

LLEP Business and Economic Intelligence Update

22 April 2020

LLEP and Partner Activity Summary

Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLCF)

Local Authorities have succeeded in making payments to around 60% of all businesses identified as eligible for these funds. BEIS have produced a summary of payments made to date to by Local Authority at this link: <https://www.gov.uk/government/news/grant-funding-provided-to-businesses-by-local-authorities-in-england>

Despite concentrated efforts, there are a number of small businesses which have not come forward to claim the grants. Local Authorities and the Business Cell are working together to develop a targeted campaign to ensure that all businesses are aware of this.

COVID-19 Redundancy and Recruitment Service for Leicester and Leicestershire

The Leicester and Leicestershire Enterprise Partnership (LLEP), the Department of Work and Pensions (DWP), Leicester City Council and Futures (who manage local careers support for the National Careers Service) have teamed up to launch a new COVID-19 Redundancy and Recruitment Service. The service will help match people who are facing redundancy due to the impact of coronavirus with opportunities in sectors that have seen a surge in employment demand.

For further information and contact details for employers and individuals, visit https://www.llep.org.uk/llep_news/new-covid-19-redundancy-and-recruitment-service-for-leicester-and-leicestershire/

Business Gateway Intelligence Summary

Summary of views received by Business Gateway up to 20/04/2020

The following analysis is of data captured by the Growth Hub using the online COVID19 form which went live w/c 30/03/2020. A total of 133 businesses have directly completed the form as of 20/04/2020. The COVID 19 form is just one of a number of routes businesses are coming into the Growth hub. In the last two weeks over 300 businesses have been supported through the Growth hub advisor team. The responses from the COVID 19 form are therefore a sample of the support from the Growth Hub and therefore interpretation is not necessarily reflective of the whole support from the Growth hub or the wider business community across the LLEP area.

A sixth of businesses that have completed the form (14%) operate in the manufacturing industry, with 12% operating in the arts/entertainment/recreation sector. A tenth (10%) operate in wholesale and retail trade business. Over half (51%) of businesses that have submitted information are micro-businesses with 2-9 employees, whilst almost two in five (18%) are smaller businesses with 10-49 employees. Over a sixth (17%) have only one employee., and a tenth (8%) have zero employees.

Three out of five businesses (64%) have been forced to close temporarily due to the ongoing situation regarding COVID-19. This is either because the business operates in an environment where adhering to social distancing guidelines is not possible (e.g. manufacturing companies) or because consumer demand has dropped so significantly that it has become unsustainable to continue operating in the current climate (e.g. companies operating in the tourism sector). A sixth (16%) have adapted operations in order to work from home, while 13% continue to operate as normal. Almost a tenth of businesses (7%) have been forced to close indefinitely as the unpredictable nature of the current situation makes it difficult to plan forward. Unsurprisingly, almost all businesses have seen a negative impact on sales and bookings as people continue to adhere to social distancing guidelines.

Five out of six businesses (86%) anticipate the ongoing epidemic will have a negative impact on future sales and bookings, with only 12% anticipating no impact, and an even smaller proportion of 2% having a positive outlook on the future. The unpredictability of the current situation, and subsequently the government's response to it may be a contributing factor to this negative outlook as businesses find it difficult to plan for the future.

On average, businesses had 12.5 full-time employees prior to the pandemic, though this has fallen to an average of 3.9 employees currently. An average of 6.1 employees have been furloughed (the data on furloughed numbers is based on a sample of 77 as this measure was added to the data collection form later). On average, there have been 0.5 job losses per firm. Focussing on micro-businesses with 2-9 employees, this subgroup had an average of 2.8 full-time employees prior to the COVID-19 pandemic, though this has fallen significantly to only 0.5 full time employees currently. Firms within this subgroup furloughed an average of 1.6 employees (the base size here is 35 due to the later introduction of the furlough measure). On average, there have been 0.3 job losses per business within this sector.

The data collection tool allows businesses to discuss in further detail some of the key issues they face. The most common issue facing businesses in the LEP area is surrounding finances, with seven out of ten (71%) raising this as a problem. Whilst this is still a high proportion, it has reduced slightly from 77% in the previous submission. The nature of these financial issues is discussed further below:

- Two-fifths (45%) of this subgroup have experienced issues accessing grant funding. This includes ineligibility and unclear information on how to apply for this funding.
- Three out of ten (30%) from this subgroup are unsure of the financial support that is available. These are generally micro-businesses with 2-9 employees who believe that their business structure does not allow them to apply for any of the existing financial support schemes.

- Just over a tenth of this subgroup (12%) have experienced issues accessing the Coronavirus Business Interruption Loan Scheme (CBILS). Banks have been too slow to respond, and with cashflow particularly tight this has meant that businesses are fearing going bust before the support becomes available.

