times were brought down by any means possible, such as personally collecting and passing on claim forms, leading to response times of one day rather than three. This proactive approach showed the organisation to be flexible in response and a strong, effective advocate for rural areas, which won friends within the region and respect from organisations outside it.

2c) Response to Flooding

Unlike the recession and Foot and Mouth disease, flooding events are short lived, but still have the potential to wreak havoc on affected businesses. The region was hit by major floods in June 2007, which impacted predominately on residences and businesses in South Yorkshire, the East Riding and Hull. Yorkshire Forward was quick to grasp the magnitude of the potential damage to local economies and a response was put in place within hours. Unlike previous and subsequent shocks, the emphasis here was helping businesses deal with the short term impact, particularly in terms of cash flow.

A budget of £5m was put together, comprising **£2m of support for SME's** and **£3m for large companies** (although only £2m was eventually distributed to large companies, see results). The SME fund was distributed through grants of up to £2,500 which was available to cover almost any activity that enabled businesses to recommence trading. This fund was promoted on behalf of Yorkshire Forward through the sub-regional (at that time) Business Links, with further support from Chambers of Commerce in affected areas. This was largely accomplished by visiting affected businesses in person, although a telephone helpline was also established. Access to the larger fund was provided through Key Account Management (KAM) teams within Local Authorities and/or inward investment agencies. Support for large companies was only provided following a visit by a KAM officer, whilst smaller companies were able to apply direct.

The funding programme was developed by following routine Yorkshire Forward processes, and required a package to be approved through YF's Project Management Framework (PMF). Ordinarily this process would take several months, however due to the urgency of response, and as a result of excellent teamwork within the organisation, it was achieved in a matter of days. Initially the process for SME applicants seeking grant support was to provide receipts for items being claimed for (such as water damaged equipment). However it became evident that this was often impossible due to these having been lost with other paperwork during the floods. The process was therefore revised to also authorise claims providing a delivery partner was able to authorise that a particular premises had indeed been

flooded. Where companies were claiming for clean up costs associated with the flood, they were still required to submit invoices for costs claimed.

Clearly the flooding impacted on private residences as well as businesses. A clear demarcation was established between Yorkshire Forward and Government Office Yorkshire and Humber (GOYH) in terms of responsibility for each aspect, with Yorkshire Forward taking the lead on the business response, whilst GOYH led on the community response. In this way the organisations were able to play to their strengths and lines of responsibility were clarified.

In response to a high volume of requests for information from Government, which threatened to distract staff from responding to the crisis, a single point of contact was nominated within the organisation. Having done so, it became evident that there were a number of duplicate requests emanating from Whitehall, proving coordination was crucial.

In 2005 parts of North Yorkshire on the fringes of the North York Moors were also subject to a destructive flooding event and Yorkshire Forward provided financial support to local businesses. This damaged roads and public footpath infrastructure, bridges etc, which had a demonstrable impact on tourism revenues in the immediate area. Following a request to bridge a shortfall in funding Yorkshire Forward provided £140,000 to help reinstate key infrastructure and support the revitalisation of the tourism economy. This was achieved by a fast tracked PMF application for Single Pot funds, managed by the Renaissance Market Towns team.

3. Resources, Results and Outcomes

3a) Recession

The **Economic Response Unit** was judged to be the most effective way for Yorkshire Forward to drive its response to the recession. The single point of coordination ensured a coherent and prioritised approach, developed a clear narrative and message about the required response to drive action, and served as a gateway for external organisations and particularly Government. This removed distractions from other internal colleagues allowing them to concentrate on the day job, be that the recession response or broader Yorkshire Forward activity.

Economic intelligence produced by the Chief Economists Unit was particularly valuable in providing an up to date foundation for all subsequent activity, locally, regionally and nationally.

The Task Forces, particularly the **Financial Services Task Force**, were able to exert significant strategic influence over unfolding events to the great benefit of the region. This may well have been the most significant intervention retaining some 6000 thousand jobs in the region, achieved for little cost beyond the considerable commitment of senior staff from the organisations involved.

By supporting the key property developments underway there was a combined benefit of propping up employment in the construction sector whilst also ensuring that the visible physical impact of the recession was minimised, particularly important for future recovery. This was despite the fact that it resulted in YF investing in activity which would not normally have been a priority. **Different times demanded a different response** and the organisation was able to be flexible in its response, yet confident that it was doing the right thing.

Business Links interventions, particularly the **Financial Healthchecks**, could be demonstrated to have had a beneficial effect on the business base. Whilst the average performance of all businesses in the region fell by around 25%, those businesses which had received support from Business Link saw performance hold steady, or decline by 2-3%.

