

GREATER MANCHESTER LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: GM Business/Economic Update & Growth Company Support Activities

DATE: 17th November 2020

FROM: Mark Hughes, Group Chief Executive, Growth Company

PURPOSE OF REPORT

To provide an update on the business and economic situation in Greater Manchester and how, in response, GC is providing vital support to businesses, with the report specifically focusing on the GC's Business Support activities, Marketing Manchester and MIDAS. The report focuses on new initiatives or significant changes rather than reporting on all components of our support to businesses.

RECOMMENDATIONS:

Members are asked to note the contents of the report.

CONTACT OFFICERS:

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1. BUSINESS AND ECONOMIC CONTEXT

- 1.2 GC Business Intelligence is continually monitoring a range of data and information sources and indicators to understand the impact that Covid-19 is having on the economy and business, with this intelligence then used to inform and direct GC's activities. The latest observations are shared below.
- 1.3 The IHS Markit/CIPS UK Services PMI. Revised lower to 51.4 in October 2020 from a preliminary figure of 52.3 but still pointing to the 4th straight month of growth in the services sector although at a slower pace. Growth was often linked to a continued recovery in business operations after the national lockdown and the restart of work on delayed projects. Some firms cited a boost from higher housing market transactions and a rebound in demand from clients in the construction sector. In contrast, there were signs of a sharp reversal in demand conditions, with new work falling for the first time since June amid tightening restrictions on trade due to the Coronavirus pandemic. Also, employment dropped again for the eighth consecutive month, primarily linked to redundancies in response to shrinking revenues during the pandemic. Meanwhile, the degree of confidence slipped to its lowest since May.
- 1.4 The IHS Markit/CIPS UK Manufacturing PMI. Revised higher to 53.7 in October 2020, from a preliminary estimate of 53.3 and compared to September's final reading of 54.1. The latest number pointed to solid expansion in the UK manufacturing sector, for five months running, with both output and new orders rising amid stronger demand from both domestic and overseas sources. Meanwhile, employment declined for the ninth successive month, and at a faster pace, due to redundancies,

recruitment freezes, the non-replacement of leavers, cost reduction strategies and workforce restructuring. On the price front, input cost inflation was the highest since December 2018, while output charges also increased. Looking ahead, business optimism hit the highest level since January 2018 on hopes of economic recovery and a reduction in COVID-19 disruption.

- 1.5 Insolvency Office. HR1 data (published by the BBC) has shown that 1,734 employers across the UK notified the government of plans to cut 20 or more jobs in September. The total number of positions notified at risk in September was 82,000, three times higher than September 2019. HR1 notices peaked in June at 150,000, the highest levels seen since 2006.
- 1.6 Consumer Confidence. UK data shows a 6-point decline to -31 in October 2020, as further lockdowns to contain the second wave of COVID-19 cases weighed heavily according to GfK's consumer confidence index. All five sub-indices deteriorated, including confidence over the general economic situation during the next 12 months and confidence in personal finances.
- 1.7 Town centres and high streets. Analysis undertaken by the Local Data Company has found that a further 18,000 high street premises could be vacant by the end of 2020, almost double the number of vacant premises in 2019. It would leave 14% of high street, retail park and shopping centre outlets vacant in Britain, the highest level since the Local Data Company survey began in 2013. In its best-case scenario, LDC expected nearly 15,000 more outlets would be vacant in 2020, compared with 9,169 net closures in 2019.
- 1.8 House prices. Values rose at their fastest rate for five years in October, according to analysis by Nationwide. The average house price rose to £227,826 in October, an 0.8% increase month-on-month and 5.8% annual price growth. Recently released Bank of England figures also show home-buyer mortgage approvals climbed to a 13 year high in September. Nationwide's Chief Economist, Robert Gardner said "Activity is likely to slow in the coming quarters, perhaps sharply, if the labour market weakens as most analysts expect, especially once the stamp duty holiday expires at the end of March."
- 1.9 Data from RedFlag Alert shows an increase in risk in GM during the last fortnight. The highest volume of 1-3 red flags was prevalent in the retail and wholesale sector, followed by back office admin/support services and manufacturing companies. 17% of firms in GM reported as having one or more red flags (a sign of financial stress) compared to an average of 15% in the UK and 15% in the North West. The data shows an increase in risk for all firms over the last 2 weeks.
- 1.10 The sectors with the highest concentration of 1-3 red flags (over the last 2 weeks) are: Real Estate, Business Support Services and Construction.
- 1.11 The most recent data from the Office for National Statistics (ONS) Labour Force Survey shows that, in terms of redundancies, the number across the UK almost doubled in the three months to August due to the impact of the coronavirus crisis and the scaling back of the government's furlough scheme, according to the Office for National Statistics (ONS). The number of redundancies increased by 114,000 to 227,000, the largest increase since records began. The unemployment rate for the UK rose 0.4% to 4.5% over the same period. Overall employment has decreased by 480,000 since the start of the year, with 16-24-year olds accounting for 60% of that decline.
- 1.12 GC's own Business Survey was enhanced early in the pandemic to ensure that ongoing support could be effectively targeted and to date has had 5,500 responses (including repeat surveys from some businesses). GC produces a weekly Situation Report (SITREP) for GMCA, which is fed into GM resilience forums and is shared with Local Authorities and other partners. Below is a summary of the fortnightly survey results covering the 2-week period 26th October, to the 9th November (132 firms completed the survey during this period), with the full report set out in an Annex:

