

LLEP Business and Economic Intelligence Update

06 May 2020

LLEP and Partner Activity Summary

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

As of 3 May Local Authorities across Leicester and Leicestershire had made grant payments to 13,212 businesses (79% of the 16,740 eligible businesses). More details are available on gov.uk: : <https://www.gov.uk/government/news/grant-funding-provided-to-businesses-by-local-authorities-in-england>

In order to ensure that all those eligible are able to benefit from the assistance available, a joint webinar was held by FSB, the Leicestershire Business Gateway Growth Hub and Charnwood Borough Council on 5 May, which focused on the crisis funding and support available for Charnwood businesses. The webinar was fully subscribed and can be replicated in other districts.

On 1 May it was announced that there would be a further 5% uplift to the £12.33 billion funding previously announced for the Small Business Grants Fund (SBGF) and the Retail, Hospitality and Leisure Grants Fund (RHLCGF), so up to £617 million. The exact amount for each authority will be confirmed this week.

This additional fund is aimed at small businesses with ongoing fixed property-related costs, such as businesses in shared spaces, regular market traders, small charity properties that would meet the criteria for Small Business Rates Relief, and bed and breakfasts that pay council tax rather than business rates. But local authorities may choose to make payments to other businesses based on local economic need. The allocation of funding will be at the discretion of local authorities.

Leicester and Leicestershire Economic Recovery Strategy

Leicester and Leicestershire LLEP is leading on the development of an Economic Recovery Strategy for Leicester and Leicestershire. Using the five foundations of productivity in the draft Local Industrial Strategy(LIS), the Recovery Strategy will be developed in consultation with partners and stakeholders. The evidence base used for the LIS will be updated and refreshed as quantifiable evidence becomes available. A draft outline proposal has been circulated to the LLEP Board and stakeholders, and Figure 1 shows the overarching framework.

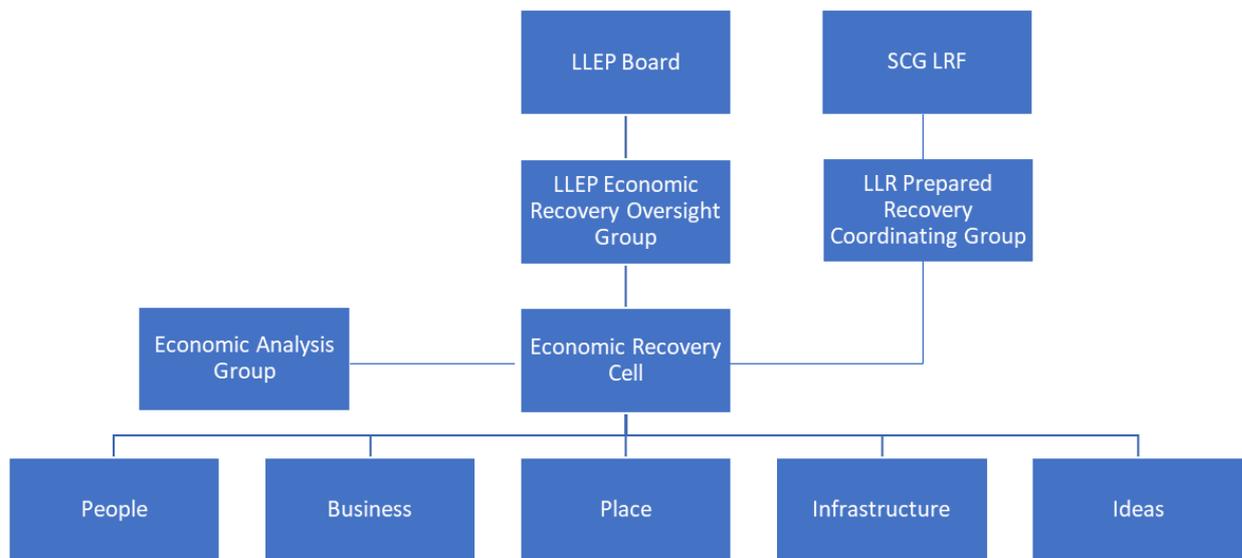


Figure 1 Economic Recovery Strategy Framework

Business Gateway Intelligence Summary

Summary of views received by Business Gateway up to 30/04/2020

The following analysis is of data captured by the Growth Hub using the online COVID-19 form which went live w/c 30/03/2020. A total of 163 businesses have directly completed the form as of 30/04/2020. The COVID-19 form is just one of a number of routes businesses are coming into the Growth Hub. Over 700 unique businesses have engaged with the Growth Hub since 01 March 2020. The majority of these interventions have related directly to Covid-19. 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 of perceptions of the wider business community across the LLEP area.

Of those businesses that have completed the form, the largest proportion operate in the manufacturing industry, with this sector accounting for a sixth (16%) of submissions. Other sectors that are relatively well-represented in submissions are other service activities (15%), wholesale and retail (12%) and arts/entertainment/recreation (12%). Half (49%) are micro-businesses with 2-9 employees, a fifth (20%) are small businesses with 10-49 employees whilst 18% are businesses with one employee only.