The **Safeguarding Jobs in Viable Businesses** project had a positive impact in terms of the employment outputs, safeguarding 1,016 jobs and leveraging in twice as much private sector match as anticipated. This was achieved with a total spend of £2.1m. The Transitional Loan Fund was less successful, delivering slightly less than half its projected 512 jobs safeguarded through the allocation of £1.1m of loans, much less than the anticipated £5m of loans that were anticipated. The impact of changes to the MAS intervention rate are difficult to judge, as they were a small change to an overall programme.

In terms of the social inclusion activity to protect jobs, boost skills and help individuals, the **Responding to Redundancies** programme was the most successful, safeguarding or creating some 2,623 jobs with a spend of some £2m. This was however against a prediction of safeguarding/creating 7,500 jobs and spending £5m. This was in large part attributed to the difficulty of identifying companies facing difficulties and needing this support. The programme also strengthened the relationships between the organisations working together in partnership, and was viewed as an extremely proactive intervention. This programme also drew in £28m of private sector investment, when none was originally anticipated.

The **Train to Gain Enhancement Fund** supported 1,100 people to increase their skills in 200 companies, spending a total of £5m. The extent to which the project was able to achieve its targets reflects the ease with which companies were able to access the support on offer. This is in contrast to the **Time to Train** project, which was significantly under spent. This is thought to be a result of the complexity of the programme and manner of accessing support. It has nonetheless delivered a high rate of return on its limited (£800,000 in 2009/10) investment by helping 1,574 people improve their skills. As a result it could be judged that the fundamental aspects of Time to Train yielded a better return on investment than the Train to Gain Enhancement Fund. However it should also be noted that the Train to Gain Enhancement Fund was topping up other activity already underway and thus was always likely to achieve marginal returns.

The outcome of property and urban renaissance investments is to some degree more difficult to judge, as comparisons are problematic with the hypothetical situation of stalled developments lying dormant. However it is clear that the programme helped sustain some key development at a critical time, and in doing so helped with both short term job safeguarding in the construction sector (1300 jobs) and long term job creation. At least 3000 jobs have been created in the 10 projects supported. This was achieved by ensuring that private sector investment still continued to flow into the region. The £29m of YF investment enabled some £300m of private sector funding to flow into the region.

3b) Foot and mouth

500 businesses applied for the initial £2k hardship grant, with 462 businesses benefitting from recovery grants up to £15k each. Some businesses will have benefitted from both grants.

Outputs produced exceeded expectations, with 460 jobs and 170 new businesses being created in combination between initial grants and the Rural Economy Recovery Fund. In addition 4500 jobs were safeguarded and over 750 businesses were assisted. Investments in response to the outbreak levered in a further £18m of private sector investment.

3c) Flooding

In total, 1246 claims for grant support were received, totalling £4.1m. The majority of these (1168) were for small businesses. It has been estimated that total losses in businesses receiving support amounted to £44.7m, but that Yorkshire Forward intervention had reduced this figure by some £16.8m

4. Insights and Lessons Learned

The main insights that have emerged from reviewing Yorkshire Forward's work with partners to respond to economic shocks are:

- a) **Acting quickly is crucial.** Yorkshire Forward was swift to recognise the potential economic impact of the Foot and Mouth outbreak, and to put in place measures to support businesses. Speed of response has been crucial to all subsequent economic shocks, and in many cases the speed of response increased, based on experience of the best ways to respond. For example, a Yorkshire Forward response was underway within 24 hours of the 2007 floodst. speed was crucial for two main reasons: primarily it is a recognition that business cash flow is a key determinant in their ability or not, to respond and recover. However there are also political, and to some extent psychological, motivations for a speedy response. It demonstrates that the impact of an incident is understood, and can help provide a crucial lifeline to business owners and employees in uncertain times. Whilst much of this legacy write up has focused on the hard impact of interventions, the soft impact should not be underestimated. In tough times such as economic shocks, there are profound sociological and psychological responses with potential economic impacts: farmers giving up farming and business owners ceasing to trade.
- b) An **element of calculated risk** is often required to deliver results. Responses to economic shocks are not routine circumstances. Time is often tight, scale of incident can be large and potential impact may be significant. At such times the extent to which risk informs the response needs to be recalculated, whether than means reducing the burden for an audit trail or implementing programmes which have not been thoroughly market tested. Inevitably there will be some negative results stemming from this, but these are balanced by the more extensive positive impacts.
- c) The ability to be **flexible in response** is important. Whilst all the response programmes worked within existing processes, they demanded flexibility on the part of these processes and the people managing them.
- d) In each case, part of the response made use of existing organisational and personal relationships developed during routine business. The **strength and resilience of networks and partnerships** that aide with effectively delivering day to day activity become crucial in times of response to economic shock. In all cases, effective responses made use of existing frontline relationships with businesses, and didn't seek to duplicate or replace these relationships.
- e) In many cases, outputs exceeded expectations. In particular, there were higher levels of new business start-ups and private sector leverage. Whilst this may be a reflection of the pessimistic focus of project managers developing responses to economic shocks, it is also likely to reflect the fact that economic shocks bring about change, and **for some businesses and entrepreneurs, this change will bring opportunity.**