- The main three impacts facing businesses remain **decreased sales** (43% vs 55% previous report), **minor issues with supply chain** (20% vs 30%), and **cashflow problems** (31% vs 19% previously).
- The sectors most like to report **decreased sales** over the last 2 months are Creative and Cultural Industries, followed by Hospitality/Leisure/Tourism, Education and Manufacturing.
- By local area, firms in Oldham, Tameside, Salford and Trafford were more likely to report decreased sales.
- 51% of firms report that they have **cash reserves** to last over 6 months; and 14% of firms in the last fortnight reported that they experienced an **increase in sales** (up from 11% previously).
- 49% of firms said that the **impact of transition and exit from EU** had a 'neutral' effect on their business (down from 52% in previous report), 13% said 'negative' effect, and 36% were 'unsure'.
- 74% (85% previously) of firms said they were not planning to make redundancies at all, however, **8% said they had already made redundancies (but no more planned)**, 2% said they have made redundancies and considering more; and the remainder said they had not made any redundancies, but it was a possibility in future.
- In terms of timing, 40% of firms plan to make redundancies in November, 20% in December and 40% sometime between January to March 2021.
- However, 17% of firms are currently **recruiting new staff** (11% previously). 38% of firms said they partly had the **right skills to match current business plans**, and 6% said they didn't have the right skills they need at all.
- 39% of businesses expect the UK to take over 1 year (but less than 3) to recover back to its previous / pre-Covid performance and 17% indicate more than 3 years.
- The main challenges in future are **getting access to new domestic sales opportunities** (60%), developing new products and services (33%), and developing new business models and business planning (23%).

2. RESPONSE – GC SUPPORT ACTIVITIES

- 2.1 It has been the ability of GC to integrate, leverage and flex personnel and capabilities across service lines that has been central to the success of GC's overall Covid response. GC's activities to support businesses, working with partners across Greater Manchester, are shared below.

GC Business Finance

- 2.2 **Bounce Back Loan Scheme (BLS).** GCBF will be launching their BLS in November in order to support the many businesses who are dependent on loans at this time to continue to survive and grow as a result of the impacts of Covid-19 and local restrictions in place. £10m of funding has been provided to GCBF from the GMCA, which will be distributed to small and medium sized businesses, with loans ranging from £2,000 to £50,000, which are 100% guaranteed by the UK Government.

As with the Coronavirus Business Interruption Loan Scheme (CBILS), no interest will be due on Bounce Back Loans for the first 12 months, with an interest rate set at 2.5% per year after the first year. Whilst there is a limited investment window available, the extended impact of Covid means that demand is still strong from those businesses unable to access BLS through their existing bank. GC Business Finance continue to work alongside other GC services including the Growth Hub to provide a tailored combination of financial and business support to SMEs across Greater Manchester.

