
Report to: Overview and Scrutiny Committee

Date: 22 January 2021

Subject: **Economic update – COVID-19 and EU exit**

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1. Purpose of this report

- 1.1 The purpose of this report is to provide the Committee with the latest intelligence on the impact of both COVID-19 and EU Exit on West Yorkshire and its economy, and to update on the measures being taken to support communities and businesses through this time.

2. Information

Latest intelligence on impacts

- 2.1 Little data is yet available to understand the period following the end of November's lockdown, or the enhanced restrictions in place from late December/early January and the new national lockdown from 5 January. However, conversations between Growth Managers and local businesses show concerns among retail and hospitality businesses and those who supply them such as food & drink suppliers and bar/shop fitters. Some of these businesses report further slowdown in orders, and now anticipate it may be the summer before activity returns.
- 2.2 Looking back slightly further, national data from the Office for National Statistics shows an increase in the use of the furlough scheme nationally during November's lockdown. In the fortnight to 29 November, 16% of all jobs were furloughed nationally. This was half the spring peak, but double the rate seen in October. However this was much higher in the arts & entertainment sector, where 53% of jobs were furloughed, and accommodation & food (42% on furlough).
- 2.3 Since the start of the pandemic, the number of people claiming out of work benefits in West Yorkshire has increased by 87% higher (+49,620). This was largely driven by a significant increase in April and May. The picture over the

past six months has been more static. Between October and November, the claimant count for West Yorkshire increased by 1,385 or 1.3%, compared with a bigger national average increase of 2.7% (59,786). National figures also indicate that redundancies are running at a record high (370,000 in three months to October) but this is not feeding through into the claimant count as yet. This may change in the coming months.

- 2.4 The number of businesses being dissolved/liquidated has continued to fall from its September peak, when around 1,000 West Yorkshire businesses were dissolved/liquidated per week. This was due in some part to the moratorium on liquidations in the spring and summer and fell to around 400 per week in late October/early November and remained under 200 per week throughout December. Across 2020 as a whole, 12,800 businesses were liquidated in West Yorkshire. This is down 17% on 2019, which is a lower fall than the 22% seen across England as a whole. The reasons for this are not entirely clear but may reflect the support measures in place for businesses enabling them to survive.
- 2.5 In a Quarterly Economic Survey conducted with the Chambers of Commerce in Leeds City Region, businesses reported improved trading conditions in Quarter 4 of 2020, leading to improved cash flow and higher confidence in the year ahead. Cash flow remains challenging however, with half of businesses having less than six months reserves. It should be noted that this survey was done through early and mid-November, so predates both the final Brexit outcome and the latest developments in relation to COVID-19.
- 2.6 The same survey asked businesses about their preparedness for Brexit and found that the number of businesses who say they are confident/very confident to withstand no deal is slightly higher than when asked this previously – 56% now, compared to 52% in early 2019. Only 13% are not confident, down from 16% previously.
- 2.7 But businesses who trade internationally are much more likely to have actively considered the issues – whilst this is not unexpected, it does suggest that there may be a significant number of businesses who think they will be unaffected because they do not trade internationally, so may not have considered potential wider impacts.
- 2.8 Businesses were also asked what they felt they needed in terms of advice and support to prepare. Clarity on the terms of the UK's exit was the overwhelming priority, as might be expected, but issues around trade, customs, tariffs and VAT were also prevalent.
- 2.9 As of the 31 December 2020, the UK has ended the transition period of its EU exit. On the 24 December, the two parties agreed a Trade and Cooperation Agreement (alongside a number of separate agreements on individual topics), which was given royal assent in the UK through the European Union (future relationship) Bill on the 31 December 2020. At this stage it is not possible to say what the impact of this agreement has had or will have on the West Yorkshire economy; however work is taking place to understand the full

implications of the main 1,200 page text and the separate joint declarations, and what this might mean for specific sectors in the City Region e.g. food & drink, financial services and manufacturing, and the business support requirements that could be developed into existing or future products of the LEP.