Three out of five (63%) have been forced to suspend operations temporarily, this rises considerably to 87% of wholesale and retail businesses, and 73% of manufacturing businesses. Businesses within these sectors are more likely to struggle to implement strict social distancing guidelines in the workplace which would explain why such high proportions have been forced to close for the time being. A sixth (15%) are still operating from home, whilst a tenth (11%) continue to trade as normal. Economic uncertainty is continuing to impact business performance, with nine out of ten (93%) reporting a negative impact on current sales and 86% anticipating a negative impact on future sales.

On average, businesses report employing 11.1 employees prior to the outbreak of COVID-19. The pandemic has had significant impact on employment:

- An average of 3.1 employees per business are now working from home
- An average of 5.6 employees per business have been furloughed
- An average of 2.8 employees per business have seen their role remain unaffected.

Average figures are broadly similar for micro-businesses with 2-9 employees.

The issue cited most frequently by businesses is regarding finance, with seven out of ten (71%) reporting this as a problem. Financial issues are broadly focused on two areas:

Two-fifths (43%) of this subgroup report issues accessing grant funding such as failure to meet eligibility criteria and unclear information on how to apply. A number of small businesses report frustration that they are unable to apply for grant funding as they are based in serviced business premises where one fixed cost covers their rent, rates and other fixed costs, and so they do not have their own business rates bill upon which to base their claim.

Over a third (37%) of this subgroup are still unsure of the types of financial support that is available to them, an increase on previous submissions. Whilst the continuous roll-out of additional support measures is welcome, further clarity is required around what these measures entail, their eligibility criteria, and how to apply.

Order cancellations continue to cause an issue, with a fifth (23%) discussing the negative impact this has had on trading. Issues vary from reduced footfall through to the continued closure of major client groups such as schools.

Whilst limited, there are some positive stories. The ongoing situation has highlighted the adaptability of local businesses, with several businesses developing an online presence in order to continue trading. Some are also taking the slowdown in trading as an opportunity to pause and reflect on their long-term strategy.

The pattern of support requested by businesses is similar to that previously reported, with general information and guidance (74%), short-term financial support (57%), business rates support (26%) and long-term financial support (25%) all key areas where businesses require further guidance.

Economic Intelligence Update

As the COVID-19 crisis develops, research and insights are emerging from a range of organisations and links and summaries of relevant 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 01/03/2020 to 29/04/2020.

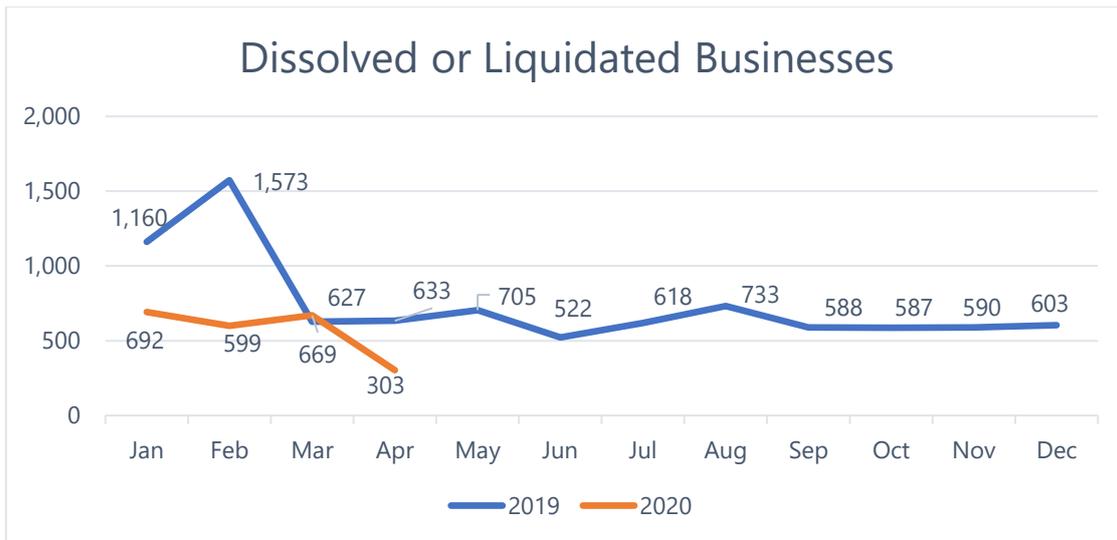


Figure 2 Dissolved or liquidated businesses (Leicester and Leicestershire)

(Bureau Van Dyck)

Figures 2 and 3 show that we should not necessarily expect similarities in volumes year on year and that it is likely that the figures reported to date show a lag in terms of closures forced by CV-19. One possible reason for this is that financial support measures employed by the Government, and in particular the Job Retention Scheme, are providing a cushion for some businesses that would otherwise have closed.

