

## **GREATER BIRMINGHAM AND SOLIHULL LEP BOARD MEETING**

**23 April 2020**

### **RESPONSE TO COVID-19**

#### **Recommendations**

Board Directors are asked to:

1. Note activities of the LEP Executive and Chair in response to the COVID-19 virus and economic impact of associated public health measures.
2. Consider additional activities that the LEP might undertake in response to the economic impact of COVID-19 with a particular focus on measures to support and accelerate economic recovery once public health measures begin to be lifted

#### **Background**

3. In response to the public health crisis caused by the COVID-19 virus, the Prime Minister, starting on Monday 16 March and escalating through to Monday 23 March announced a series of public health measures, culminating in:
  - Requiring people to stay at home, except for very limited purposes;
  - Closing certain businesses and venues; and
  - Stopping all gatherings of more than two people in public.
4. Alongside these measures, which had the effect of massively reducing both demand and, in many sectors, supply in the economy, the Chancellor has announced a range of measures aimed at ensuring ongoing viability of businesses and support for employment including:
  - a Coronavirus Job Retention Scheme;
  - deferring VAT and Self-Assessment payments;
  - a Self-employment Income Support Scheme;
  - a Statutory Sick Pay relief package for small and medium sized businesses
  - a 12-month business rates holiday for all retail, hospitality, leisure and nursery businesses in England;
  - 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;
  - the Coronavirus Business Interruption Loan Scheme offering loans of up to £5 million for SMEs through the British Business Bank;
  - Support for large businesses through the Coronavirus Large Business Interruption Loan Scheme;

- a 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; and
  - the HMRC Time To Pay Scheme.
5. Full details of the economic measures put in place by the Chancellor can be found here: <https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>
  6. There have been some challenges and issues with the implementation of these schemes with, for example, the burden for small business grant funding falling on local authorities for delivery. There have also been significant delays and challenges with the Coronavirus Business Interruption Loan Scheme, which has seen £1.1 billion in loans provided to just over 6,000 small businesses as of 15 April 2020
  7. From an economic perspective in Greater Birmingham and Solihull and nationally, these measures have had a number of effects, which are still working their way through the economy as businesses continue to make complex decisions in response to the public health measures, government announcements to support the economy and the impact on their own income streams and expenditure.
  8. In response to these rapid changes, the LEP has taken on five key roles, focused on:
    - ensuring business survival in the short term with focus on providing clarity, where possible, on government schemes,
    - consideration of how best to ensure a strong recovery locally and interventions the LEP might make,
    - contributing to wider West Midlands economic impact activity,
    - lobbying into government on business support measures both directly and via the LEP Network and,
    - reviewing the capital programme in light of both the impact on delivery of current projects and future pipeline of projects.
  9. This paper covers the following issues:
    - Economic Position;
    - Key areas of impact including sectors and academia (impacts on capital projects are set out in the next Board item);
    - LEP activity to date; and
    - Further activity and recovery.

## Key Issues

### a) Economic Position

10. The West Midlands Regional Economic Development Institute (WM-REDI), which GBSLEP are a partner in, is producing a weekly update of the economic position in the West Midlands. This encompasses a wide range of survey data from, for example, the Greater Birmingham Chambers of Commerce, data from the Growth Hubs across the West Midlands and qualitative data provided by the LEPs on key sectors and local authorities on specific impacts on their places.

## 11. Headlines include:

- NatWest's Purchasing Managers' Index (PMI) report for March, published on 15 April, saw reductions in the combined output of the manufacturing and service sectors in the West Midlands with a fall in the index to 36.1 in March, compared with 51.2 in February. This is the sharpest decline on record with the rate of decline outpacing that seen during the financial crisis in 2008.
- The Birmingham Chambers of Commerce Business Tracker for the period 8-10 April shows that 79% of businesses responding witnessed a fall in UK revenue in comparison with the week commencing 30 March, 89% had seen a decrease in cash reserves and 44% said the time taken to receive cash from customers had increased.
- The Tracker also showed that 44% had seen a reduction in the size of their workforce and 63% reported a reduction in hours worked by staff. 17% had closed operations temporarily and 1% had closed permanently.