Business Support for COVID-19

- 2.10 The LEP Business Support Service continues to see ongoing high demand from businesses and individuals resulting from the COVID-19 crisis. There was another upward spike in customer traffic in November 2020 as businesses enquired about the additional grant support resulting from the national lockdown and ongoing tier restrictions. There has been a small spike in enquiries in the first week of January 2021 in relation to the new grants to be allocated via Local Authorities following the latest national lockdown. This is likely to increase throughout January, but there is also a sense that businesses are now more familiar with the grants process and how to access business support, which may reduce the level of enquiries.
- 2.11 The LEP's COVID-19 Recovery Grants are now in full delivery and payments to businesses have commenced. Approximately 1,100 small firms in West Yorkshire will be supported with almost £2.4m of funding from a combination of EU and Local Growth Deal funding. The projects being supported are a mix of capital equipment purchases, including ICT kit and some safe-working investments, and consultancy advice and support with business resilience and pivoting of products and services to reach new customers and markets. A proposal is in development to continue and expand the programme from April 2021 onwards.
- 2.12 The Digital Resilience Vouchers scheme is also now well underway as part of the wider Digital Enterprise programme. It is providing grants of up to £5,000 to circa 400 small firms to support with the cost of ICT equipment, and associated software, in the process enabling more effective and secure remote working. Just over £1m of Local Growth Deal funding has been used to deliver the scheme.
- 2.13 In addition, LEP's Small Business Membership Scheme is now in operation and is supporting small firms across West Yorkshire with the cost of joining the Federation of Small Businesses, the Mid-Yorkshire Chamber of Commerce or the West and North Yorkshire Chamber of Commerce for a 12-month period. As a result, new members are benefitting from valuable support with such matters as legal, HR, financial, health and safety, and physical and mental wellbeing. Over 300 small firms have benefited from the support to date.
- 2.14 The LEP is also supporting small businesses with recovery and resilience through the Peer Learning Networks scheme being delivered by the University of Leeds Business School. This delivers action learning support for SMEs via a cohort model which provides both group-based learning sessions and some additional one-to-one coaching. To date, 18 three-hour group sessions have been delivered to almost 40 SMEs, and this has been complemented by 16

one-to-one coaching sessions. Three SME cohorts are in delivery and at least a further three will be delivered up to the end of March 2021. Discussions are ongoing with Government about a continuation/expansion of the scheme in 2021/22.

- 2.15 Furthermore, the LEP is now delivering the Cyber Security Support Scheme via the uplift Growth Hub funding for 2020/21 received from BEIS in early Autumn 2020. This is providing practical help and advice to small firms on how to operate safely and securely within the digital environment. Delivery is by the Home Office-backed North East Business Resilience Centre and has been developed in consultation with the National Cyber Security Centre. Over 50 small firms have been supported to date.
- 2.16 At the time of writing (early January 2021), the Local Authorities of West Yorkshire had delivered over £520m of grant funding to circa 54,000 businesses via the various grant schemes introduced since April 2020 in relation to the local and national trading restrictions. The enormous efforts of the Local Authority teams have been supported by the LEP SME Growth Managers and by the Business Support Service Gateway, which has been an access point for information on the grants available and a referral point into each district-based scheme.
- 2.17 In addition to those businesses forced to close because of regional and national restrictions, the discretionary elements of the grants schemes have been utilised to date across West Yorkshire to support a broader range of firms and sectors. This includes private day nurseries, suppliers to retail, leisure and hospitality (e.g. events companies and food & drink wholesalers and manufacturers), some other parts of manufacturing reliant on leisure and hospitality, some sections of the self-employed community (i.e. those unable to access meaningful support from the Self-Employed Income Support Scheme or Universal Credit) and those business not within the Business Rates system e.g. those in shared service centres and managed workspace.
- 2.18 At the time of writing, the Local Authorities of West Yorkshire had delivered over £20m of grant support to almost 14,000 businesses via the Local Restrictions Support Grant (Open and Closed) and the Additional Restrictions Grant (ARG), both of which were introduced in response to the national lockdown in November 2020. The ARG allocation for West Yorkshire is £46.6m and can be awarded until the end of March 2022, with a greater level of discretion than the other grants. Its use at the district level has been informed by the development of a West Yorkshire Framework that sets out four categories of businesses to be supported: - 1. Those businesses forced to close that are not in the Business Rates system. 2. Suppliers to Retail, Leisure and Hospitality. 3. Self-employed businesses that are unable to access meaningful Government funding from other sources. 4. Larger SMEs that can evidence a significant impact on income of at least 35% since April 2020.

- 2.19 The situation regarding additional restrictions on businesses, and associated additional grant funding, in response to the latest national lockdown, remains fluid. Therefore, a verbal update will also be provided at the meeting.

