



LEP STRATEGY COMMITTEE – AGENDA ITEM 6

Subject: Covid-19 Impacts and Planning for Recovery

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Purpose

To update the Strategy Committee on the current known impacts of Covid-19 / Coronavirus on the national and local economy and to provide an opportunity for the Strategy Committee to respond to the Board invitation for sub-committees to discuss how the LEP might respond in minimising the impacts of the crisis and importantly start the process of planning for recovery.

Recommendations

The Strategy Committee is asked to

- a) Discuss the content of the report
- b) Develop recommendations to the LEP Board on how the Strategy Committee might support current activity to deal with the coronavirus crisis and flex its current programme to respond.

Background

1. The LEP Board discussed the current Coronavirus / Covid-19 epidemic at its meeting on 25th March. The Board requested that further, more detailed consideration of the issues and discussion on potential responses was undertaken by each of the Board Sub Committees. This paper aims to support that discussion within the Strategy Committee.
2. Much of the focus during the current Coronavirus crisis is, understandably, on the immediate impacts of the virus on citizens, business and our everyday lives, and providing support and guidance to those affected. The Strategy Committee has a key role within the LEP to not just look at the present, but also consider the longer-term aspirations for the Cheshire and Warrington economy. As such, it should consider the following questions: -
 - What work we can start doing to prepare for return business as usual, and ensure negative economic impacts are minimised?
 - How, through the lens of the local industrial strategy we can secure support from government and others to quickly mobilise and get our economy moving again
 - What lessons can we take from this situation to improve preparedness for next time?
 - Who do we need to engage to sense check our thinking and add value to our propositions?

Current Position

3. The national and local response to the Coronavirus outbreak has ramped up considerably in the last seven days. The impact of restrictions on our day to day activities is increasing, with further measures introduced on 23rd March to further restrict movement and business activity, initially for three weeks, however likely to last much longer.



4. Whilst significant support for business has been offered by government, the detail and practicalities of some of this are still being worked through, and the relevance to many small medium enterprises operating without fixed premises or outside of retail, leisure and hospitality remain unclear.
5. Liverpool City Region Combined Authority has shared some analysis it has undertaken which looks at the likely impact of the support measures proposed on different sized businesses. As can be seen in the table below, it is micro and SME businesses that are most likely to benefit.

Support	Self employed	Micro business	Small / medium	Large businesses
Coronavirus Job Retention Scheme	No impact	Potential for high impact	Potential for high impact	Potential for some impact
VAT and Income Tax payments deferred	Potential for some impact	Potential for some impact	Potential for some impact	Potential for some impact
Statutory Sick Pay relief package	No impact	Potential for high impact	Potential for high impact	Potential for some impact
Business rates holiday: retail, hospitality, leisure	Potential for minor impact	Potential for minor impact	Potential for minor impact	Potential for some impact
Grant funding of £25,000 for retail, hospitality and leisure	Potential for minor impact	Potential for some impact	Potential for some impact	Potential for minor impact
Small business grant funding of £10,000	Unclear	Potential for high impact	Potential for some impact	No impact
Coronavirus Business Interruption Loan Scheme	Potential for some impact	Potential for some impact	Potential for some impact	No impact
New lending facility from the Bank of England	No impact	No impact	No impact	Potential for some impact
The HMRC Time To Pay Scheme	Potential for minor impact	Potential for minor impact	Potential for minor impact	Potential for minor impact

6. A number of our key sectors are already starting to feel the impacts of coronavirus and the situation is changing by the day. Examples of this include: -
 - Production at both Vauxhall Motors and Bentley Motors has been suspended until at least the middle of April due to supply chain difficulties and to minimise risks to staff. This will affect upwards of 5000 employees.
 - Brio leisure has announced that all of its gyms and leisure centres are to close for two months and Storyhouse in Chester has also closed to the public. Cheshire Oaks has introduced reduced operating hours and across the sub region shops bars and restaurants are beginning to close their doors.
 - from the 23rd March there will be increasing reductions in the provision a bus and rail services with the National Rail Network operating a new, reduced timetable. This will clearly have implications for workers ability to commute from home to work and back again.
 - Flight operations at both Liverpool and Manchester Airports have been severely curtailed with the likelihood of further flight reductions in the coming weeks. Such is the level of reduction at Manchester, there are indications that two out of the three terminal buildings will be closed and all operations consolidated into Terminal One for the foreseeable future.