12. The most recent WM-REDI economic monitor is included as Appendix A to this paper.

13. As much of this data is survey-based, anecdotal and, in some cases, relates to specific firms, in accordance with GBSLEP's scheme of publication, Appendix A is exempted from publication in accordance with Section 12A of the Local Government Act 1972, paragraph 3, as it contains

*Information relating to the financial / business affairs of people / companies (including the authority holding that information)*

## **b) Key Areas of Impact**

14. There are, of course, a wide range of substantial impacts for the Greater Birmingham and Solihull economy, which are only just beginning to emerge with any clarity.

15. These are reflected nationally with predictions from the Office for Budget Responsibility suggesting a contraction in the economy of up to 35% in the quarter to June 2020 alongside a 10% unemployment rate. The Institute for Fiscal Studies has highlighted how these effects are most likely to impact on the young and already low income households due to the types of sectors affected.

16. Similarly, economic commentators are speculating on how public health measures, and the associated economic impact, may begin to reshape the UK (and global) economy: many businesses will fail, whole sectors may be permanently disrupted, supply chains will need to be reconstructed, new business models will emerge, and businesses who anticipate medium and longer term societal changes will thrive.

17. As part of working with partners across the West Midlands, the focus of the LEP Executive in the short-term has been on the five key sectors for which it has taken the lead as part of Local Industrial Strategy development, intelligence from the Growth Hubs (as summarised in Appendix A), specific skills impacts, particularly as it relates to independent training providers, and understanding the impacts of public health measures on the LEP's capital programme and the Enterprise Zone.

## **Sectoral Impact**

In line with the work on implementation of the Local Industrial Strategy, each of the three LEPs has led on sector intelligence for the sectors it has had responsibility for under the LIS. A summary of key risks by sector is included in Appendix B.

### **Business, Professional and Financial Services**

- Typically, business continuity is strong with a focus on maintaining client base and diversifying work to respond to short-term client demand.
- Banks are working hard to attend to needs through government loan schemes and their own commercial products, but are under-resourced for the size of the need and also managing their own workforce with the current public health restrictions in place that is impacting service availability.
- Sub-sectors negatively affected include real estate and built environment professionals and related advisory roles (architects, consulting engineers, surveyors). While construction is not technically stopped, currently it is increasingly on hold as more and more suppliers close, plus public sentiment is moving against such activity.
- Wider business sentiment from the higher value services sector is that the West Midlands economy will cope with 8 to 12 weeks of very low economic activity. This will have a substantial impact, certainly, but there is a confidence in the regional economy that there is momentum in capital projects and infrastructure investment (e.g. HS2, Birmingham Commonwealth Games, metro extensions etc.) locally that will enable a relatively quick recovery.

### **Creative Industries & Culture**

- Some sub-sectors can weather the public health measures better than others. For example, design and games companies are broadly able to carry on at a reduced level of activity through remote working.
- Other sub-sectors are almost entirely closed for business. Film and TV production has largely been postponed or cancelled. Even the country's largest independent production companies have limited reserves to weather more than three months of stoppage, even after taking the benefits of furloughing staff into account.
- For some smaller businesses, especially those without overheads such as premises, it appears easier to be able to weather the current storm. Smaller businesses also tend to be better able to pivot their business models to new revenue streams, taking advantage of, for example, online opportunities.
- Cultural organisations have been hit very hard because they rely on audiences. Theatres, music and arts venues have typically lost 96% of income or more, with on-going overhead costs that they cannot reduce. In response to this, cultural organisations in the West Midlands, supported by the LEP, have set up a Cultural Covid-19 Response Unit to help the sector through the public health measures and lead future recovery efforts.

### **Food and Drink Processing and Manufacturing**

- In common with many advanced manufacturing sub-sectors, there is a great deal of variety across the sector. Some firms have benefited from the short-term boost in demand, others have pivoted production to take advantage of

in-demand products while many have seen production stop or demand disappear, particularly if their primary customers were in hospitality or leisure.