- 2.3 **Coronavirus Business Interruption Loan Scheme (CBILS).** In terms of larger business loan activity, GCBF have invested £3.1m into GM business, which is 295% of the comparative period last year, reflecting the CBILS supported lending in GM from April. Demand for CBILS has flattened following

the launch of the Bounce Back Loans scheme, although as the economic impact continues, some businesses have had to reappraise their overall borrowing requirements.

- 2.4 **Innovation & Angel Finance.** Demand has increased and continues to be high across GM with a reduced supply of private capital in the early stage market continuing. GC Angels has invested in 5 GM businesses so far this year unlocking £1m of investment with a further pipeline of £15.5m across 38 businesses.
- 2.5 **Start-up Loans.** After a slow start as a result of the immediate impact of Covid-19, Start Up Loan activity is now increasing, with 233 GM start-ups supported to the end of September, compared with 208 in the previous year's comparative period, investing £2.7m into GM start-ups.

Business Support

- 2.6 **GM Business Organisations.** Prior to the announcement of the tiered framework of restrictions (now temporarily superseded by national restrictions 5 Nov – 2 Dec), a statement was released to the press on behalf of the GM Business Organisations (CBI, GM Chamber, FSB, ICAEW, Manchester Hoteliers Association, NW Business Leadership Team, pro-Manchester and The Growth Company). The statement called on Government to support businesses by setting out fully transparent and evidence-based criteria for movement between the tiers, including a clear de-escalation routeway, and with the appropriate compensatory support in place to support businesses impacted. Coverage was included by: BBC Radio Manchester, Sky News Business Show, Business Live, and the GM Mayor, who attended the GM Business Organisation meeting in which the statement was discussed, referenced it in his press conference on 14 October.
- 2.7 **Business Support for Hospitality, Leisure & Tourism.** GC BGH and Marketing Manchester have created a programme of support specifically tailored to the current needs of the tourism and hospitality sector across GM. Support includes: a specific landing page has been created with a dedicated contact number; identified BGH advisors with specific experience in this sector to support; provision of Clinics and one-to-one support to help businesses with their strategic direction, along with a programme of support where businesses from the sector can work together to identify opportunities for the future; an Access to Finance specialist for the sector, helping businesses understand their finances, looking at cash flow and helping to identify sources of finance. For self-employed, freelancers or people working in the gig economy, GC can provide access to the Enterprising You Programme.
- 2.8 **GC Kickstart.** GC have been approved by DWP to become a Gateway Organisation for the delivery of the Kickstart programme, a new £2billion scheme to create subsidised 6-month job placements to help young people aged 16-24 at risk of long-term unemployment into work. GC have developed a tiered support offer with additional Kickstarter and employer support. GC are also looking to work with intermediaries to increase reach and can offer a 'white label' service in line with a partner's branding. We have been receiving expressions of interest from companies, across which there are 600 placement opportunities. GC's own application to host 30 Kickstarters has been submitted to DWP and approval for these roles was received on 30th October.
- 2.9 **Extending EmployGM.** GC together with Citizens Advice Manchester and a network of legal partners are working on an initiative to triage individuals to pro-bono employment-related legal support. The service will involve the development of a new website, an appointment booking platform (leveraging MS Booking) and working with CAB on a referral platform. The triage service will enable individuals to quickly access the right advice to address the growing number of employment related issues.
- 2.10 **Enabling access to grant funding to deal with the effects of Covid.** £1.4m has been allocated by MH CLG to GM and launched at the beginning of November. Businesses have been able to

submit an expression of interest (EOI) via the Growth Hub website – this has now closed with 1,600 EOIs received, and we expect the number of grants to be awarded to be between 400 - 500. Applications have been reviewed and we are in process of speaking to all those we will be taking forward to full application. Where companies are not successful, they are being signposted to other services/partners for support.

