

**Economy and Enterprise
Overview and Scrutiny Committee**

23 July 2020

**COVID-19: Economic Support and
Recovery**



**Report of Amy Harhoff, Corporate Director of Regeneration,
Economy and Growth**

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 The purpose of the report is to provide an update on the support that Durham County Council and Business Durham have been delivering during the ongoing COVID-19 crisis to help businesses and the economy.

Executive summary

- 2 Durham County Council, Business Durham and partners have been delivering direct support to businesses and individuals that have been affected by the crisis and delivering support on behalf of the Government. Thousands of people and business have been supported thus far and work is progressing to develop new initiatives to promote the county and support local people.
- 3 Business Durham has also been undertaking surveys, producing regular reports and feeding information to the North East Local Enterprise Partnership and civil servants. It is also adjusting current business support programmes to respond to the ongoing crisis.
- 4 The impacts of the crisis have been mixed thus far, with the visitor economy and hospitality sectors worst affected. However, conditions remain uncertain, and as Government support is withdrawn the economic impacts and job losses are likely to escalate.
- 5 The County Durham Economic Partnership is developing a COVID recovery plan and partners across the County and beyond have committed to continuing to work together to identify and minimise the negative impacts of the crisis where possible.

Recommendations

- 6 Economy and Enterprise Overview and Scrutiny is recommended to:
 - (a) Note the content of the report.
 - (b) Receive further reports on evidence of the impacts of the COVID-19 crisis as part of the committee's 2020/21 work programme.
 - (c) Receive further updates on the initiatives designed to minimise the impacts of the crisis as part of the committee's 2020/21 work programme.

Background

- 7 The COVID-19 crisis has had, and will continue to have, a major impact on the global economy. Many of the impacts at international, national, regional and local levels are unknown but measures have been put in place to support many parts of the economy. This report, and the accompanying presentation, gives an overview of the actions that Durham County Council, Business Durham and partner organisations have taken to support the economy thus far. It also gives a brief insight into some of the anticipated socio-economic impacts of the ongoing crisis.
- 8 The report and presentation are organised into three parts:
 - Lockdown and immediate responses
 - Emerging insights on the economic impact
 - Recovery planning

Lockdown and Immediate Responses

- 9 On 23rd March 2020 the Prime Minister announced lockdown measures and subsequently various forms of support were made available to businesses and workers. These included the Job Retention Scheme (aka furloughing), the Self-Employment Income Support Scheme, loans, tax incentives and other packages.
- 10 Durham County Council, Business Durham, Visit County Durham and other partners have been involved in delivering some of the Government support packages as well as tailoring additional support to the County's needs. Durham County Council has supported around 9,000 businesses with grants totalling around £100 million and applied business rate reductions and discounts worth around £50 million.

- 11 Business Durham's Business Engagement and Account Management staff worked closely with the Council's Business Rates Team and supported businesses to apply for the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund as well as the more recent Local Authority Discretionary Grant.
- 12 Since March 2020 Business Durham has responded to over 300 direct enquiries from businesses about COVID-19 and have proactively contacted key accounts and tenants to alert companies regarding information relating to safe working practices, job retention scheme, bounce back loans and the Coronavirus Business Interruption Loan Scheme. In addition, Business Durham offered a 3 month rates deferral to its tenants in the early stage of the lockdown.
- 13 Business Durham has been feeding into weekly intelligence gathering collated by the Council, North East local authorities, the North East Local Enterprise Partnership, and Department for International Trade. These are in turn fed into the Department for Business, Energy and Industrial Strategy (BEIS) to inform the national picture about the impact COVID is having on businesses and the local economy.
- 14 Business Durham has also been supporting the Council's main COVID-19 activity, including developing a Personal Protective Equipment (PPE) directory to support the County Council's suppliers and other businesses seeking PPE. Over 20 manufacturing companies in the County have pivoted to develop new products to support the COVID-19 effort, such as making hand sanitiser and sneeze screens.
- 15 Business Durham's properties, including its business centres, NETPark and other industrial property remained open throughout the lockdown for those tenants that required access to continue their business operations, and to accommodate requests for additional space from some businesses. More recently the property staff have undertaken all of the risk assessments to ensure that Business Durham buildings are COVID-compliant and have worked hard to ensure that all the necessary measures are in place for the buildings to operate safely.
- 16 In recent weeks, social distancing and other measures have been relaxed and businesses have started to return to normal – albeit with measures in place to protect staff, suppliers and customers. The Council coordinated plans for the reopening of town centres across the County, to ensure all necessary measures were in place for businesses and consumers to return. The Government has provided some resources through the 'Reopening High Streets Safely Fund', primarily to support the safe reopening of high streets and other commercial areas through information and awareness raising activities.

