

LLEP Business and Economic Intelligence Update

6 April 2020

Activity Summary

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

All District Councils have commenced payment of SBGF and RHLGF with Leicester City Council expected to launch on 6th April. Local Authorities only hold bank account details for those businesses who pay via Direct Debit, and an awareness campaign will be launched this week to ensure that as many businesses as possible are able to access the schemes. Further information can be found at: <https://bizgateway.org.uk/our-services/support/coronavirus-covid-19/local-authority-support/>

PPE

A new campaign has launched, calling on businesses in the East Midlands and South Yorkshire to donate personal protective equipment (PPE) to support NHS staff dealing with the Covid-19 pandemic.

The **#ppe4nhs campaign** is seeking donations of unused PPE from local businesses, particularly those in the engineering, manufacturing and construction sectors. To donate, please e-mail ppe4nhs@hotmail.com to arrange a delivery location and time.

Job Matching Service

The LLEP has been in discussions with National Careers Service and other partners locally and this week will launch a redeployment service for employers (particularly small employers) who have a demand for vacancies and people affected by Coronavirus redundancies. This service will be vital as DWP is temporarily unable to provide a job matching service given the high volumes of claims needing to be processed and on which all staff are now working.

Growth Hub

Growth hub is receiving high volumes of enquiries, and is currently looking at utilising local business heroes to support businesses with bespoke matters relating to employment law insurance etc. LLEP businesses are really taking advantage of cluster support on offer. The Webinar programme is developing well. Advisors had taken part in a great webinar programme with the British Business Bank around the Civil Business Interruption Loan Scheme (CBILS). Links are live to all of the SBGF for the District and the City. Growth Hub is looking into providing support to businesses regarding mental health.

Where businesses that you are working with are looking for support, please provide them with this link [Access Growth Hub Business Support](#) this will take them to a dedicated page on the Business Gateway Growth Hub site. The page provides a wealth of up to date

information and in addition details of how to access support through our team of Business Advisers, the service is fully funded.

Representative bodies

Federation of Small Businesses (FSB) have a number of webinar programmes that are available to all businesses. FSB have said they will be happy to circulate to all members examples of support that local authorities are putting in place locally.

CBI also have a number of webinar programmes, there is a specific webinar supporting mental health of workers /owners that can be accessed publicly.

Growth hub will cross promote all of these webinars

Localised solutions

Issues have been raised about a visible gap in terms of the support relating to Start -up companies. Some support is in place with Princes Trust and Gateway staff are following up with NBV, First Enterprise and Thomas White Charity.

Collation of Business Intelligence

In order to be able to escalate any key business issues to central government within the report submitted by the Growth Hub each week we are asking partners to forward any intelligence to Business-intelligence@llep.org.uk by midday each Friday. Examples of the kind of information we are looking for relate to, business activity, closures, job losses or new recruitment opportunities, business confidence etc. It would also be helpful to detail specifics such as locality and or sectors affected.

Business Intelligence

Summary of views received by Business Gateway w/e 3 April 2020

To aid the collection of business intelligence we have developed an electronic [COVID-19 Business Impact Form](#) that will allow our businesses to report their key concerns and while we appreciate that there are a number of websites that have support information, we feel it is really important that we drive traffic to the Gateway website. In this way we can provide to Government a collaborative account of the impact that the COVID-19 virus is having on individuals and businesses across Leicester and Leicestershire.

In the last week 238 businesses contacted the Business Gateway and submitted feedback either via the web form or through an appointment with a Business Adviser, of these 93 were detailed responses enabling analysis of trends. The largest concern amongst businesses is eligibility for financial support, with over half (56%) concerned about whether their business will qualify for funding. A key issue is the time it is taking to process applications, and ambiguity around eligibility for financial support. Given the significant proportion of small businesses in the area, these concerns tend to centre around grant funding, with these small traders worried about having the resources to pay back business loans. A handful of

businesses also report that banks are pushing them to take on commercial loans with high interest rates and are only offering government-backed loans as a last resort.