- 2.11 **Skills for Growth.** Launched at the end of October, BGH will be supporting 4,000 SMEs across GM to reskill their workforces via the Skills for Growth programme, supporting the city region's long-term economic recovery in response to Covid-19. Funded by the European Social Fund and commissioned by the GMCA, the Skills for Growth – SME Skills Support package will be delivered in partnership with the Greater Manchester Chamber of Commerce (GMCC). The scheme will support businesses that need to better understand and develop their staff skill sets and business models to ensure they are future-proofed and in a strong position to grow. Initially, the scheme will target SMEs who are adapting their businesses models to survive the economic impact of the pandemic. These businesses urgently require new technical and vocational skills within their workforces to respond to new opportunities and challenges.
- 2.12 **Peer Networks Programme – Greater Manchester.** The Greater Manchester programme, which will begin in November 2020 is scheduled to run until March 2021, will see the creation of 16 peer networks (cohorts) through the GCBGH network of local delivery partners, with each group consisting of 8-11 owners or managers participating in each (c150 in total). Led by an experienced facilitator, these peer networks will typically meet fortnightly as part of delivering 18 hours of action learning through 2-3-hour sessions. Individual one-to-one support (coaching, mentoring, or advice) will also be provided either directly by the programme, or from other existing schemes to help to implement and manage change. Active involvement in the peer network will enhance the leadership capabilities, knowledge and confidence of business owners and entrepreneurs within a local region. It will help build local connectivity and strength within the SME business community. The programme's longer-term aims are focused on reducing the UK productivity gap by helping business leaders find practical solutions to strategic and operational challenges.
- 2.13 **Support for Large Companies.** To ensure comprehensive support and assistance, the Key Account Management (KAM) team is actively engaging with large companies who have announced redundancies through the HR1 process, working with LA colleagues to ensure a joined-up approach.
- 2.14 **GC BGH COVID-19 Website:** A key source of information and signposting for GM businesses seeking information related to managing the range of impacts as a result of COVID-19. The microsite is regularly updated with news updates, resources, guidance and support, making it a valuable resource for GM businesses. Key stats for the microsite to date are: page views – 152,895; unique page views – 120,920; GC BGH whole site page views – 397,314; GC BGH whole site unique page views – 319,229; 13,830 exits to .gov websites.

Support For Hospitality, Tourism & Leisure

- 2.15 **Curating & Communicating GM's Economic Proposition.** Marketing Manchester have been working with the GM LEP to curate content and communications activity, working with GMCA colleagues to articulate GM's economic proposition, strengths and ambitions. Communications aim to reinforce awareness of GM's unique strengths and ensure that the Government is fully aware of the city-region's capabilities and ability to play its part in delivering the UK's recovery agenda. The aim is to secure maximum Government support to deliver interventions that will safeguard jobs and economic prospects in Greater Manchester, the North of England and UK. The GM Economic proposition is expected to launch in November.

- 2.16 **GM Tourism & Hospitality Support & Recovery Plan.** Launched in early November, the recovery plan has been developed by MM in partnership with the Tourism Industry Economic Recovery (TIER) group, with the aim of helping Greater Manchester's sector navigate the next six months before rebuilding, following the devastating effect of the Coronavirus pandemic. The TIER group is comprised of leading voices across the tourism, hospitality and leisure sector including culture, aviation, transport, sport, conferencing, hotels, food and drink and retail.

The plan includes eight areas of focus. The first three that MM and partners have been, and will continue, to support: providing a regular programme of business advice and information; support across GM to lobby for continued Government support; and raising the profile of GM's tourism, hospitality and leisure sector at a national level. When the time is right to move towards recovery, the plan prioritises an additional five areas of focus: rebuilding consumer confidence in, and the profile of, Greater Manchester; rebuilding the region's international profile and connectivity; building back the business visits and events (conferencing) sector; better demonstrating how the tourism, hospitality and leisure sector can support Greater Manchester's wider strategic objectives; and seeking consensus for a more sustainable structure for DMOs like Marketing Manchester, to ensure businesses continue to benefit from their support and activity.