- There are massive short-term changes to buying patterns as, for example, very high demand from supermarkets putting pressure on supply chain but closure of hospitality and restaurant sector causing demand to disappear in only a few days. Challenge to sector is how it pivots and responds to these changes.
- Availability and prices of raw ingredients and supplies are also changing rapidly - price increases for raw ingredients of 20% – 30% have been observed within the last two weeks. Some price rises have been exponential.

### **Health Technologies and Life Sciences**

- There are several short-term opportunities for the sector locally that may well turn into longer term changes in health technologies. This is not only related to short-term demand for personal protective equipment (PPE) and testing but also medical consumables, devices, and digital approaches to healthcare.
- Locally, such pipelines are well established and equipped to expand however, the impact of staff absence due to illness or self-isolation on manufacturing capacity could be significant in the coming months when reserves have been depleted.
- Labour shortages are already having an effect on manufacturing business. Whilst those not involved in day-to-day production can work from home, they need all their experienced staff to fill the gaps in manufacturing/logistics. One local company observed a slight dip in demand in Italy and Spain in March but demand from elsewhere has not decreased, indeed, China is expected to be back to Q4 2019 levels and growing. In this case, the challenge will be to ensure continuity of operations and organisational resilience.
- It is noteworthy that the use of video consultation has been patchy to date but the current drive to move consultations online has been picked up by a lot of GP practices. This may have long term effects on how services are delivered after the current crisis has abated. If this is the case, there should be a growth in demand for new communications systems with knock-on effects into cyber-security and professional services.

### **Low Carbon and Energy Technologies and Services (LCET)**

- LCET businesses are increasingly affected by the lockdown of the economy for non-essential products and services. Some services such as emergency plumbing and heating repairs are considered essential and continue to be delivered. However, many LCET products and services (for consumers and business) are typically not essential items and purchases will be postponed or cancelled altogether.
- As with other sectors, many will need to take decisive action to respond to the crisis and ensure their commercial future:

- Manufacturing and R&D activities in LCET cannot easily be worked on from home.
- Pre-commercial propositions that depend on public (esp. R&D) funding sources for development may struggle if funding opportunities dry up
- Impact on sales of LCET products is unknown. For example. Electric Vehicles are typically more expensive than fossil fuel alternatives and can cause range anxiety however EV owners won't worry about a shortage of fuel at the pumps
- A general opportunity to emerge may centre on the fact many climate/energy solutions depend on government intervention and community collaboration. The response to COVID-19 crisis may prove that *"it can be done"* and the necessary state intervention may seem mild compared to the current changes to our way of life.

### **Skills, Education and Independent Training Providers**

- Government has put in place a range of measures to support further education colleges in the short-term, including confirmation that all grant payments will be made in full. These measures have not, however been enacted for independent training providers (ITPs)
- Across Greater Birmingham and Solihull there are approximately 100 independent training providers delivering the vast majority of our apprenticeship provision, with many more large national ITPs coming into our area to help meet the apprenticeship demand of our employers.
- All of these are suffering through the current crisis with issues such as:
  - Learners unable to attend training
  - In work assessment activity impossible and inability to delivery all content remotely
  - Furloughing of staff across both providers and employers
  - Employers shutting down apprenticeship programmes and provision with immediate effect
  - Future learner pipelines drying up.
- While these issues are common across the training sector, government policy has, so far, omitted ITPs from the Cabinet Office guidance regarding continuation of funding. Other providers across the sector including further education colleges are guaranteed continuation funding for three months initially through this period.
- The Government has also not yet removed the possibility of clawback of funds from such providers if they are unable to complete apprenticeship learning due to Covid-19 related circumstances, thus doubling the potential impact on a part of the educational sector that is vital to apprenticeship provision locally.
- There will likely also be a substantial impact on higher education institutions. Universities UK, as the representative organisation for the sector, have outlined a number of impacts on universities including losses in the region of £790m from accommodation, catering and conference income as well as

additional spend to support students learning online in 2019/20 with predicted “extreme” potential impact in 2020/21 caused by a projected fall in international students and a potential rise in undergraduate home student deferrals. Universities UK modelling shows this could be an income reduction of £6.9 billion across the UK higher education sector.