A third of businesses (32%) report a reduction in bookings/order cancellations as the implications of the lockdown become clear. A significant number of these businesses have been forced to close and fear they will not be able to re-open once the crisis passes due to a decline in income coupled with the need to cover overheads.

Staffing is cited as an issue by a tenth (12%) of businesses, with companies furloughing most of their staff to reduce overheads.

Although very few, there are some positives reported by businesses. A handful see the crisis as an opportunity to reflect on their longer-term strategy, with one business stating that the enforced pause in trading has allowed them to identify and evaluate possible growth strategies. One food supply chain business has also re-directed their marketing to the end user in the hope that this will generate enough income to keep the business afloat, whilst another training provider has shifted their operations online.

Other emerging issues

- The current government grants apply only to the businesses immediately affected in terms of closure, retail, leisure and hospitality. Given the large share of manufacturing within Leicester and Leicestershire, an extension of the scope of the larger business rates grants to other sectors could make a significant difference to survival of our manufacturing base.
- Recent start-ups are ineligible for Government support for self-employed and the Growth Hub is exploring what opportunities there are locally for support.
- Directors receiving dividends rather than salaried through PAYE are excluded from the furlough arrangements and therefore have no recourse to support.

Economic Landscape

The effect of COVID-19 on the economy of Leicester and Leicestershire remains subject to a high level of uncertainty and it will be some time before we are able to assess its impact as it is too early for data to be reported. However we are able to consider the emerging impact on a range of sectors below, please note that this is not exhaustive, and we will further examine other sectors going forwards. Scenario modelling by PwC estimates that the combination of supply chain disruption, reduced labour supply, uncertainty effects and full or partial lockdown in some sectors could reduce UK GDP by around 4 to 8% in 2020, depending on duration and severity, relative to a baseline case of 1% growth without COVID-19.¹

¹ PwC, UK Economic Update: COVID-19, March 31,2020

Micro and Self-Employed

The most recent BRES data shows that pre-COVID-19 there were 42,245 businesses and employment of 490,000 in Leicester and Leicestershire. Micro businesses account for 88.9% of all businesses in the region. Historically the small business economy of Leicester and Leicestershire has enabled the region to ride out recession more easily than areas more reliant on large major employers. However, in this unprecedented set of circumstances there is a potential for micro businesses and the self-employed to be more adversely affected.

In the year between October 2018 and September 2019 the proportion of the working age population in Leicester and Leicestershire who were self-employed grew by nearly 20,000 people from 52,000 to 70,000². As many of them will be in their first year of trading and will not yet have submitted their first tax return or be able to provide evidence of three years of accounts, a significant proportion may be ineligible for government support available to the self-employed.

Manufacturing

COVID-19 is expected to have a significant impact on the manufacturing sector in Leicester and Leicestershire, where the share of manufacturing businesses is substantially higher than the national average, with 3,375 businesses (8% of all businesses)³. The sector accounts for the biggest share of employment in the LLEP area at 12.2% (60,000 people)⁴. The sector is expected to experience major disruption through reduced supply chain demand. In response to this businesses will have to scale back production or adapt supply chains to alternative sources. Labour supply will also become a key issue as a significant proportion of the workforce becomes unavailable and the implementation of safe working practices results in a reduced output of basic materials and unfinished goods.

Some larger manufacturers, such as Ibstock Brick and Forterra, have already closed their sites in the county, impacting the construction sector supply chain.⁵

Logistics

The Logistic sector is strong in Leicester and Leicestershire, with critical hubs at Magna Park and in North West Leicestershire and the shift to online delivery of non-essential items and high demand for food supply means that the sector is likely to be more resilient or see increased demand. The demand for HGV drivers and warehouse drivers was acute pre-Covid and the national shortage is expected to place a strain on those delivering. Whilst the government has implemented a temporary relaxation of the enforcement of the drivers' hours rule this applies only to drivers involved in the supply of food and other essential products to supermarkets. There are 2,330 transport and storage businesses (5.5% of all employment). Employment in the transport and storage sector stands at 28,000 (or 5.7% of

² ONS, Annual Population Survey

³ BRES

⁴ Ibid

⁵ Leicester Mercury 26 March 2020

all employment).⁶ The majority of the logistics companies operating from Magna Park are reported to be operating on a 'business as usual basis'.

