
Report to: Business, Innovation and Growth Panel

Date: 8 September 2020

Subject: **COVID-19 Impact and Recovery**

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1. Purpose of this report

- 1.1 To provide context for the subsequent items updating the panel on the impact of COVID-19 on the Leeds City Region economy and on future plans around business support and trade and investment.
- 1.2 To update the panel on activities to support businesses affected by COVID-19, and seek views on what additional support is required.
- 1.3 To provide an update on the COVID-19 Economic Recovery Plan.

2. Information

- 2.1 The COVID-19 pandemic is continuing to impact everyone in West Yorkshire in some way, with business activity still at reduced levels and travel vastly decreased. We have already seen large increases in unemployment and applications for Universal Credit, and many businesses struggling to survive despite local and national support mechanisms.
- 2.2 The full implications of COVID-19 are still to be understood (latest impacts are covered in Item 6: Economic Reporting. However, modelling commissioned by the West Yorkshire Economic Recovery Board demonstrates the significant impact this crisis will have on West Yorkshire businesses and communities. Even in the event of a relatively rapid recovery, the West Yorkshire economy will contract by £5bn in 2020, but if we see a slower, uneven recovery, economic damage rises to £12bn in 2020, with the West Yorkshire economy shrinking by almost 30% by 2021. Beyond the direct cost to West Yorkshire, the modelling suggests that this economic damage will result in a cost to the Exchequer of up to £2.4bn in 2020 alone. This modelling has been used to underpin our recovery plans and calls for substantial investment and action to support people and businesses to recover and to build a more sustainable, inclusive economy.

Regional activity in response to COVID-19

- 2.3 The LEP continues to see ongoing high demand from businesses and individuals resulting from the COVID-19 crisis. For example, the Growth Service (renamed Business Support Service) dealt with over 4,000 enquiries from businesses from March through to early August (a 65% increase on the corresponding period of the previous year).
- 2.4 Since late July 2020, the volume of enquiries has risen 80% compared to the corresponding period last year. This is mostly due to the announcement of £20m of additional Government funding for small businesses (see below). It also coincided with some Local Authorities launching the second round of Discretionary Grants, which also resulted in increased Gateway traffic, particularly from businesses in Leeds.
- 2.5 In addition to enquiries about grants, the most common issues that businesses contacting the Gateway are facing include cashflow management and access to finance, the ongoing changes to furlough arrangements, safe/secure home-working and return to work measures.
- 2.6 Further to the above, the team of 21 SME Growth Managers (funded by the Combined Authority/LEP as part of the Business Support Service delivery model) continue to support their c1500 SME clients. This has included providing intensive support to over 700 businesses in the first four months of 2020/21, which is considerably above their collective annual target.
- 2.7 Growth Managers have also supported Local Authorities to distribute business rates related grants across the City Region. At the time of writing the Local Authorities have awarded over £500m of grants to over 36,000 businesses. Furthermore, Local Authorities, with support from the Growth Managers and the LEP Gateway Team, have awarded over £5m of Discretionary Grants to over 1000 businesses, supporting a broader range of firms, including private day nurseries, suppliers to retail, leisure and hospitality and manufacturers, alongside those in shared service centres and some charities.
- 2.8 The Digital Resilience Voucher scheme is underway as part of the wider Digital Enterprise programme, providing grants of up to £5,000 to small firms to support with the cost of ICT equipment and associated software, in the process enabling more effective and secure remote working. As previously reported, the scheme has been popular with over 500 applications with a collective value of almost £2m received in just one week. As a result, colleagues from across the Economic Services Directorate, and indeed from other parts of the Combined Authority, have been allocated to appraise applications on a temporary basis, with over 100 being awarded to date.
- 2.9 The Government has now approved the LEP's proposal for an additional £187,500 of Growth Hub uplift funding for 2020/21. This will be used to bolster the Gateway's capacity to service the expected ongoing high demand from firms for support related to COVID-19 and EU Transition. It will also provide funding for a project to provide 'hands on' guidance and advice to small

businesses with matters related to cyber security. Both the Digital Board and the BIG Panel have recently emphasised the need for such support as more small firms adapt to the current situation by using a range of ICT kit and platforms to work remotely. A partner will shortly be procured to deliver the project through to April 2021, after which it is expected that the support will be incorporated within the Digital Enterprise programme and delivered through to 2023. The CA has worked closely with the National Cyber Security Centre on the development of the tender specification, and the working relationship will continue throughout the duration of the project.