### **c) LEP Activity in Response to COVID-19 to Date**

#### **Growth Hub Delivery**

15. There has been a significant increase in demand for Growth Hub services with an approximate trebling of demand since w/c 16 March. In response to this, the Growth Hub's management team, supported by the LEP Executive, have been managing the operational impact including ensuring staff are able to operate remotely and undertake daily reporting returns to BEIS.
16. In addition to ICT support to partners to enable remote working, the LEP Executive provided temporary support by redeploying several of the Executive team to help manage Growth Hub operations in the short-term. This support centred around partnership engagement, marketing communications and data collection analysis and reporting. Alongside this, discussions are ongoing with the Greater Birmingham Chambers of Commerce around providing additional Chamber support in addition to the Growth Hub offer
17. Collectively this has enabled a robust review of the Growth Hub's existing systems and processes, with an emphasis on enquiry management and real time reporting. This has resulted in some adaptations to the existing CRM system to allow for daily reporting and data analysis, along with a strategic decision to refer all enquiries to the dedicated web page for immediate support in the first instance.

#### **Growth Hub Communications Activity**

18. The Growth Hub has experienced a significant increase in enquiries with the majority of calls and enquiries centred around national government support measures relating to the economic crisis.
19. To provide clear and robust information for the business community, the LEP Executive have simplified the current website to allow for ease of navigation and understanding of the extensive and complex national support landscape. The latest guidance and support can be found here:  
<https://www.gbslepgrowthhub.co.uk/coronavirus>
20. The revamped website was combined with the latest information from Government and other sector resources, to provide a bespoke transcript, updated daily, for all frontline Growth Hub staff to refer to when dealing with specific Covid-19 enquiries.
21. To help manage call volumes, a social media action plan was put in place to inform audiences of the latest information available and to channel traffic to the website. This also included hosting 1 hour Q&A sessions on Twitter, participating in a number of partner sessions during the month of March and increasing the frequency of the Growth Hub e-newsletter. Twitter interactions were up by 190% month on month the Growth Hub has also seen a doubling of traffic to its website.

22. Additionally, the Growth Hub has been promoting expert webinars led by private and public sector organisations on specific issues businesses are facing as a result of the public health measures and working closely with local authority partners on the timely promotion of the small business grants to local businesses.

### **Growth Hub Next Steps**

23. On 8 April 2020, government confirmed an additional £187,500 would be made available to the Growth Hub to support activities in 20/21. This forms part of the additional £10 million announced for Growth Hubs across the country in the Budget.
24. It is proposed that future spending and/or budget asks will be drawn up to identify/support any emerging gaps in resources to ensure the Growth Hub can continue to deliver its valued services with an emphasis on dedicated account management from experienced business professionals (rather than frontline advisors) to assist local businesses with often extremely complex business decisions rather than simply signposting to other sources.
25. The next steps of the Growth Hub's response to Covid-19 will focus on:
- Reviewing and refining future funding asks and resource requirements
  - Working closely with local authority partners on the promotion of the small business grant funding
  - Providing ongoing support for businesses
  - Providing ongoing reporting and analysis to BEIS, WMCA and the LEP Executive on key issues and trends.
  - Providing ongoing marketing and communication activity
  - Reviewing, innovating and adapting the approach to the Growth Hub's traditional business support activities with an increasing focus on supporting and promoting recovery
  - Continue partnership working to investigate and explore possible options for further bespoke business support for the region to mitigate the worsening impact on the economy as a result of Covid-19.