- 2.17 **Tourism and Hospitality Support Hub:** GC/MM set up the Tourism and Hospitality Support Hub to signpost and connect the sector to advice, support, research and reopening guidance. To date the website has received 17,484 visitors. The most visited pages are the Industry Updates and the Tourism Talent Hub, where businesses receive workforce development, recruitment and skills advice from Growth Company colleagues. As mentioned above, Marketing Manchester have also been working closely with GC BGH to develop a targeted programme of business support for businesses in the Hospitality, Leisure and Tourism sector.

- 2.18 **Campaigns:** MM has, with partners, delivered several recovery themed campaigns - Manchester Misses You, Find Your Space, Space to Learn and Space to Meet – which have collectively reached audiences over 12m with engaging inspirational content.

- 2.19 **Industry Research:** Marketing Manchester have partnered with NatWest, who sponsor the North of England Tourism Business Barometer, including 9 other destinations participating. The most recent 7th fortnightly results report that customer footfall has significantly dropped and businesses trading with a shortfall of customers over 60% is now 82% (increase of 15% on Wave 6). This Wave is the 2nd worst (after Wave 6) for job losses, with 83% of businesses reducing their permanent workforce and 69% reducing the number of temporary/casual staff within their operations. There continues to be a poor and worsening outlook for advance bookings up to Christmas, with 94% now reporting a 'significant' downfall for Oct – Dec (increase of 14% on Wave 6). For Jan – Mar 2021, 80% report a significant downfall in business (this remains the same as Wave 6). The perceived length of recovery and for revenues to return for Wave 7 is by Jan 2022 (marginally better than Wave 6). This demonstrates the scale of challenge for businesses in Greater Manchester.

Inward investment

- 2.20 **Inward Investment Performance.** Continued impact on inward investment has been observed due to COVID-19 both in terms of enquiry volumes being received by MIDAS and the length of the sales cycle with projects being delayed. There has been a decline in new enquiries to Greater Manchester (reflective of global decline), whereby 191 enquiries were received April-September (65% of target set pre-Covid). When comparing the two quarters pre-Covid (Oct-19 - Mar-20) to the two quarters

post-Covid (Apr-Sep 2020), enquiries have dropped by 32%. To the end of October, there are 234 active projects in the 2020/21 pipeline, of those spoken to, 71% have been delayed.

However, two positive trends are also being observed: there is a positive trajectory with the number of enquiries continuing to rise since May, and secondly, the type of enquiries are larger in terms of potential job numbers, across both the private and public sector.

To the end of September (Q2), MIDAS has seen 15 project successes, creating 417 jobs. Comparatively to the same period last year, there had been 25 successes with 1,284 jobs generated. Therefore, there has been a 60% drop in the number of project successes, and a 32% drop in the number of jobs.

2.21 Digital Delivery/Virtual Events. MIDAS has shifted to a digital-first approach, with a number of virtual events delivered. This has included a two-day 'FinTech Virtual Mission' comprising six individual webinars promoting what makes Manchester a top five European city for FinTech firms, four online events as part of the 'GM Virtual Green Summit' promoting investment opportunities to help the city region achieve its 2038 low carbon aim; and an eCommerce webinar with the UK's online retail association IMRG – Retail Reboot: How to Thrive Post-Pandemic – positioning Manchester as the place to establish and grow eCommerce and retail tech operations, after the sector saw huge growth as a result of the pandemic.

More than 1,100 people registered for events, with more than half (602) of those registered attending – resulting in an average 55% attendance rate against the 46% industry standard.

Five new projects were identified from the FinTech Virtual Mission and five existing pipeline projects have been progressed following the activity. The team also established new relationships with multipliers including with KOTRA (South Korea's DIT), Atlanta Chamber and the US Embassy, which we expect will bring further investment projects.

In supporting the GM Virtual Green Summit, four new leads were identified, two existing projects have been progressed and multiple new relationships established with trade associations in the US, France, Turkey and Germany.

2.22 High-growth Campaign. In early November, MIDAS will launch a targeted campaign to position Greater Manchester as the place for high-growth international SMEs to expand or relocate and scale. Complementary to MIDAS' two core campaigns, as well as the LIS and refreshed International Strategy, this activity will promote the city-region's digital industry and innovation opportunities.

3 RECOMMENDATIONS

Recommendations appear at the front of this report.