Employment and Skills Support for COVID-19

- 2.20 The £2bn 'kickstart scheme' to create 350,000 six-month work placements for 16-24 year-olds announced in the summer continues to be developed by DWP with many employers keen to engage. Our local authorities are all anticipating providing the Gateway role supporting businesses with the programme and the Combined Authority/LEP providing a communications campaign to raise awareness and interest with signposting to our local authorities.
- 2.21 Local Authorities and the Combined Authority work closely with Jobcentre Plus and are currently working together on the Youth Guarantee offer which will include local co-ordination of support for young people through a Youth Hub.
- 2.22 As per previous updates, the existing part-ESF funded Employment Hub programme delivered by the Combined Authority along with LA partners, has been swiftly adapted to match jobseekers to opportunities across the region and expand its support for businesses. More information and online enquiry forms can be found for businesses at [Employment Hub - LEP | Business support and finance \(the-lep.com\)](https://the-lep.com) and jobseekers at [Careers Support - FutureGoals](https://futuregoals.co.uk)
- 2.23 At the end of December 2020, we had received 557 individual referrals and 103 business enquiries to the repurposed Employment Hub, with 24% requesting recruitment support, 49% information on KickStart and 13% seeking support to hire an apprentice.
- 2.24 As reported at the last meeting, the Combined Authority's adult re-training programme, [re]boot, is targeting individuals who are currently furloughed or looking for an opportunity to re-train. These are aligned to areas with greatest growth opportunities and new courses are being developed with employer involvement. Since its launch, the programme has supported over 300 individuals. Recent graduates, school leavers and people on furlough are particularly being targeted for re-training through 24 online courses. Social media campaigns have reached 142,556 people since May. <https://futuregoals.co.uk/lep-skills-support-during-lockdown/>
- 2.25 On 27 November 2020, the Combined Authority approved £13.5 m of the Single Investment Fund/Gainshare to support extension and enhancements to the repurposed [re]boot and Employment Hub programmes in support of and response to the skills element of the Economic Recovery Plan. The offer builds on existing programmes and support by extending this to be an all-age offer that drives demand through locally branded services that signposts to national and local provision. The offer will provide a skills recovery package of support that creates opportunities for people to re-enter the workforce quickly.

Business Support for EU Exit

- 2.26 In its role as the lead for the Yorkshire and Humber Growth Hub Cluster, the LEP (with the Combined Authority as its accountable body) has appointed Enterprise Growth Solutions (EGS) to deliver an EU Exit support service for businesses across the region. This will provide one-to-one advice and support for businesses, via a dedicated team of experts, on any issues related to the impact of EU Exit and the recently agreed Free Trade Agreement (FTA) between the UK and the EU. The support service went live on 11 January 2021 and will initially be in place until the end of March 2021. It will complement the export support activities already being delivered by EGS (through its contract with the Department for International Trade), and the broader support available from the four Growth Hubs in the region (this is the Business Support Service in Leeds City Region).
- 2.27 To complement the above service, and drive more business traffic towards it, the LEP has partnered with the York and North Yorkshire LEP to deliver an outreach service to businesses across West and North Yorkshire. This also commenced in early January 2021 and will involve the proactive targeting of businesses to offer help and advice with issues related to EU Exit.
- 2.28 In addition, the LEP is supporting the City Region's two Chambers of Commerce (West & North Yorkshire via its trading arm for international trade, Chamber International, and the Mid-Yorkshire Chamber of Commerce) to build capacity to provide specialist support for traders on the wide range of new import and export documentation and regulatory requirements. This is to respond to the ongoing high demand for such support, both pre and post the end of the EU Exit Transition Period on 31 December 2020.
- 2.29 Evidence from Chambers (in our region and from across the country) is not only that the volume of EU Exit-related enquiries is substantially rising, but that also that the nature of them is increasingly complex and time-consuming. Hence, the need for additional specialist support with new trade documentation, regulatory changes and product accreditations. The support will complement that of EGS via the regional service, which will handle the less intensive and more transactional enquiries from businesses, referring the more detailed and resource-intensive ones to the Chambers. The support available from the Chambers will be available to members and non-members.
- 2.30 Furthermore, and at the time of writing (early January 2021), the LEP is out to tender to appoint two delivery partners to provide advice and support to businesses with legal and finance issues related to EU Exit. The legal tender will cover issues related to contracts and terms (with customers, suppliers, employees and landlords), intellectual property rights, data protection, data storage and retrieval, and any other relevant matters in need of legal advice. Whereas the finance tender will advise and support businesses on tax implications (particularly VAT), currency management, cashflow management and general matters of financial resilience.

2.31 Additional support for businesses in relation to marketing and communications will also be tendered for in early January 2021. This will focus on how businesses can internationalise their web and social media presence to access new customers and new markets.

2.32 The above critical business support activities have been mobilised at pace by the Combined Authority's Economic Services directorate, with support from Policy, Strategy and Communications and Resources, following the provisional allocation of circa £250,000 from the Department for Business, Energy and Industrial Strategy to the LEP in late December 2020.

3. Financial Implications

3.1 There are no financial implications directly arising from this report.

4. Legal Implications

4.1 There are no legal implications directly arising from this report.

5. Staffing Implications

5.1 There are no staffing implications directly arising from this report.

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Overview and Scrutiny Committee notes and comments on the report.

8. Background Documents

None.

9. Appendices

None.