### **Wider Sector Engagement Activity**

26. In order to inform sector-based intelligence, the LEP Executive have undertaken a range of informal consultations with a cross-sector of industry contacts including, where applicable and they exist, industry bodies, both locally and nationally. This has directly informed the sectoral impact analysis above and is continuing on a weekly basis.
27. Over the next few weeks, as businesses begin to consider how best to increase activity with the easing of public health measures, we will formally bring back together the sector-based groups that had been overseeing Local Industrial Strategy implementation activity.

### **Lobbying Activity**



28. As part of the sector and wider economic intelligence gathering activity, the Chair of the LEP has led a number of lobbies direct into government at a ministerial level, including on the “missing middle” of businesses who do not qualify for the Coronavirus Business Interruption Loan Scheme as their turnover was over £45 million and who would find it very difficult to access the Bank of England corporate financing facility, as identified by Pat Hanlon. This has been, at least partly, addressed through the Coronavirus Large Business Interruption Loan Scheme, although this still may not enable all businesses to access loan facilities.
29. The Chair has also been heavily involved in lobbying in support of Independent Training Providers, who have been disproportionately impacted by public health measures, and associated government responses, in contrast with further education colleges (see above).

### **Involvement in regional and national groups**

30. As part of the response, the Mayor of the West Midlands has established a Covid-19 Economic Impact Group. This Group consists of more than 60 members across the three LEP geography including business representative organisations, major employers, local authorities, the three Local Enterprise Partnerships, the Bank of England and the business resilience lead from the Department for Business, Energy and Industrial Strategy (BEIS).
31. This Group meets weekly and its key focus to date has been on gathering local intelligence, particularly on the impact and improvements that could be made to interventions at the national economic level, which have been fed back into the relevant Secretary of State through the Mayor’s office. These have, for example, contributed to changes in the Coronavirus Business Interruption Loan Scheme. The Group is also now supporting the roll-out of West Midlands-wide schemes such as that relating to PPE and the Rapid Recruitment Team. The Chair and Director of the LEP sit on this Group.
32. The LEP is also an active member of the LEP Network structures. The Chair represents the six LEPs in the West Midlands region on the Supra-regional Chairs Board. This Group has a weekly call with Government with Ministers and/or officials. This provides an opportunity to share intelligence and experiences from across the country and lobby for new or amended interventions. The LEP’s Director sits on the corresponding Chief Executives group. This Group is co-ordinating the development of policy thinking / requests of Government on key LEP issues such as the Local Growth Fund, Enterprise Zone, Growth Hubs etc.

### **Development of Interventions**

33. As there are a number of large-scale national government interventions, the LEP Executive have been developing interventions that have the potential to make a difference locally with the very limited revenue funding the LEP has available *and* that have the potential to be scaled-up through availability of future funding from government. The intent of all of these interventions is that they are focused on short-term business survival and have a significant eye on medium-term recovery of the Greater Birmingham and wider West Midlands economy.
34. What follows are short summaries of each intervention. A short business case for the three smaller interventions will be shared with the LEP Chair and Chair of the relevant Pillar Board for approval on, or before, Friday 17 April 2020. A business case for the larger Springboard Grants programme will come to the Board for approval w/c 20 April 2020. In summary, the Executive has developed the following interventions:

35. **Towns and Local Centres Click & Drop** – working with our local authority partners and several Business Improvement Districts (BIDs) the LEP has developed a small-scale (c. £20,000) project to support the expansion of digital platforms responding to current shortages in community access to essential goods and supplies. This project will work with a proven provider on a model that has operated successfully to revive local centres in towns as diverse as Barnsley, Banbury, Kendal and Saltaire. This not only meets the short-term needs of independent businesses in our towns and local centres but will also encourage greater footfall, through retail adoption of new business models as the economy starts to emerge from public health measures. To be launched late April 2020.
36. **Digital Now** – focused on accelerating SME digital adoption at a time when it is more important than ever, with an eye on short-term expediency but also unlocking medium term business resilience and productivity growth. By providing a combination of 1:1 digital support and e-commerce training, working with the Institution of Engineering and Technology (IET), their volunteer network of digital ambassadors and a nationally renowned place-making consultancy, businesses will receive the following support (from a menu of options):
- 2 x 20 min webinar developed by IET network – e-commerce, getting your business online focus
  - 3 x webinar business consultancy – digital marketing / social media focus
  - A digital ambassador - bi-weekly phone check ins and ad-hoc phone support for duration of programme
  - An 1hr 1:1 targeted consultancy session

Initial support for 50 businesses will cost c.£90,000 and can be scaled with additional funding. To be launched late April 2020.

