COVID-19 & Coastal Communities

Investing in the social economy to **revive** seaside resorts and coastal towns

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Social Investment Business

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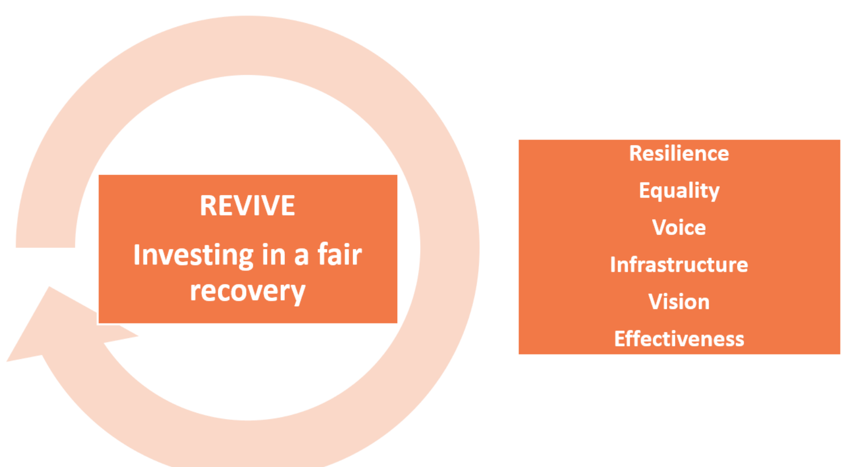
Executive Summary

The economic impact of Covid-19 has been severe, but some places have been hit harder than others. Coastal communities have been particularly exposed to the economic damage caused by the nationwide lockdown. Many seaside resorts had a large concentration of businesses and employees in sectors that were closed during the lockdown – a problem exacerbated by the seasonality of their local economy and the low local purchasing power. SIB's analysis of local transaction and unemployment data has found coastal areas to be disproportionately impacted by Covid-19. They have experienced some of the largest drops in local spending, as well as the highest rises in unemployment, due to significant retail, hospitality and tourism sector compositions in their local economies.

This pandemic is likely to entrench existing inequalities in the UK. Even before Covid-19, coastal communities suffered from a set of socio-economic issues that made them vulnerable to this kind of economic crisis: many seaside resorts and coastal towns are among the worst performing in terms of productivity, growth and job creation, and they often exhibit persistent pockets of deprivation. There will be a stark need for investment during the recovery period to help these places bounce back and level up.

This report sets out a blueprint for 'Building Back Better' by investing in a social economy that generates *good jobs* and *secure incomes* for local people. The social economy provides more jobs by turnover than the private sector, creates jobs in some of the most disadvantaged areas, and invests in employees to improve the quality of their jobs. We also know from analysis of our historic funds that patient, flexible social investment can work efficiently to generate jobs and grow incomes.

Our principles for investing in a fair recovery – **REVIVE** – aim to 'level up' places that have been overlooked for too long, focusing on: building **resilience**; promoting **equality**; giving **voice** to the communities we support; investing in **social infrastructure**; having an ambitious **vision**; and making better use of data to ensure **effectiveness**.



Core recommendations:

Establish a new Coastal Recovery Fund of **patient, flexible social investment** with a specific focus on growing a social economy around jobs and income.

Explore the potential for new **shared-ownership anchor industries** in ex-industrial coastal towns that meet the needs of the future, such as renewable energy.

Facilitate **the transfer of local coastal assets into community ownership** so they can be owned and managed for long-term public benefit.

1. Introduction

We know that the coronavirus pandemic is likely to cause long-term damage to the UK economy. It is already clear that the country is entering a recession following an unprecedented collapse in economic activity during the lockdown, which has caused a spike in unemployment that is estimated to rise as high as 12%[1] – not to mention the ongoing public health emergency and tragic death toll. This virus, and the lockdown introduced to slow it's spread, has impacted people differently based upon where they live, where they work, their age, gender, and ethnicity – it has highlighted old inequalities and exposed new ones.[2]

The lockdown has also had a varied impact on places, based upon the structure of the local economy and the purchasing power of people who live there. This has resulted in some places being much more exposed to the particular characteristics of this crisis than others.

Based on local transaction data that SIB has been analysing since the beginning of the lockdown, we've seen that coastal communities have taken one of the biggest economic hits from the pandemic. Some areas such as Wadebridge and Penzance have seen up to a 70% drop in economic activity compared with the same month the previous year.[3] Equally, coastal areas have seen some of the largest increases in unemployment since the lockdown.

For many seaside resorts, with a seasonal local economy heavily reliant on the tourism, leisure and hospitality sectors, the timing of this pandemic has greatly exacerbated the economic damage. A lockdown that shutters the tourism and hospitality industry over Easter and the summer months is equivalent to losing a whole year's worth of trade.

This pandemic has exposed the urgent need for a fresh approach to how we rebalance the economy and support communities through the recovery. Even before the crisis, coastal towns suffered from a set of structural issues that resulted in unstable and vulnerable local economies. Many were already very much in need of levelling up – and this crisis has only intensified this need.

The Government's pre-coronavirus policy agenda focusing on towns and regions that have previously been overlooked is needed now more than ever. However, in light of recent events we cannot see a return to business-as-usual. This is an opportunity to be ambitious: to rethink how we invest in places and, importantly, who benefits from that investment. Coronavirus has exacerbated inequalities between and within communities. Those places that were most economically at-risk – due to levels of deprivation, job insecurity, or low wages – will struggle to bounce back.

[1] OBR, Coronavirus Analysis (14 April 2020)
[2] IFS, We may be in this together but that doesn't mean we are in this equally (28 April 2020):
[3] Tortoise, Corona Shock Tracker (23 June 2020)

This paper sets out a different approach to levelling up coastal towns in ways that raise living standards, enhance wellbeing and create fairer communities. To do this, we need to focus on developing the right social infrastructure and supporting a local economy that puts people and the planet first. Those coastal towns that have been hit badly by this pandemic could become the proving ground for an alternative way of investing in communities; one that is patient and flexible, that supports the growth of social business models, and puts the income and employment of local people ahead of profit-maximisation.