A number of airlines with staff based in the sub region are asking flight and cabin crew to take an extended period of unpaid leave. The impacts of these reductions will of course be felt more widely. Ancillary services including taxis, shops, hotels and engineering support services will also increasingly be affected.

- Increasing number of high street retailers (McDonalds, Costa, John Lewis, White Stuff, Joules, Ikea, etc) have announced temporary store closures
 - Chester Zoo has announced it was closing its gates to visitors on Saturday 21st March, for the foreseeable future and the National Trust has followed this lead at the majority of its sites in the county.
 - Increased pressure and strain on both the health service and the care sector both from an increased level of demand from service users, and a reduction in the availability of staff resource due to illness or self-isolation amongst vulnerable groups.
7. Whilst our economy is fundamentally strong and starting from a good position, it is difficult to quantify at this stage what the likely impacts in terms of output (GVA), employment and productivity. Depending on the length of time current restrictions remain in force, estimates of the impact globally range between falls of 2% - 5% of GDP. There are risks that Cheshire and Warrington could be hit disproportionately given the size of our manufacturing sector and also that our two biggest export markets are China and the USA.
8. What is also unclear at the moment is the impact on individual businesses within our economy especially micro and SMEs. Of the 42,000 plus businesses in Cheshire and Warrington, over 95% of them employ fewer than 10 people and the thousands more sole traders operating in the sub-region. Many of these small businesses have been set up using people's homes and savings as collateral and it is hard to judge at this stage how the current situation is affecting these businesses ability to generate sufficient income and cash flow to continue operating, and what the wider implications for the economy and individuals maybe should they fail to do so.
9. In terms of impacts on individuals, The Resolution Foundation report 'Doing what it takes'¹ notes that: -

"... the public health advice to stay at home and avoid social interactions will have a critical impact on sectors such as retail (excluding food), hotels and restaurants, airlines, travel operators, cleaners and personal service workers. Together, these sectors account for around a fifth of the workforce (five million employees and 1.2 self-employed workers).

The Foundation argues that the pace and scale of the current economic shock will very quickly lead to mass job losses unless urgent action is taken, especially as working from home is less viable in many of these jobs compared to higher-paid, while collar jobs.

The report notes that less than one in ten of those in the bottom half of earners say they can work from home, while, those in the most at-risk sectors and occupations also have less to fall back on, being around 25 per cent more likely than average to live in families with no savings at all."

¹ Resolution Foundation (March 2020), 'Doing what it takes'
<https://www.resolutionfoundation.org/publications/doing-what-it-takes/>



10. Cheshire and Warrington has significant levels of employment within those sectors currently hardest hit by the restrictions

Sector / Sub Sector	Employment
Retail Trade (excluding motor vehicles and motorcycles)	52,000
Food and Beverage Service Activities	32,000
Employment Activities	20,000
Arts, Entertainment and Recreation	12,000
Services to Buildings and Landscape Activities	11,000
Accommodation	9,000

Source: LIS Evidence Base, 2019

Short Term Action

11. The LEP has already started to ramp up effort efforts to increase the collection of business intelligence through the business growth hub and the pledge partnership network. A dedicated Coronavirus page has been added to the growth hub website and is being updated on a daily basis to reflect the latest information available. The Growth Hub itself is working to respond to calls and queries as efficiently as possible. As at the 27th March over 330 businesses had made direct contact with the Growth Hub for support and there had been some 2,500 views of the Covid-19 webpage.

12. Key to our response will be making sure that businesses are properly and effectively signposted to relevant government support available to them. Currently this includes: -

- Coronavirus **Job Retention** Scheme
- VAT and Income **Tax payments deferred**
- Statutory **Sick Pay relief** package for SMEs
- 12-month **business rates holiday** for all retail, hospitality and leisure businesses
- Small business **grant funding** of £10,000 for all business in receipt of small business rate relief or rural rate relief
- **Grant funding** of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000
- Coronavirus **Business Interruption Loan Scheme** offering loans of up to £5 million for SMEs through the British Business Bank
- **New lending facility** from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans
- The HMRC **Time To Pay** Scheme
- Universal Credit **standard allowance increased** and accessible **to self-employed**
- **Evictions suspended** from social or private rented accommodation and homeowners can apply for 3-month payment holiday

13. Reduced working hours or lay-offs may represent an opportunity for early engagement with training opportunities through the Accelerate Programme.