- 2.10 In addition to the above, the Business Support Team is working closely with colleagues in the York and North Yorkshire LEP and MHCLG to develop and deliver a new support scheme for SMEs impacted by COVID-19. Building on the LEP's earlier voluntary coaching scheme delivered in the first quarter of 2020/21, this will involve an allocation of circa £1.3m for West Yorkshire made available to firms in the form of small grants of between £1,000 and £3,000. The grants will be used to purchase specialist advice from private sector consultants to help firms formulate recovery plans, and could include support with legal, contractual, HR, health and safety and digital / technology matters. Small capital grants to help firms adapt to new trading arrangements, including ICT and safe-working investments, are also allowable, but the applicants must clearly demonstrate how these will aid COVID-19 recovery and resilience.
- 2.11 The Combined Authority has agreed to act as the accountable body for North Yorkshire's allocation of the above funding (circa £500,000) as there are no current eligible projects in delivery covering that geography to which the new monies can be linked. Ringfenced allocations have been made available in both regions specifically to support SMEs in the visitor economy, with £320,000 for West Yorkshire and £260,000 for North Yorkshire. Consultation with Local Authority tourism leads and other stakeholders, including Welcome to Yorkshire, is ongoing, raising awareness of the support and shaping the criteria. The grants for both regions are expected to be available to businesses in September 2020 with funding available until the end of March 2021.
- 2.12 An extension to the current Peer to Peer programme being delivered via the Business Growth Service will also commence in September 2020 with new Peer Networks funding from the Department for Business, Energy and Industrial Strategy (BEIS). This will involve six cohorts of between six and eleven SMEs participating in a structured programme of one-to-many group support and one-to-one coaching. It will provide the owner-managers with the opportunity to receive constructive feedback and guidance from peers on their business plans, and to offer that in return in a trusted and confidential setting. The delivery will commence from the Autumn and run through until the end of March 2021, with an impact evaluation being undertaken nationally by BEIS.
- 2.13 It is also important to stress that the wide range of products and services available to businesses in the City Region are still being accessed, with over 50 applications for grants related to new equipment, property expansions, the development of new products / process, diversifying into new markets (domestic and global) and resource efficiency having come forward since late March 2020. There has been a particularly high number of grant applications

from businesses in the food and drink manufacturing sector since the start of June 2020, with over £750,000 of investment being made in the City Region with a commitment to create over 70 new jobs in total. Applications from the wider manufacturing sector, particularly medical-related products and some areas of engineering, have also been relatively high. However, other parts of the wider sector that have previously been a good source of applications (e.g. automotive, aerospace and some areas and defence-related) have declined.

- 2.14 Grant-recipients will continue to be linked directly to the Employment Hubs and other employment and skills provision available from the LEP and its partners. Furthermore, guidance and funding for businesses related to innovation, productivity, sustainable travel planning (including active travel) and skills development, continues.
- 2.15 The LEP continues to engage with over 30 of the region's largest organisations to protect employment and operations in the COVID-19 crisis. This is providing a useful conduit for gathering intelligence on likely economic shocks and challenges. It is also proving useful in terms of assessing how the Government's emergency measures are working and how businesses are recovering as lockdown begins to lift. Prominent trends being discussed at the moment include: measures being taken to facilitate active travel and allow employees to return to work, the technical aspects of the furlough scheme as it evolves and how businesses are considering the legal practicalities surrounding the Government guideline on providing a safe working environment for employees. Also, we are working hard to engage with the largest regional firms to have honest dialogue about the possibility of redundancies as furlough comes to an end.

Small Business Leadership Programme

- 2.16 This programme will focus on strengthening decision-makers' leadership skills, so they are able to address management challenges, some of which, such as remote working, have arisen as a result of COVID-19, and ensure that they are in a strong position to recover from the impacts of the virus.
- 2.17 The 10-week programme will be delivered virtually by experts from university business schools, including the Leeds Business School at Leeds Beckett University. It will equip owners and senior managers of small firms with the confidence and skills to plan for the future and support participants to maximise their business's potential by improving productivity and efficiency. Businesses will attend a series of webinars delivered by leading experts and required to complete up to two hours of independent study and peer supported learning per week. Colleagues from Leeds Beckett University will present more details on the programme at the meeting.

Economic Recovery – focussing on good jobs and resilient businesses

- 2.18 The longer-term planning for economic recovery for West Yorkshire is being overseen by a West Yorkshire Economic Recovery Board¹, which is a working group of the West Yorkshire Combined Authority and brings together the five West Yorkshire Leaders and LEP Chair with partners from the private sector, trade unions, public bodies and the third sector, to develop robust plans for the region's economic recovery and to help build an inclusive and sustainable economy for the future.
- 2.19 Following input from a wide range of stakeholders, including the BIG Panel, a draft economic recovery plan was endorsed by the Combined Authority on 27 July 2020, and a further version will be discussed at the LEP Board and Combined Authority on 3 and 4 September (see appendix 1). The five local authority leaders, with the chair of the LEP, have shared a summary of the plan (see Appendix 2) with the Chancellor of the Exchequer and asked for a meeting to discuss the plan and how it can be taken forward.
- 2.20 The plan focusses on three action areas of **good jobs and resilient businesses, skills and training** and **accelerated infrastructure**, and two overarching goals of **inclusive growth** and **sustainable environment**. It sets out what steps are required by national government, at a regional level, and how this aligns with local authority level activity, across three stages of rescue, re-imagining and resilience. Across the plan there are **initial funding asks in the order of £1.4bn**, which will need to be further refined and developed subject to future Government announcements and further understanding of the impact of the crisis and direction of the recovery.
- 2.21 The good jobs and resilient businesses action area considers many issues considered frequently by the BIG Panel prior to COVID-19, but that are however critical to recovery. The plan identifies five such Must Win Battles:
- Rescuing and building resilience across strategic regional sectors,
 - Support the unemployed back to work,
 - Deliver levelling up through increased productivity and good work,
 - Making supply chains more resilient,
 - Increasing digital & innovation driven entrepreneurialism
- 2.22 In discussing the subsequent items on business support and trade and investment, we ask BIG panel to consider how current and future activity of the LEP can contribute to these Must Win Battles.
- 2.23 Within this outline funding ask, the economic recovery plan also looks to establish a number of distinctive West Yorkshire propositions that can deliver not just for the region's recovery, but also make a significant contribution to the UK economy as a whole. Each of the four propositions (to which further propositions may be developed), includes both an offer and ask to Government. Details of these propositions are included in the appendices:

¹ Further details on the full membership and terms of reference of the recovery board can be found at: <https://www.westyorks-ca.gov.uk/erb>

1. **Health innovation** (£60m) – building on the region’s strengths in devices, data and diagnostics, unlocking industry collaboration, skills and a globally positioned Act Early institution on disease prevention.
 2. **Lives transformed by digital tech** (£159m) - ensure no one is left behind in a digital-enabled future, by driving infrastructure, digital skills and Made Smarter investment to support digital adoption in manufacturing.
 3. **Transition to Net Zero Carbon Resilient Economy** (£192m) – supporting our net zero 2038 target, with unique industry strengths in low carbon transport, clean agri-tech, construction and circular economy, delivering critical green and blue infrastructure, up to 71,300 jobs and skills and training to help people into low carbon opportunities
 4. **Entrepreneurship** (£340m) – focussed on our diverse communities, our existing scale-up performance and our MIT REAP programme for high growth pre-starts, unleashing an entrepreneurial revolution, transforming empty properties and supporting high-growth potential start-ups.
- 2.24 As the implications of COVID-19 continue to develop, it is expected that the plan will be further updated, which will be tested with the BIG Panel to make sure priorities remain relevant and are amended as required to meet the recovery needs of the region.

3. Clean Growth Implications

- 3.1 Clean Growth will continue to be supported through products delivered in response to COVID-19. The reduction in travel and the increased use of ICT to facilitate effective remote working is having a positive impact and will continue to be monitored and built upon. Businesses will continue to be supported to apply innovation and digital technologies to adapt their products and services to meet current and future demand. One of the key propositions is to support the transition to a zero carbon economy.

4. Inclusive Growth Implications

- 4.1 Inclusive Growth is embedded as an overarching goal in the Economic Recovery Plan. As part of the current Inclusive Growth framework, as a condition of receiving LEP grant support, businesses are required to contribute to Inclusive Growth actions and outcomes via their funding agreements.

5. Financial Implications

- 5.1 There are no financial implications as a direct result of this report.

6. Legal Implications

- 6.1 There are no legal implications as a direct result of this report.

7. Staffing Implications

- 7.1 There are no staffing implications as a direct result of this report.

8. External Consultees

- 8.1 The development of the recovery plans has been led by the Combined Authority, West Yorkshire Economic Recovery Board and the Transport Committee. The LEP Board all the LEP Panels have been consulted on the emerging plan. There has been regular engagement with Local Authority officers developing local economic recovery plans, to ensure alignment.

9. Recommendations

- 9.1 That the BIG Panel notes the updates in relation to COVID-19 (impact and support interventions) and on the publication of the economic recovery plan and supporting propositions, and considers the subsequent items on the agenda in light of how they contribute to the Must Win Battles for economic recovery highlighted at paragraph 2.21.

11. Appendices

Appendix 1: West Yorkshire Economic Recovery Plan (first version)
www.westyorks-ca.gov.uk/media/4413/draft-west-yorkshire-economic-recovery-plan

Appendix 2: West Yorkshire Economic Recovery Plan - Summary
www.westyorks-ca.gov.uk/media/4380/west-yorkshire-combined-authority-economic-recovery-plan-summary.pdf

Appendix 3: West Yorkshire Economic Recovery Propositions

- i. Health Innovation
www.westyorks-ca.gov.uk/media/4420/recovery-proposition-health-innovation-20200826.pdf
- ii. High Growth Driven Entrepreneurship
www.westyorks-ca.gov.uk/media/4419/recovery-proposition-innovation-driven-entrepreneurship-20200826.pdf
- iii. Lives Transformed by Digital Technology
www.westyorks-ca.gov.uk/media/4418/recovery-proposition-lives-transformed-by-digital-tech-20200826.pdf
- iv. Transition to Net Zero Carbon Resilient Economy
www.westyorks-ca.gov.uk/media/4417/recovery-proposition-towards-net-zero-20200826.pdf