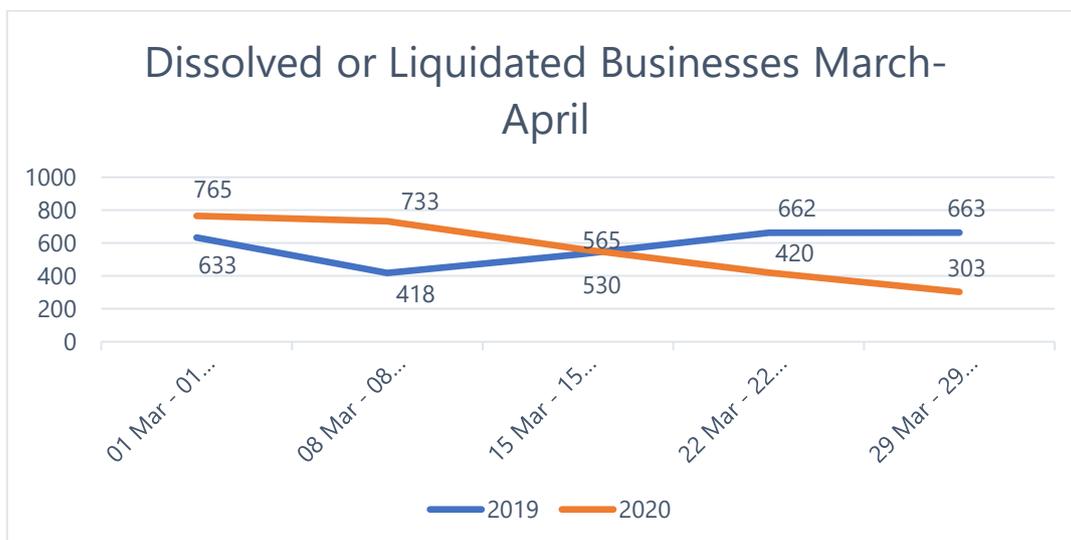


Figure 3 March-April Business Closures Leicester and Leicestershire

(Bureau Van Dyck)

This view is further reinforced by a report from the Resolution Foundation¹ on the impact of the Coronavirus Job Retention Scheme. The report suggests that the percentage of employees making use of the scheme could be as much as 41 per cent of private sector

¹ Tomlinson, D., *Launching an economic lifeboat: The impact of the Coronavirus Job Retention Scheme*, Resolution Foundation, 20 April 2020.

employees (over eight million people) based on respondents to the ONS Business Survey up to 5 April and assuming those at closed businesses are furloughed rather than made unemployed.

The report also found that almost four-in-ten of all furloughed employees could be from the hospitality and retail sectors alone.

<https://www.resolutionfoundation.org/publications/launching-an-economic-lifeboat/>

What impact has COVID-19 had on apprenticeships?

COVID-19 has had a significant impact on apprenticeship starts and delivery. A briefing note from the Federation for Industry Sector Skills and Standards, *The Apprenticeship Sector's Resilience to COVID-19*, found that:

- 43.5% of jobs in the UK could feasibly be done from home, making the UK economy one of the best placed in Europe to continue working through the pandemic.
- Those least likely to have the ability to work at home are the youngest workers and those with the least qualifications. This makes the apprenticeship sector more exposed than the general economy. Young workers (16-24-year-olds) make up 12% of employment, but 54.3% of apprentice starts.
- The ability to work from home differs by industry, with some sectors likely to be more affected. Some of the most popular Apprenticeship Standards such as Retailer and Hospitality Team Member are in sectors that have been severely affected by lockdown where jobs cannot be done from home.
- 8.3% of apprentices occasionally work from home compared to 25.3% of non-apprentice workers.
- Issues faced by providers included difficulty in engaging furloughed apprentices, and a lack of tech at home to support learning. Providers are reporting that the pipeline of apprentices is running dry.
- In a downturn, companies cut training budgets, and freeze recruitment. As all Apprentices must be employed, the Federation estimates a cumulative loss of 119,077 apprenticeship starts from March 2020 to February 2021 as a result of the pandemic.

<https://fiss.org/wp-content/uploads/2020/04/FISSS-Briefing-Note-The-Apprenticeship-Sectors-Resilience-to-COVID-19.pdf>

Class of 2020 - Education leavers in the current crisis

A report published today by the Resolution Foundation considers the impact of coronavirus on education leavers, suggesting that an additional 640,000 18-24-year-olds could find themselves unemployed this year alone.

They suggest that even three years after having left full-time education, the employment rate of today's graduates are projected to be 13 per cent lower, three years down the line, than they would have been in the absence of the crisis. Employment rates for mid- and low-skilled workers could fall even further to 27 per cent and 37 per cent respectively. Moreover, a large proportion of non-graduate leavers tend begin their careers in sectors that are currently shutdown and likely to suffer declines over the medium-to-longer term – such as retail and hospitality.

<https://www.resolutionfoundation.org/publications/class-of-2020/>

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