Generally, businesses reaching out for financial support favour grant funding and see the loan schemes as an alternative should their grant application fail.

A fifth (20%) of businesses also discuss issues around order cancellations. The collapse in consumer demand is impacting negatively on businesses, with one textile manufacturer reporting that they are having to hold stock for retailers who have placed orders but are yet to collect these orders. The business fears that as the stock is seasonal, if the lockdown continues then retailers may not honour payments and they may be left with a significant amount of out of fashion stock.

A tenth (11%) discuss having issues accessing the Coronavirus Job Retention Scheme. These issues are surrounding a lack of clarity on how to access the scheme, and long response times for applications.

The type of support businesses require does not vary greatly from the previous submission. Businesses are keen to access general information and guidance, with three quarters (76%) seeking this type of support. Assistance with short-term working capital is also key for businesses, with over half (58%) searching for support to help finance their business in the immediate future. A quarter (27%) are seeking support with business rates, whilst a similar proportion (25%) are keen to understand the assistance available regarding long term financial support. A sixth (15%) are keen to access support around dealing with employees and sick pay, this has fallen from 20% in the previous submission. The support required for micro-businesses is similar, although a slightly larger proportion amongst this subgroup (34%) require support meeting business rates obligations.

Economic Intelligence Update

As the COVID-19 crisis develops, research and insights are emerging from a range of organisations: links and summaries of pertinent publications are listed below. It should be noted that we do not yet have a complete picture of the impact of COVID-19 and this is unlikely to emerge for some time, and that much of what is emerging is predictive and should be interpreted as such until such time as robust quantifiable data becomes available.

LLEP Area Business Closures

Using the BVD FAME database the LLEP has identified those businesses registered with Companies House which have been dissolved or liquidated over the period from 15/03/2020 to 15/04/2020.

In total 564 businesses were dissolved or liquidated. Comparing the same period for 2019 (15/03/2019 to 15/04/2019) there were 536 businesses that were dissolved or liquidated. This figure is not dissimilar to the 2020 figure. It may be that reported forecasts of business closures have not yet begun to bite and analysis of the six broad areas that have had the

largest losses (see list below) seems to bear this out as they do not include hospitality and food service as a sector most affected by COVID-19 business shutdowns:

- Professional, scientific and technical activities
- Administrative and support service activities,
- Wholesale and retail trade, repair of motor vehicles,
- Construction
- Manufacturing
- Transport

These six sectors combined make up over 60% of all closures. There is clearly a lag in terms of data on business closures and the LLEP will revisit this data on an ongoing basis.

What does the COVID-19 crisis mean for the economies of British cities and large towns?

Centre for Cities, 16 April 2020

<https://www.centreforcities.org/blog/what-does-the-covid-19-crisis-mean-for-the-economies-of-british-cities-and-large-towns/>

This analysis from Centre for Cities places Leicester within those towns and cities expected to bounce back more quickly as it has a comparatively lower number of workers engaged in vulnerable 'exporting' industries, that is, those that serve regional, national or international markets, as opposed to local services businesses.

Like other cities, 1 in 5 of all jobs in Leicester are classified as vulnerable or very vulnerable, but the city doesn't have a high ratio of workers in a single vulnerable sector such as aviation or automotive manufacture.

Which local authorities face the biggest immediate economic hit?

Centre for Progressive Policy, 16 April 2020

<https://www.progressive-policy.net/publications/which-local-authorities-face-biggest-immediate-economic-hit>

Building on the latest figures from the Office for Budget Responsibility (OBR), CPP analysis finds that the economic impact of coronavirus will vary significantly across the country. The decline in economic output is estimated to reach close to 50% in parts of the Midlands and the North West in the second quarter of this year. In other parts of the country, the hit to the local economy may be half that. The article suggests that four out of the top 20 worst affected Local Authorities will be in Leicestershire.

Sector Shutdowns during the Coronavirus Crisis: which workers are affected most?

IFS Briefing Note BN278

<https://www.ifs.org.uk/publications/14791>

New analysis from researchers at the Institute for Fiscal Studies (IFS) shows that:

- The lockdown will hit young workers aged under 25 the hardest.

- Low earners are seven times as likely as high earners to have worked in a sector that is now shut down.
- Women were about one third more likely to work in a sector that is now shut down than men
- One mitigating factor is that most of those younger workers and lower earners are likely to live with parents or others whose earnings are likely to be less affected, so many may suffer smaller hits to their living standards than otherwise.

ONS Covid-19 Data

The Office for National Statistics continue to provide a daily **Coronavirus (COVID-19) Roundup** of statistics and is a useful source of data. Sign up to regular daily updates here <https://public.govdelivery.com/accounts/UKONS/subscribers/new>

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