This paper sets out a blueprint for investing in a fair recovery, harnessing the employment power of the social economy to **revive** seaside resorts and coastal towns.

2. Structural issues affecting coastal communities

The UK remains one of the most regionally imbalanced countries in Europe and the OECD.[4] Economic growth has been driven in large parts by the advance of London as a 'global city' and financial centre, which has had demonstrably negative effects for other parts of the country. On a more localised level, there are specific sets of complex, but distinct, issues affecting the local economies of former industrial areas, coastal towns and rural economies, each feeding into the narrative of 'left-behind' places – those areas of the country that have not benefitted from the economic and political forces that have shaped modern Britain.[5]

Of these geographies, coastal towns present an interesting case: many are among the most deprived and worst performing in terms of productivity, growth and job creation, while some have managed to avoid the spiral of decline seen in other post-industrial towns.[6] On the whole, coastal towns exhibit lower than average employment rates, an above average share of working age adults on benefits, lower average earnings, an above average proportion of part time jobs, and are more affected by seasonal unemployment.[7] In the 2015 *Blue New Deal* report, the New Economics Foundation identified several common characteristics of coastal communities:[8]

- Frequent dependency on a single industry – with the smallest seaside towns having the greatest dependence on the tourism sector (as high as 60% of total local employment in some areas).
- Significant shares of residents in 'skills poverty'.
- Low representation of jobs in the professional, scientific and technical services.
- Higher proportions of working-age people on out of work benefits.
- Higher than average dependency on public sector employment.

Many seaside resorts that were built to serve domestic tourism began struggle in the 1970s, when international travel became a more affordable option for British holidaymakers. Some towns have since been able to reinvent themselves and diversify their local economies, such as Brighton, while others have struggled to shake off the perception of decline. Meanwhile, ex-industrial coastal towns, like Grimsby or Whitehaven, have seen a slump in the traditional anchor industry of their local economies – be that fishing for Grimsby, or mining for Whitehaven. In both cases, the result is a lack of dynamism in the local economy, pockets of deprivation, and a sense of isolation – the feeling of being at the 'end of the line' and overlooked by central and local government.

[4] OECD, Economic Surveys: United Kingdom Overview (October 2017)
[5] SPERI, Local economic performance and development: a literature review (January 2018)
[6] Beatty & Fothergill, The Seaside Economy: The final report of the seaside towns research project (June 2003)
[7] Select Committee on Regenerating Seaside Towns and Communities, The Future of Seaside Towns (4 April 2019)
[8] NEF, Blue New Deal: Good jobs for coastal communities through healthy seas (June 2015)

It is important to point out that this is not true of all coastal towns or seaside resorts, however when grouped together coastal communities seem to suffer from these social challenges to a greater extent than other areas of the country.[9]

Coastal Towns vs Seaside Resorts

While they may share a common geographical trait, coastal communities are not uniform in the structure of their local economies. At this point it is helpful to draw a distinction between 'seaside resorts' and 'coastal towns' – the former essentially being a more coherent subset of the latter.

Seaside resorts are a clearly identifiable group of places as a result of their history of tourism and its continuing presence as the anchor of the local economy. They also generally share characteristics that differentiate them from inland areas; such as specialist tourist infrastructure (e.g. promenades and piers), holiday accommodation, and a distinct 'resort' character built into the local environment. They also share particular socio-economic characteristics like in-migration, an older population and a higher proportion of seasonal employment.[10]

Table 1 lists some examples of the top 37 seaside resorts (ranked by population), alongside 18 other significant coastal towns – the third column lists a further 7 estuary towns that could potentially be described as 'coastal'.

[9] SMF, Living on the Edge: Britain's coastal communities (September 2017)
[10] Beatty, Fothergill & Wilson, England's Seaside Towns: A benchmarking study (November 2008)

Table 1: Seaside resorts and coastal towns[11]

Seaside resorts	Other significant coastal towns	Estuary Towns
Bournemouth Brighton Blackpool Worthing Southend-on-Sea Isle of White Torbay Hastings/Bexhill Thanet Southport Eastbourne Weston-Super-Mare Whitstable/Herne Bay Folkestone/Hythe Lowestoft Clacton Great Yarmouth Scarborough Weymouth Morecambe/Heysham Bognor Regis Whitley Bay Exmouth Bridlington Dawlish/Teignmouth Deal Newquay Penzance Falmouth Burnham-on-Sea Skegness Whitby Minehead St. Ives Ilfracombe Swanage	Berwick Blyth South Shields Sunderland Seaham Hartlepool Redcar Grimsby/Cleethorpes Felixstowe Harwich Frinton Dover Newhaven Portsmouth/Southsea Barrow-in-Furness Whitehaven Workington	Middlesbrough Hull Medway Towns Southampton Plymouth Birkenhead/Wallasey Liverpool

For the purposes of this paper, we distinguish between two broad categories of coastal communities that are particularly vulnerable to this crisis: (i) those based in traditional seaside resorts, with a seasonal local economy predominantly based around tourism (e.g. Penzance, Great Yarmouth or Scarborough); and (ii) those based in ex-industrial coastal towns, where the local economy has struggled to rebound following the decline of their anchor industries like mining, steel or fishing (e.g. Whitehaven, Hartlepool, or Grimsby).

[11] Fothergill, England's Coastal Towns: A short review of the issues, evidence base and research needs (April 2008)

3. How has Covid-19 impacted coastal communities?

There are four specific characteristics of coastal towns – and seaside resorts in particular – that have particularly exposed them to the economic impact of this pandemic.