- 17 Business Durham's Digital Drive County Durham programme, Durham BID and DCC's Community Economic Development team collaborated to make available three webinars in June 2020 and July 2020 to support the retail sector, especially aimed at those that had not yet embraced the digital revolution.
- 18 As the economy starts to return to normal and as the summer holiday season approaches, Visit County Durham is launching a new 'hyperlocal' campaign to promote the County to visitors.
- 19 On 8th July 2020, the Chancellor of the Exchequer made an announcement summarising the support that had been made available and setting out additional support and economic policies for the coming months. The report, named the 'Plan for Jobs', recognised the impacts that the COVID-19 crisis is having and will continue to have on jobs and was organised around measures that would support, protect, and create jobs. These measures include support for young people, people seeking work, support for businesses, and investment in economic infrastructure.
- 20 At this stage, many parts of this plan are unclear and therefore the potential support and opportunities for County Durham are uncertain. The Government intends to consult on and set-out further details in the coming months as well as revealing further support in an Autumn Budget statement.

Emerging Insights

- 21 Numerous think tanks, banks and consultancies have estimated the impacts of the COVID-19 crisis. It was anticipated that non-food retailers, cultural attractions and hospitality businesses would be badly affected by the lockdown and this has largely borne out in the trends we have seen thus far.
- 22 It is also expected that small businesses across all sectors will be disproportionately affected as well as those in more routine, lower-paid jobs. The people in these jobs tend to be young people and women but Universal Credit data for March to May seems to be showing an even impact across gender and age groups.
- 23 Due to our job and sector profile, many commentators expect that the North East and County Durham will be amongst the hardest hit areas in the UK. However, whilst the latest Universal Credit data is showing a significant impact, the County and region are not yet amongst the worst hit areas. Around 56,000 people in the County have been furloughed and as this support is withdrawn and businesses restart, the economic impacts may become clearer.

- 24 There have been, and there will continue to be business opportunities. Those that have benefitted so far have tended to be in healthcare and food retailing, those that have an established online presence, and home delivery companies. Manufacturers in the County have remained reasonably resilient in the early stages of the crisis, and a number of manufacturers have seen new market opportunities, although some are now starting to state their intention to make redundancies. Business Durham will continue to support these businesses where possible and monitor job losses as usual.
- 25 Business Durham has been gathering intelligence from businesses about the impact of COVID-19 on the economy through ongoing business engagement and account management work. Business Durham has also been leading the Business and Economic Recovery Sub-Group as part of the LRF Recovery and Restoration Cell, set up to manage the Durham and Darlington response to the pandemic.
- 26 In order to capture data about the impact across the LRF area, two business impact surveys have been issued to businesses across Durham and Darlington, one in April and one in June. There were 279 responses to the first survey, and 180 responses to the second survey, with the results providing a snapshot of the local economic position.
- 27 The headlines from the two surveys were as follows:
- (a) 51% of businesses that responded to the second survey indicated that the impact of COVID-19 on their revenue has been greater than 50%. This is similar to, but a slightly improved picture from, the responses to the first survey where 56% of businesses indicated the impact on their revenue was greater than 50%.
 - (b) 25% of those responding to the second survey stated that their business was still closed, with a further 12% stating it was closed, but they intend to reopen during July. These responses are comparable to the first survey where 32% of businesses responding had indicated that they were closed.
 - (c) On a slightly more encouraging note, 46% of businesses responding felt they can survive beyond 3 months without additional financial support, compared with only 37% in the first survey.