14. Some LEPs with residual Growing Places Funding left (such as Coast-to-Capital LEP and Buckinghamshire LEP) have utilised a portion of this to provide small grants to SMEs to help them adapt or innovate in the short term.

Medium-Long-Term Planning and Action

15. One of the potential difficulties in developing medium to long term planning and action, will be understanding our starting point and the impact the virus and the measures to mitigate its spread have had on the Cheshire and Warrington economy. Nationally, data through the office for National Statistics may take up to two years to become available. Clearly, this will be far too late.
16. One area of activity that planning can start on in the short – medium term is our developing approach to **marketing and communications** as part of the process of re-building business confidence, stimulating day-to-day economic activity and helping people regain a sense of normality.

Responding through the lens of the Local Industrial Strategy – productivity, resilience and inclusive growth.

17. Government and LEPs are starting to consider how Local Industrial Strategies might be re-purposed, with a focus on getting economies moving again as quickly as possible once the current crisis is over. The LEP is working with the LEP Network and others to lobby government regarding appropriate funding to support this, such as an expanded Local Growth Fund Round 4 and early decisions on the shape and size of the UK Shared Prosperity Fund.
18. Other areas that might require early action and offer greater impact include construction, high streets, and activity within place. There is an opportunity for the LEP to review the investment pipeline to identify a small number of high-profile projects to seek government support so that they could be mobilised quickly and deliver benefits to business and workers. This could include key road or rail projects, Warrington’s Electric Bus network and further funding for CCUS (HyNet), smart energy systems (E-Port) and an expansion of the Medicines Discovery Catapult.
19. The Performance and Investment Committee has also suggested that Strategy Committee might consider a wider ‘call for projects’ to help inform the development of the investment pipeline and capture ideas being generated by the private sector and others. Given the lack of a defined funding route for such projects at the moment, there would need to be a degree of caution in approach in order to manage expectations.
20. As suggested by the Institute for Economic Development the LEP, along with the LEP Network could talk to government about dropping the competitive element of the **High Streets and Sustainable Towns Fund** and supporting all of the investments identified by shortlisted authorities (subject to suitable business cases).
21. **Rebuilding an inclusive economy** – echoing government action to insulate the more vulnerable and disadvantaged sections of the population post-crisis. Potential links to the skills and education agenda. May also be an opportunity to roll out action on direct and LEP-funded procurement activity to increase local impact and benefit.



22. Overall, this activity would link well to a **reinvigorated approach to devolution**, boosting local control and decision making – reinforcing that local places know best what is needed to kick start their local economies.

Longer term action to better prepare for the next crisis.

Learning Lessons

- Understanding the extent to which current working practices (e.g. increased home and remote working) have become the ‘new normal’.
 - Understanding which of our support measures have had a positive impact, and which have been less effective. Also understanding if our communications were effective and hitting the intended audience.
23. The current situation has, if nothing else, put to the test in real time the contingency plans that business have in place to maintain business continuity. A key outcome from the Covid-19 situation has to be a review of how effective this contingency planning has been and how it could have been improved. There could be merit in commissioning external economic consultancy support to help to quantify the short term economic impact on the Cheshire and Warrington economy of the Coronavirus epidemic, develop some lead indicators to help us measure recovery as it starts to happen (given the lag in national indicators) and evaluate our response to the crisis so that we are better informed for next time.
24. This work could also scope out some scenarios for how changes in working practices that start to become embedded (e.g. greater home working) might alter the current infrastructure priorities at the sub-regional level.

Testing our Thinking

25. A number of places around the country are reaching out to key stakeholders, business representative organisations, academics and think tanks in order to harvest and share ideas on how to get the economy moving as quickly as possible and with the widest benefit for individuals and local businesses once restrictions start to ease. In Cheshire and Warrington this could include the existing Cheshire Business Group, North West Business Leadership Team, Mersey Dee Alliance Board and others.