Reliance on a single industry: many seaside resorts depend on tourism as a key employer and driver of economic activity – in these cases the sector essentially sustains the local economy. Visit Britain estimate that Southport will lose around £310m income from April-September, putting 3,500 jobs at risk.[12] Similarly, Bournemouth, Christchurch & Poole are estimated to lose some £652m in tourism spend, putting 10,500 jobs at risk across the three areas.[13]

Concentration of employment in shutdown sectors: Coastal towns were found to be the most vulnerable to the economic impact of the lockdown – the Centre for Towns did an analysis of the four sectors most at-risk due to the lockdown (accommodation, arts and leisure, non-food retail, pubs and restaurants) and found that coastal towns were most exposed with on average 28% of the population employed in shutdown sectors, but this went as high as 56% in Newquay and 55% in Skegness.[14] Other significantly affected towns include St. Ives, Minehead, Aberystwyth and Whitby.

Seasonal local economy: The crisis began at the end of winter, when cash reserves for tourism businesses are generally at their lowest levels. As such the pandemic could not have happened at a worse time for the tourism sector, with a lockdown beginning just before Easter weekend, which usually provides the income boost needed to stabilise finances and repay debts built up over the previous winter. It is now increasingly likely that much of the summer season will be lost – especially for much of the retail, tourism and hospitality sector that can only operate at reduced capacity under social distancing guidelines. The seasonality of the local economy means that this is equivalent to the loss of a whole year.

Low local purchasing power: In 2019, research carried out by Social Market Foundation found that there was a 'coastal community wage gap' which has widened in recent years – average employee annual pay was around £4,700 lower than the rest of the UK.[15] Coastal towns also top lists of places with the highest numbers of people getting into difficulties with debt – accountancy firm UHY Hacker Young found Scarborough to rank second out of all local authorities in the UK for personal insolvencies, with Torbay third and Plymouth fourth.[16] Having more money circulating within a local economy can help support an economic uplift in the recovery, but the low purchasing power in coastal towns means that these places will have a harder time bouncing back than more affluent areas.

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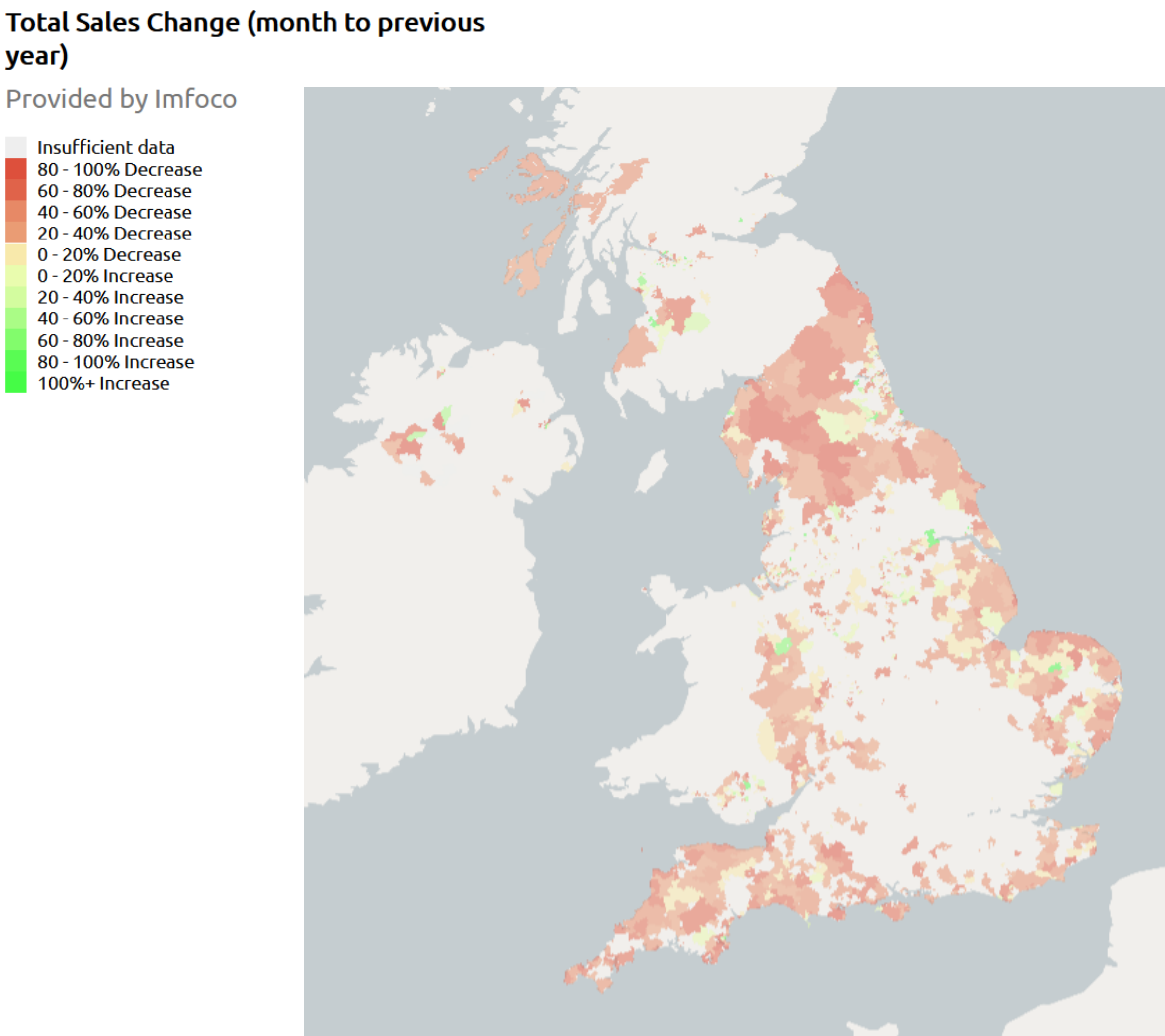
[12] Visit Britain, Evidence to the DCMS Committee Inquiry on the Impact of Covid on DCMS Sectors (July 2020)
[13] BCP DMB, Evidence to the DCMS Committee Inquiry on the Impact of Covid on DCMS Sectors (July 2020)
[14] Centre for Towns, The effect of the Covid-19 pandemic on our towns and cities (23 April 2020)
[15] SMF, Falling off a Cliff? Economic and social decline by the coast (August 2019)
[16] Guardian, Seaside residents dominate personal debt league in England and Wales (21 October 2020)