- (d) 50% of County Durham businesses responding said that they have used the furloughing / job retention scheme, consistent with the picture in the previous survey at 51%, and 73% said that they have been able to access one of the local authority grants, either a small business grant, retail, hospitality and leisure grant or discretionary grant.
 - (e) Levels of take-up of the loan schemes announced by Government were low amongst those responding to the second survey, with only 22% having accessed the Bounce Back Loans and less than 1% reporting that they had accessed the Coronavirus Business Interruption Loan Scheme (CBILS). However, these take-up rates are likely to reflect the high level of responses to the survey from micro businesses employing less than 5 people.
- 28 Visit County Durham has also issued three COVID-19 tourism business impact surveys. The first survey ran in March 2020, with 52 responses received, and findings backed by anecdotal feedback from 1-2-1 telephone calls with businesses. The second survey ran in April 2020 and received 117 responses (10% of database). The third, and most recent survey ran during May 2020 and received 79 responses.
- 29 The headlines from the most recent tourism business survey were as follows:
- (a) 78% of respondents stated that their income has been affected by more than 50%.
 - (b) When asked to score the immediate to short-term impact (May to July 2020) of COVID-19 on their business, with 10 being severe, the average score was 8.4, an increase from 7.8 in the second survey, and businesses were now more pessimistic about the long-term impact of COVID-19 on their business, with the average score having increased to 7 in the latest survey, from a score of 5 in the second survey.
 - (c) Businesses were asked when they envisaged re-opening. 34% didn't know, 4% stated June 2020, 30% stated July 2020, 11% stated August 2020 and 17% thought after September 2020. Lack of demand, social distancing requirements, stringent cleaning requirements and cashflow were the main concerns when considering reopening.

- (d) In terms of support needed to aid the recovery of the tourism sector in the coming months 28% identified sector specific online guidance, 24% assistance with a recovery strategy, 33% a combination of support packages including financial assistance and case study examples of best practice.

30 From the surveys and other business intelligence gathered, the initial impact by sector can be summarised as follows:

- (a) Businesses in the tourism / hospitality / leisure / retail sector have reported the most significant negative impact in both surveys and are still very concerned about the outlook for their businesses.
- (b) The manufacturing and engineering sector accounts for a significant proportion of the County's GVA. Whilst many have had to furlough staff, most manufacturing companies continued to operate, albeit at reduced capacity, or have reopened following a period of shutdown and are gradually increasing the numbers of staff returning to work from furlough. There remain concerns that COVID-19 will have exacerbated the difficulties that companies in the automotive supply sector were already facing. However, a number of other manufacturing firms have adapted or innovated new products to support the healthcare sector supply chain and are looking at new sectoral or geographical markets.
- (c) Impacts on businesses in the construction sector has been varied. Some construction firms have managed to continue their developments, especially those linked to essential work, albeit at a slower pace than before the crisis, and some are now back on site having ceased work temporarily. However, some in the sector have recently expressed concerns that activity levels are not picking up as quickly as had been hoped.
- (d) Anecdotal evidence from businesses in the IT / digital and business and professional services sectors indicates that they have not been hit as hard as others, with operations continuing effectively from home and some productivity gains and innovation being experienced. Many are reasonably confident of future growth and demand for their products, having seen new market opportunities in the drive for more digital services and remote working.