- f) **Establishing clear and effective two way communications** protocols are crucial. The volume of requests for information from the Government and media can potentially prove a distraction from responding to the incident. Responding effectively to these demands a coordinated and consistent communications approach. Similarly, in terms of dealing with those affected by the incident, clear and effective communications are critical. Coordinated communication also ensures that all organisations and particularly their staff, responding to shocks are effectively briefed on the emerging situation and response.
- g) The provision of emergency grants to business, and organisations supporting business, has been the overriding approach and it has demonstrable success. However at the beginning of any incident a **robust assessment of potential suitability of a range of responses** is important.
- h) The assessment of the range of potential responses needs to be based on the **best possible evidence and intelligence**. Yorkshire Forward was able to combine senior business engagement and intelligence with hard economic data to ensure that both the organisation and its partners were as informed about the incident as possible.
- i) **Organisational preparedness for shocks** is important and an ability to learn and retain lessons from previous shocks is crucial. Above all, it is this which is the most difficult to pass on from organisation to organisation, with the inevitable conclusion that, in the absence of any replacement capacity, the ability for the region to respond to economic shocks has been reduced following the demise of the RDA. This is particularly true at a time when other established emergency response agencies, such as the Government Offices, have also been abolished. The development of replacement networks to respond to economic shock is essential.
- j) Yorkshire Forward's work in response to economic shocks demonstrates the **importance of effective leadership that drives activity and ensures coherence**. Being a well regarded regional organisation Yorkshire Forward was large enough to lead on developing a coherent approach, whilst still small enough to still truly understand the nuances of an incident and its impact. Once again, in the absence of the RDA, this balance could be difficult to achieve.

This paper is part of a suite of 'Learning Legacy' reports produced by Yorkshire Forward in 2011. The series is intended, as far as we can, to capture knowledge, achievements and lessons learned from regional economic development. It seeks to pass knowledge on to other bodies who may be able to apply it now or in the future.

We are grateful to all the many partner organisations, businesses and individuals who have contributed to this work over Yorkshire Forward's lifetime.

In addition to an Overview, the full range of modules in the series covers:

- 1: Economic Strategy
- 2: Research, Intelligence and Evaluation
- 3: Responding to Economic Shocks
- 4: Low Carbon Economy
- 5: Enterprise - Helping New Businesses to Start and Survive
- 6: Supporting Existing Businesses
- 7: Access to Finance
- 8: International Trade and Investment
- 9: Sectors and Clusters
- 10: Innovation
- 11: Skills
- 12: Urban Renaissance and Physical Regeneration
- 13: Social Regeneration and Inclusion
- 14: Transport
- 15: Rural Renaissance
- 16: Tourism and Major Events

Useful web links and access points for modules from this series will include:

Leeds City Region LEP <http://www.leedscityregion.gov.uk/LEP.htm>

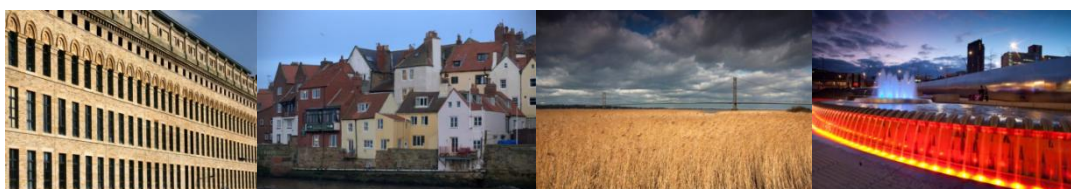
Sheffield City Region LEP www.sheffieldcityregion.org.uk/local-enterprise-partnership

York and North Yorkshire LEP <http://www.ynylep.co.uk/>

Humber LEP (web address to be confirmed)

BIS Local <http://www.bis.gov.uk/policies/economic-development/bis-local-offices>

Yorkshire Forward www.yorkshire-forward.com



The Region's
Development Agency