SIB has been analysing anonymised open banking data on merchant sales and consumer wallet spend at ward level, generated for us by the Impact Information Company (Imfoco), that has shown us the impact of the pandemic on local economies across the UK. Combining this with the British Red Cross Covid-19 Vulnerability index – which brings together datasets that cover both health and wellbeing and socio-economic indicators – we can see that coastal areas are overrepresented in the most vulnerable quintile of places exposed to Covid-19, and have experienced the biggest sales drops due to higher retail, hospitality and tourism sector compositions (see Figure 1).

Figure 1: Total Sales Change (month to previous year) of the most vulnerable quintile of MSOAs



Source: Social Economy Data Lab

Figure 2: 20 small towns with the biggest losses (percentage change in all sales compared to the same week last year (1-7 April)

Source: Tortoise Media

Analysis of the rise in unemployment rates between March – April shows the disproportionate impact that Covid-19 has had on jobs in coastal areas in particular. Of the 20 towns below with the highest increases in unemployment, 18 were coastal, and all the towns that experienced a 3% or higher increase were coastal.

Table 2 - 20 towns with the highest increase in unemployment (March – April 2020)

Town (Travel to Work Area)	Place type	Reduction in spending[17]	Unemployment (percentage point change)[18]
Wadebridge	Coastal	-73%	4.34%
Penzance	Coastal	-57%	4.31%
Bude	Coastal	-31%	3.48%
Torquay and Paignton	Coastal	-35%	3.47%
St Austell and Newquay	Coastal	-29%	3.43%
Blackpool	Coastal	-36%	3.24%
Kingsbridge and Dartmouth	Coastal	-50%	3.20%
Scarborough	Coastal	-54%	3.18%
Clacton	Coastal	-27%	3.16%
Barnstaple	Coastal	-42%	3.12%
Bridlington	Coastal	-33%	3.03%
Margate and Ramsgate	Coastal	-33%	2.99%
Bideford	Coastal	-50%	2.97%
Corby	Ex-industrial	-13%	2.88%
Liskeard	Market town	-32%	2.88%
Redruth and Truro	Coastal	-49%	2.82%
Whitby	Coastal	-57%	2.80%
Liverpool	Estuary/Coastal	-18%	2.77%
Folkestone and Dover	Coastal	-25%	2.64%
Hastings	Coastal	-37%	2.64%

Source: Imfoco & Department for Work and Pensions

[17] Percentage change in all sales compared to the same week last year (week ending 28th April 2020)
[18] This is the percentage point change in proportion of people receiving benefits payable to people who are unemployed receiving either Jobseekers Allowance (JSA) or Universal Credit for those who are out of work between March and April 2020

Even these figures hide some significant spikes in unemployment at a more granular level in coastal areas. At the MSOA level, for example, areas in Cornwall, Blackpool, Torbay, and North Devon saw the unemployment rate rise by over 5%.

Table 3: Unemployment increases at MSOA level

MSOA Name	Local Authority	Unemployment (percentage point change)
St Ives & Halsetown	Cornwall	6.6%
North Shore	Blackpool	6.4%
Newquay West	Cornwall	6.0%
South Promenade & Seasiders	Blackpool	5.6%
Torquay Central	Torbay	5.4%
Lynton & Combe Martin	North Devon	5.3%
Crackington & Tintagel	Cornwall	5.2%
North East Centre	Blackpool	5.2%

Source: Department for Work and Pensions

4. Recovery: building a social economy around income and employment

This is a pragmatic approach for investing in a fair recovery – much of it could repurposing existing funding streams – such as the Towns Fund – that have already been allocated to some coastal areas. Part of this funding can then be utilised to expand the social economy and support alternative ownership models for local economic assets or core industries.

Our fundamental principles for investing in a fair recovery – **REVIVE** – should be at the heart of the levelling up agenda. Although we have chosen to focus on seaside resorts and coastal towns for the purposes of this paper, the strategy outlined below could be adapted to other places.

A new kind of investment

There will be a crucial need for investment to rebuild and regenerate local economies after the pandemic – this is especially true of coastal towns which have been hit hardest due to high concentration of businesses and employment in shutdown sectors.

Coronavirus has exposed the need for a fresh approach to how we invest in places. Given the scale of challenge ahead, there is no space for extractive investment that siphons profits out of an area to private shareholders, often at the expense of local people who need jobs. According to the Resolution Foundation, employment fell by 430,000 in April, economic inactivity is rising, and job vacancies have fallen by half.[19]

Seaside resorts that had a seasonal economy, heavily reliant on tourism (and hospitality), faced a persistent set of socioeconomic issues before the pandemic. The same is true of those ex-industrial coastal towns which have struggled to adapt to the UK's increasingly deindustrialised, service-based economy. The social economy, with its commitment to putting people first, can play an essential role in the recovery, while tackling some of the underlying issues facing these areas.