37. **Apprenticeship Triage and Support** – while there are a number of immediate-term employment brokerage services, including one facilitated through the West Midlands Combined Authority (WMCA) focused on the Adult Education Budget (AEB) and another through the national careers services' local provision, the LEP has seen a substantial drop in apprenticeships in the short-term, which may well lead to structural changes in vocational training as the economy recovers.

The LEP would look to establish a dedicated Apprenticeship Triage service, which would look at threats to apprenticeships and work with an employer to introduce a solution that retains the apprentice on programme. This would be done through a team of advisors at GBSLEP that would work with employers and providers to support them through the crisis and develop solutions with partners that meet related need. This will involve a repurposing of the Plan 10,000+ budget, which had a substantial element focused on an Apprenticeship Hub with an additional cost of £55,000 to secure some dedicated external expertise to setting up the programme.

Alongside this activity, the LEP Executive will explore using both European Social Fund (ESF) unspent funds and conversations with the Department for Education on financial subsidies, on either the demand or supply side for apprenticeships.

To be launched May 2020.

38. **Business Recovery Springboard Grants** – focused business grant scheme (up to £40,000 per business) aimed at businesses who want to adapt and change their business models in response to the changing economic circumstances. This will address key challenges of:

- Development of business resilience planning and preparation for returning to (a new) business as usual
- Support in developing and implementing new business models for businesses (e.g. digital platforms)
- Specific sector support and how businesses can do things differently in the future (e.g. co-working, collective negotiations, financing)
- Specific advice on how to exploit newly developed technology or processes resulting from the Covid-19 crisis and where relevant seek a pathway to allow for catch up growth and effective commercialisation

Eligible businesses will need to demonstrate how any grant funding will enable new ways of working, increasing employment, growth in productivity and/or sustainability (with a direct link through to LEP KPIs). Fully scalable but 50 businesses in the first instance.

To be launched in May 2020 subject to full Board approval.

39. In addition to GBSLEP specific schemes, the LEP is also working with partners to develop a proposal for a **West Midlands (3 LEP) Business Survival Fund** which is being led by Birmingham City Council. This fund would require grant funding from Government.

#### d) Further Activity and Recovery

40. Work within the LEP and at a West Midlands level has begun on recovery planning with LEP interventions designed to address these in the short-term.
41. Related work has commenced for all sectors identified as priorities with the Local Industrial Strategy, with the addition of those particularly affected by COVID-19 such as retail, hospitality and health and social care. Timelines for these are for sector groups to meet and discuss recovery interventions in early to mid May with policy work undertaken in the interim with national policymakers and local universities to ensure that any local thinking complements, informs and dovetails with national approaches.
42. The Board is invited to advise on other recovery-based interventions that the LEP might pursue with a special Board meeting to be convened in w/c 11 May 2020 to consider such matters as funding for recovery, partnership working and LEP structures, recovery interventions and the role of the Growth Hub.

## Conclusion

43. Coronavirus is having a devastating impact on businesses, workers and communities across Greater Birmingham and Solihull. The LEP is playing its part in trying to mitigate the worst of the economic impacts and supporting businesses to survive and, where possible, adapt to the challenging circumstances. The Board is asked to consider what further activity could be explored in the short-term and also reflect on the need to start to focus on the route to recovery in the coming weeks.

Report for: Katie Trout  
Director

Contact: katie.trout@gbslep.co.uk

07825 318250

Date Created: 15 April 2020

Appendices	
a.	WM-REDI Weekly Economic Impact Monitor
b.	WM Summary of Key Sector Risks