*East Midlands Airport (EMA) continues to operate over half of its scheduled flights – more than any other major European Airport. Cargo flights are up 7.4%, driven by medical equipment and online orders. The latest European air traffic statistics, published by Eurocontrol, show that EMA has seen the smallest drop in flight numbers of any major airport in Europe over the last week, followed by Bergen, Stavanger and Cologne. In the UK, every other major airport last week saw aircraft movements fall by at least 60% compared with the same week last year. EMA has bucked this trend and continued to operate 60% of its scheduled flights due to the fact that they were cargo rather than passenger flights.*⁷

The Institute of Couriers reports that express networks (last mile delivery) are experiencing unprecedented increases in volumes.

Retail

Whilst aspects of the Leicester and Leicestershire economy are seeing increased activity as a result of increased online sales, brick-and-mortar retail establishments (except grocery and pharmacy) will see a decline, although some may still be able to offer online sales. There are 3,390 retail businesses in the Leicester and Leicestershire area. These make up 8% of all businesses and combined make up employment of 41,740.⁸ This is 8.5% of all employment. Of the 3,390 retail businesses, 1,835 (or 54.1%) are considered essential and 1,555 (45.9%) non-essential. All non-essential retail outlets have been temporarily closed. Those retail businesses that have closed represent 40.8% of all retail employment or employment of 17,025.

*NEXT has closed online retail operations and in the last week confirmed plans to sell their Enderby HQ and lease back the premises to release cash into the business and mitigate against the impact of COVID-19.*⁹

*Joules, the Market Harborough-based lifestyle brand, has raised £15m by placing a total of 18,750,000 new ordinary shares by way of an accelerated bookbuild process.*¹⁰

Large and small businesses alike are struggling to pay retail rents, Hammersons, owners of Highcross shopping centre in Leicester, said it had collected just a third of rents for the past three months, as a consequence of the coronavirus lockdown which has resulted in its closure as there are no 'non-essential' businesses located there.¹¹ Traders renting small retail units have also been similarly affected.

Tourism, Leisure and Hospitality

⁶ BRES

⁷ EMA Press Release 1 April 2020

⁸ BRES

⁹ Leicester Mercury,

¹⁰ Business Link East Midlands, 3 April 2020

¹¹ Leicester Mercury, 30 March 2020

The accommodation and food service sector has been significantly affected as outlets were forced to close. There are 2,745 (5.8%) tourism and hospitality businesses in the Leicester and Leicestershire area. These are considered non-essential and represent employment of 37,365 or 7.7% of all employment. In addition there are 730 sports and entertainment businesses locally with 12,925 employees or 2.7% of all employment.¹²

In Leicester and Leicestershire all visitor attractions closed in the week commencing 16 March, with a resulting immediate loss of income. The majority of staff have been furloughed but due to the nature of the sector there is still a requirement to retain staff undertaking essential duties on site, e.g. maintenance staff. This has placed additional strain on a sector whose income source has disappeared overnight.

DWP report that there have been no major economic shocks within the area in terms of large scale redundancies with single employers. There has been an unprecedented rise in Universal Credit applications, with over one million people applying for assistance nationwide. Figures are not yet available for Leicester and Leicestershire and it will be some time before accurate intelligence is available as it is expected that many people will have submitted Universal Credit claims prior to confirmation of any furlough agreements.

For further information contact:

Fiona Baker
Head of Strategy
07590 444140

fiona.baker@llep.org.uk

Helen Miller
Head of Operations
07850907443

helen.miller@llep.org.uk

¹² BRES