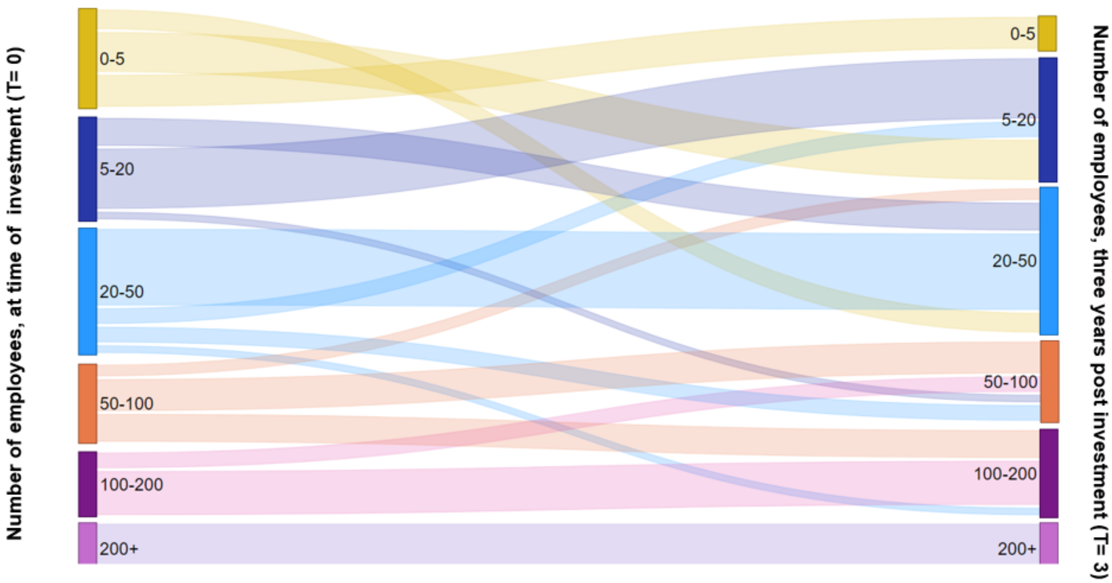
Now is the time to focus investment on developing resilient local economies in coastal areas. Supporting businesses with a social conscience that put income and employment as their most important outcomes, over profit-maximisation.

Patient, flexible capital to generate good jobs

Evidence from Futurebuilders England Fund shows that patient and flexible investment can support the social economy at scale while providing modest financial returns, with a long-term approach that blends grant and loans, and encourages adaptability, flexibility and resilience. This investment approach could work efficiently to generate jobs and grow incomes. Our data shows that three years after receiving Futurebuilders investment organisations increased their employment figures by 16%, and wages increased alongside business growth.

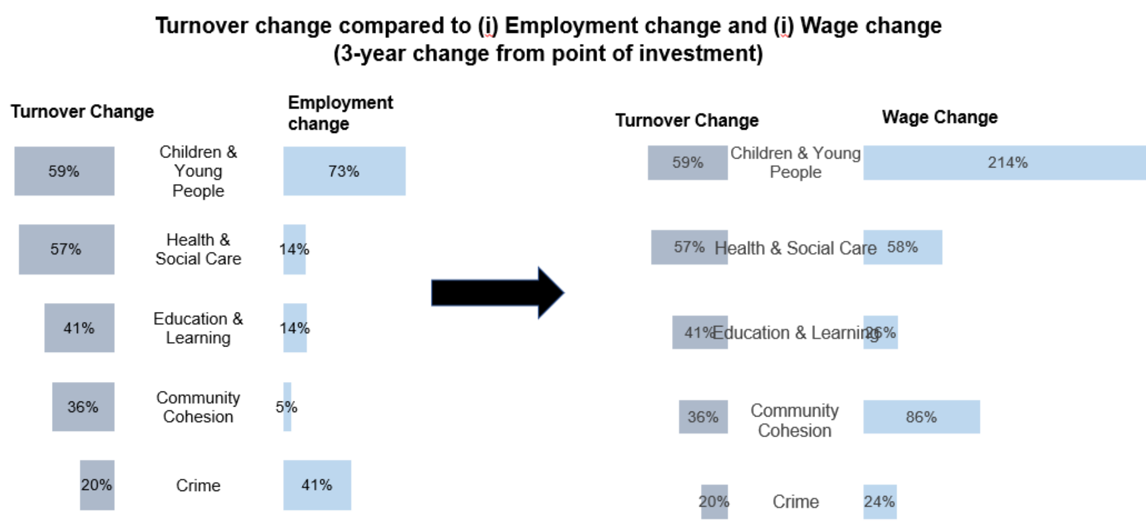
[19] Resolution Foundation, The Full Monty: Facing up to the challenge of the coronavirus labour market (June 2020)

Figure 3: Changes in employment three years after receiving Futurebuilders England investment.[20]



Source: SIB's analysis of the Futurebuilders England Fund portfolio

Figure 4: Turnover's effect on employment and wages



Source: SIB's analysis of the Futurebuilders England Fund portfolio

[20] Data note: not all investees had employment figures on Companies House records, so helpful to look at the % increase and movement between brackets instead of raw data points. 3 years post investment, the 0-5 bracket representing a much smaller proportion. Those in the 20-50 employee bracket experienced the most fluctuation in employment created.

The Futurebuilders experience shows that social investment can create long term employment. Where data was available, our analysis found Futurebuilders' investees had created over 1,500 jobs three years after receiving investment. A new social investment fund that matches the scale and ambition of Futurebuilders could play a vital role in getting people back into work during the recovery period.

Futurebuilders England Fund: social investment to support organisational growth and stronger business models

The Futurebuilders England Fund was a ground-breaking, Government-backed social investment fund that provided loan financing to social sector organisations in England to help them bid for, win and deliver public service contracts. It ran between 2004 – 2010 with two disbursement phases, the second of which was managed by SIB between 2008 – 2010; with loan book management services continuing to the present.

The fund saw £142 million of loan, grant and bended finance invested in 406 social sector organisations with an average loan size of £417,000 – at its inception it was the biggest social investment fund in the UK.

Case Study: People Potential Possibilities (P3)

P3 is a charity and social enterprise with the mission to improve lives and communities by delivering services for social excluded and vulnerable people. P3 initially took on the blended loan from Futurebuilders to enable the organisation to strengthen its core capability and utilise social investment. Since 2009, SIB has invested £1.5m across seven different loan agreements under the Futurebuilders Fund, as well as provided a further £500,000 in grants to P3.

The organisation runs a range of programmes across the country, specialising in homelessness services, supported housing, support for people recovering from mental ill-health, link worker schemes, advice services, street outreach teams, prison in-reach and youth services.

Social investment has not only enabled them to innovate in their service delivery, but it has expanded the number of staff members, from 317 in 2013 to 590 in 2019. This has increased their capacity to scale and maintain support for vulnerable rough sleepers, unemployed young people and those in recovery.

It is becoming increasingly apparent that coronavirus will result in a deep and protracted jobs crisis that will disproportionately affect the young, the low paid and those in insecure or precarious work.[21] We therefore have a responsibility to invest in a recovery that focuses on employment, and importantly one that generates good jobs – that are fairly paid; diverse and inclusive in recruitment, pay and promotion; and are long-lasting by providing quality and support for better career progression.

Supporting a thriving social economy focused on income and employment

A fair recovery should focus on supporting social businesses that are willing to invest in the people who work for them. The largest spikes in unemployment have been in coastal areas: for example, 7 of the 10 towns with largest increases are in Cornwall.[22] Moreover, there is already a coastal community income gap compared with the rest of the UK. To support the recovery and regeneration of coastal towns, we need to think about how to rebalance this income gap and support those who have found themselves recently unemployed back into work.

Initial investment should therefore be directed towards existing social businesses in coastal towns: providing them with patient, flexible capital to expand operations and employment opportunities for local people, as well as offering business support to build resilience and help them to adapt to the new post-coronavirus context. The social economy provides a mutually reinforcing solution to the key issues facing coastal communities as a result of the pandemic – increased unemployment, vulnerable local economies heavily reliant on seasonal trade or a single industry, persistent deprivation and skills deficits. Social enterprises create good jobs, pay more equitably, work more often in the areas of greatest need, and prove to be more resilient and innovative than other businesses.[23]

[21] IFS, Sector Shutdowns during the coronavirus crisis: which workers are most exposed (6 April 2020)
[22] OCSI, Widespread rises in unemployment rates show the economic impact of Covid-19 (21 May 2020)
[23] SEUK, The Hidden Revolution (September 2018)

What do we mean by 'good jobs'?

This crisis has brought into stark light the failures of a labour market that had large numbers of people in atypical, low paid or insecure work. That is why the recovery must not simply focus on employment growth, but on ensuring that people have access to good, secure jobs with decent pay and working conditions.

The Taylor Review of Modern Working Practices[24] set out the foundations of quality work with six high-level indicators:

- Wages;
- Employment quality;
- Education and training;
- Working conditions;
- Work life balance; and
- Consultative participation and collective representation

In this respect we know that the social economy scores highly against these indicators, and can be effectively utilised to support employment growth, increased wages and a better quality of life for local people.

Based on research carried out by Social Enterprise UK, the social economy:

- **Provides more jobs by turnover compared with the private sector** – social enterprises employ 2 million people and contribute £60 billion to the UK economy.[25]
- **Creates jobs in some of the most disadvantaged areas** – social enterprises employ over 600,000 jobs in the most deprived communities.[26]
- **Invests in its employees to improve the quality of their jobs** – 74% of social enterprises invest in work and training for their staff (compared with 47% of SMEs).[27]
- **Is more likely to pay the living wage** – 76% of social enterprises pay the Living Wage for staff.[28]
- **Promotes employee participation and representation** – 61% of social enterprises actively include staff in decision-making, with a third having employees on the board.[29]
- **Is more rooted in its local place –** 85% of social enterprises recruit over half their staff locally.[30] Community businesses actively support local supply chains and bring community assets back into use public.

[24] Taylor, Good Work: the Taylor Review of modern working practices (July 2017)
[25] SEUK, The Hidden Revolution (September 2018)
[26] Getting Britain Back to Work: Social enterprise, jobs, and a faster recovery (June 2020)
[27] SEUK, Capitalism in Crisis? Transforming our Economy for People and Planet SOSE (October 2019)
[28] Ibid
[29] Ibid
[30] Ibid

The most successful social and community enterprises are those that can connect into the wider local economy. They have diverse income streams; for example, by trading with local people or businesses, renting out community space, or providing public services on behalf of the local authority. Additional support can then be provided to develop local supply chains that connect social businesses together in ways that help to circulate wealth, as well as creating routes into local private markets and the wider regional economy.

Diversifying the local economy and harnessing new opportunities

Our proposals would be to focus as a priority on the seaside resorts and coastal towns that are receiving funding through the Towns Fund (see Table 3). Given that we already know that coastal areas have been seen some of the highest rises in unemployment, part of this funding should be repurposed to invest in the social economy, with a specific focus on generating employment and raising living standards for local people.

This funding, that has already been allocated as part of the Government's levelling up agenda, needs to be targeted at where it can be most effective. Covid-19 has not only placed an increased urgency on this agenda in coastal areas – there were pre-existing socio-economic issues in many coastal communities that mean they will struggle to bounce back during the recovery – but it has also highlighted what the end goal must be: to enhance employment opportunities for local people; raise incomes and living standards in the most deprived communities; diversify the local economies to provide greater resilience; and innovate with new business ownership models that lead to greater economic redistribution and better-quality work.

Table 4: Coastal towns and seaside resorts receiving Towns Fund investment

Towns	Type	Region	Economy
Workington	Small Town	North West	Coastal town
Hastings	Large Town	South East	Coastal town
King's Lynn	Medium Town	East of England	Coastal town
Grimsby	Large Town	Yorkshire and The Humber	Coastal town
Blyth (Northumberland)	Medium Town	North East	Coastal town
Barrow-in-Furness	Medium Town	North West	Coastal town
Hartlepool	Large Town	North East	Coastal town
Penzance	Small Town	South West	Seaside resort
St Ives (Cornwall)	Small Town	South West	Seaside resort
Whitby	Small Town	Yorkshire and The Humber	Seaside resort
Scarborough	Medium Town	Yorkshire and The Humber	Seaside resort
Mablethorpe	Small Town	East Midlands	Seaside resort
Skegness	Small Town	East Midlands	Seaside resort
Bournemouth	Large Town	South West	Seaside resort
Torquay	Medium Town	South West	Seaside resort
Margate	Medium Town	South East	Seaside resort
Blackpool	Large Town	North West	Seaside resort
Great Yarmouth	Medium Town	East of England	Seaside resort
Lowestoft	Medium Town	East of England	Seaside resort
Redcar	Medium Town	North East	Seaside resort
Southport	Large Town	North West	Seaside resort

The scale of ambition should match the scale of the long-term challenges. The question is how to sustain resilient local economies in coastal areas, that take advantage of local assets and generate community wealth. This would involve developing new industrial strategies for coastal communities that put people and planet at the forefront and are tailored to their existing local economy. For a seaside resort this might focus on supporting the underlying profitability of local businesses and diversifying the local economy to be less reliant on seasonal tourism; whereas in an ex-industrial coastal town the focus might be on new socially-owned anchor industries that meet the needs of the future, such as renewable energy. In either case, we should be thinking how new employment opportunities can be leveraged via investment into the social economy, so that profits can be channelled back into a local area and the people who live there.

Importantly, investment approaches must be based upon social and economic conditions of each place – understanding the local economic context and utilising existing local assets effectively. Below we present two different visions of what this could look like, one for a seaside resort, and the other for an ex-industrial coastal town.

Expanding the social economy: utilising heritage assets in seaside resorts

The most successful social and community enterprises are those that are able to connect into the wider local economic network. However, land value is a barrier for developing the social economy: high fixed costs, including rent, can make operating costs unsustainable. The management of local real estate for public benefit – rather than commercial profit – can provide a low-cost environment for the social economy to operate and scale in ways that commercially-owned real estate cannot.

Many seaside resorts were purpose built to meet domestic tourism in the 18th and 19th century and have been left with a stock of distinctive heritage assets ranging from piers to pavilions and bathing pools to colourful beach huts. However, the spiral of decline that many seaside resorts have experienced since the 1970s has left much of this local heritage at-risk.

The way that people perceive, understand and value heritage is changing – rather than simply being preserved and maintained as an end in itself, heritage is being viewed as something that should become a 'living space', embedded within the heart of a community.[31] With the right stewardship model, coastal heritage can play a key role in the regeneration of seaside resorts.

Sustainability remains a key challenge for the ongoing management of heritage assets, and models of community ownership can be difficult to scale. However, there are alternative ownership models being tested, such as Heritage Development Trusts[32], which can own and manage a portfolio of coastal heritage assets and has the potential to operate at scale, minimising the risk involved in smaller community organisations taking control of a single asset with an unsustainable business model.

The critical part of this proposal is to ensure that these buildings are anchored in the local economic network and not disconnected from the needs of the community. This means that while tourism will be a consideration in how these assets are managed, it cannot be the only consideration. Regeneration investment must also work for people who live and work in seaside resorts and create reasons to visit the town that are not dependent upon tourism or the season. This is about creating dynamic community hubs offering a range of different experiences, and utilising the seaside's unique heritage assets for placemaking, community building and local economic development.

[31] Heritage Lottery Fund, Public Perceptions of Heritage 2018 (July 2019)
[32] AHF, AHF launches Heritage Development Trust Pilot grant (September 2019)

SIB's proposal:

- Transfer stewardship of coastal heritage assets to a Development Trust. The trust will manage the assets and ensure they are safeguarded for long-term public benefit.

- Co-design a plan for restoration of heritage assets with the community that builds upon unique history and character of the place and ensures an appropriate mix of retail, community space and leisure activities.

- Use social investment to provide working capital to a range of social and community enterprises to operate (at lower cost) in the heritage assets.

- Support enterprises to operate as a shared network, leveraging joint working where necessary to provide scope for more ambitious expansion, to offer mutual insurance and share back office functions.

- The social economy develops in a more favourable operational environment, expanding employment opportunities for local people and generating wealth that will be circulated back into the local economy.

Expanding the social economy: shared ownership renewables industry in coastal towns

The community energy sector in the UK has shown promise but has been hindered by the reduction and removal of subsidy support – such the Feed-in-Tariff – that have kept it a relatively small-scale industry. In 2019, the community energy sector across England, Wales and Northern Ireland consisted of 300 community energy groups, supported by 263 full-time employees.[33] This is despite a 2014 report from the Department of Energy & Climate Change finding that community energy projects can deliver 12-13 times more community value re-invested back into local areas than achieved through 100% commercial models.[34]

In contrast, Germany has a compelling model for citizen participation in energy generation via ownership of renewable energy installations. Through a combination of legislation, subsidy and the development of different legal forms of ownership, German citizens have invested in a vast and self-sustaining cooperative energy sector spanning more than 1,000 different energy co-ops (Energiegenossenschaften) with 180,000 members participating. These include cooperative energy companies, local heating networks and bioenergy villages. These cooperatives can have as few as three, or as many as 3,125 members; each member of a cooperative has one vote; and the average minimum investment is €595 but can be as little as €10 – allowing people with relatively small budgets to participate. There are also hybrid legal structures (GmbH & Co. KG) that allow citizens to participate in renewable ownership through interregional investments and minority shareholding, as well as cooperating with municipalities, public energy providers or public credit institutions.[35]

The UK's larger ex-industrial coastal towns have great potential as hubs for development of renewable energy clusters – for example, Grimsby has a burgeoning renewables sector, largely through offshore wind. The offshore wind Sector Deal announced last year is a sign that the Government itself sees this as a strategic growth industry, and is planning a huge expansion of the sector, which could support 27,000 jobs, over the next decade.[36]

There is a significant opportunity to harness these new industries and innovate with different ownership structures in ways that benefit both people and planet. Coastal towns like Grimsby still exhibit pockets of severe deprivation and unemployment. Any investment into new anchor industries must also look to develop the social and economic capacity of the place it is situated in. Taking inspiration from the German model, we should think about ways of democratising investment into these new industries, giving local communities a chance to own and participate in energy production, and importantly be employed within it.

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[33] Community Energy England, State of the Sector 2020 (June 2020)
[34] DECC, Community Renewable Electricity Generation, Potential Sector Growth to 2020 (January 2014)
[35] Clean Energy Wire, Citizens' participation in the Energiewende (25 October 2018)
[36] BEIS, Offshore wind Sector Deal (March 2020)

A hybrid shared ownership model – where the local community and employees are shareholders alongside the local council and other (institutional) investors – can create an accountability mechanism that ensures better redistribution of profits, where the benefits are circulated amongst people who live and work in these towns, rather than siphoned off by a set of private shareholders.

SIB's proposal:

- Issue a community share offer, alongside public and institutional investment, into a new offshore wind farm (or other renewable energy project), alongside a municipally owned energy company.

- Set up a hybrid shared-ownership governance structure, which creates accountability for employees and the local community to engage in management and decision-making.

- Offer local customers an option to pay a nominal 15% extra on energy bills, this creates a sustainable way of raising additional capital that can be reinvested back into the community and used for public benefit (e.g. to create new jobs and apprenticeships, or invest in upskilling the local population).

5. Recommendations

Investment and non-financial support

- **Establish a £200m Coastal Recovery Fund of patient, flexible social investment targeted at coastal communities that have been most severely impacted by the pandemic.** Like the Futurebuilders England Fund, this should have a specific focus on supporting social businesses over a long period and be blended with a grant portion alongside any loans. The use of grant allows for significant leverage and more effective use of scarce resources. Repayments from the loans could be returned and reinvested in the local community rather than to central government, therefore providing significant public benefit alongside value for money. This kind of fund has been proven effective at creating jobs in some of the most deprived areas of the country and could support both the Covid-19 recovery and wider levelling up agenda. The learnings from past funds like Futurebuilders can feed into the design and development of this new fund to improve its performance.

- **Ringfence 15% of Towns Fund investment in coastal communities to invest in local social infrastructure.** This could include community space, local business incubators, and investment into skills and training facilities. Regeneration funding in seaside towns has historically been too heavily focused on capital projects that develop the tourism economy, often with disregard for the needs of local people who live there. While tourism is likely to remain a key anchor of the local economy in seaside towns, regeneration funding must address the root causes of persistent deprivation by developing the social and economic capacity of the local area. This means investing in ways that support the underlying profitability of local businesses, alongside new capital projects aimed at drawing in visitors.

- **Design Round 6 of the Coastal Communities Fund with an additional £60m for developing new coastal regeneration strategies that respond to the specific challenges created by Covid-19.** This round should specifically focus on funding projects that will: expand good quality employment opportunities for local people, with a specific focus around sustainable and social business growth; diversify the local economy away from an overreliance on a single industry; develop local supply chains that help sustain and strengthen independent and social businesses; test innovative uses of heritage and other coastal assets to support the underlying profitability of the social economy.

Ownership models and local economy

- **Explore the potential for hybrid shared ownership renewable energy projects in ex-industrial coastal towns**. Following the German model, the Government should develop the community share market at scale to enable residents to become shareholders in, and owners of, local renewable energy production, be that offshore wind, solar PV, or hydroelectric. Alongside this, the local authority or municipality could then establish a renewable energy company by issuing Green Municipal Bonds alongside some institutional investment. This energy company would serve the local community, offering an option for customers to pay an additional 15% on top of their bills to raise additional capital for new projects that benefit the local community – for example creating new jobs and training schemes, or lowering energy bills for those in fuel poverty by retrofitting their homes to make them more energy efficient.

- **Establish nine, regional Publicly Holding Companies to buy up and support at-risk businesses at scale.** These publicly owned enterprises would take full or partial ownership in firms for economic stability and development purposes. This would help to avoid the economic damage and dislocation experienced by local communities when significant employers go into administration or collapse. Each regional public holding company would be capitalised by the constituent local and combined authorities, using money borrowed from the Public Works Loan Board at historically low interest rates.[37] These holding companies would take equity stakes in at-risk SMEs, rather than allowing private equity to buy up cheap assets following liquidation. Many businesses, such as those in hospitality or tourism, may be facing a temporary (but potentially protracted) disruption to business, these public holding companies can maintain these businesses until they are viable again. Following stabilisation the holding companies could divest from its portfolio of businesses and return them to local business owners, or go further and facilitate the transition to more social business models with democratic forms of shared ownership – which have the potential to transform employment by paying higher wages, increasing workforce solidarity and providing a richer set of benefits to employees.

Assets for the community

- **Introduce legislation to expedite transfer of local assets (heritage, abandoned, at-risk, or natural) into community ownership.** This could expand on the Scottish Government's example with the 'Community Right to Buy' – allowing community bodies a right to buy and take over land and buildings. Assets could be transferred by establishing or expanding the work of community foundations that own local real estate and manage it on behalf of both traditional commercial retail companies and a mix of community and social businesses and services. Models like building preservation trusts, new town foundation trusts, and heritage preservation trusts provide an effective means of raising funds for asset purchase, refurbishment and preservation. These management models offer long term stewardship that does not seek a capital gain from land value rises and provides security and stability as consumer behaviour and high street employment models continue to shift and change.

- **Deliver on the manifesto commitment to establish a £150m Community Ownership Fund.** This should aim to provide finance for organisations looking to take on community assets, alongside strategic business support to build their capacity and resilience in managing and maintaining these assets. The fund could have a specific allocation for testing the model of Development Trusts that manage a portfolio of community assets at scale, thereby avoiding some of the risks around business model viability associated with smaller community groups taking over local real estate.

[37] After raising the PWLB interest rate by 1% last year to deter risky local authority commercial investment, the Government opened a consultation on future lending terms in March 2020, stating its intention to cut the interest rate on all PWLB loans following the development and implementation of a robust lending framework co-designed with the sector.

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