(e) The Contact Centre sector has largely managed to maintain working by deploying working from home for large numbers of staff. Feedback from the regional Contact Centre Partnership is mostly positive, generally most companies have managed to get agents working from home with secure technology solutions, and several plan to continue with home working in some form, which could have implications for the office market in the future.

31 It is recognised that it is still early days to be able to assess the real impact on the economy and that the picture will continue to emerge and evolve as we progress through the rest of this year, which we will need to monitor closely in order to be able to react appropriately.

Recovery Planning

32 At the regional level, a North East COVID-19 Economic Response Group has been established, made up of the North East Local Enterprise Partnership (LEP), North East and North of Tyne Combined Authorities, the CBI on behalf of business organisations, North East Joint Transport Committee and regional universities. The collaboration provides a platform for regional leaders to work together, ensure there is a shared understanding, and respond together to the economic impact of COVID-19 on the North East economy.

33 The North East COVID-19 Economic Response outlines the development of a phased recovery plan, which involves short term stimulus, medium term adaptation and then longer-term rebuilding of the North East economy, with each phase being underpinned by ongoing intelligence gathering. The three phases are as follows:

- Release from lockdown (1-6 months) - Adapting, planning and early action
- Living with COVID-19 (6-24 months) - Managing transition and stabilisation under ongoing controls
- Recovery and long-term (24 months+) - Rebuilding and growing our places, services and industries

34 At the County level, development of a plan for business and economic recovery is being coordinated through the County Durham Economic Partnership, which has representation from all of the key partners involved in economic development, and is chaired by Simon Hanson, FSB. Five 'task and finish' workstreams have been established to cover business support, infrastructure, lobbying, intelligence and communications. The intention is to develop and launch an action plan in August 2020.

- 35 The County Council has a key role to play in supporting the recovery of Durham's economy. This includes support to businesses through the work of Business Durham, supporting the tourism sector through the work of Visit County Durham, support for town and villages centres and retailers through the Community Economic Development Team as well as through the purchasing power of the Council and major projects/ economic infrastructure development.
- 36 All existing delivery programmes are being reviewed and adjusted/enhanced to maximise opportunities to support the recovery plan, and a number of actions are already underway, as follows.

Employment and Redundancy Support Measures

- 37 Joining together employment & skills provision to maximise delivery and accessibility of support. Actions to date include:
- (a) Established a Provider forum for all key Employment and Skills providers operating across the Council
 - (b) Working with National Careers Service to provide additional immediate capacity to triage those who've lost their jobs and those furloughed and in fear of job loss through Jobs Fuse County Durham.
 - (c) Maximising the use of the ESF employment support programmes across the County – Durham Works, Durham Advance and LINKCD
 - (d) Maximising referrals to smaller providers operating in the advice in County Durham partnership to ensure skills, health and debt issues can be addressed alongside employment support.

Business Support Measures

- 38 Business Durham has reviewed its existing delivery programmes and is making a number of adjustments or enhancements to maximise opportunities to support recovery, including:
- (a) The Durham Ambitious Business Starts (DABS) ERDF project, which was launched in June 2020, is ready to support an anticipated increase in people looking to start a business in the County, linked to the likely rise in redundancies. The programme includes a number of innovative approaches to supporting ambitious start-up businesses and newly established businesses in their first 12 months of trading.

- (b) The Digital Drive County Durham ERDF programme is proving invaluable in helping businesses adapt to the greater focus upon digital trading and remote working. The fast track application process that was introduced in March has seen a large increase in demand for the grants for equipment to implement home working and the number of grant offers has increased by 153% compared to the same period last year.
- (c) The Durham Business Opportunities Programme (DBOP) provides a number of strands of intensive support and these have been refocused to ensure they are relevant to supporting business recovery. In addition to the 'Construction Routes to Contract Success' and the Engineering/Manufacturing sector strand of support, a third strand is being developed to help micro and small businesses across the County adapt to the impact of Covid on their business and find new market opportunities.
- (d) Business Durham, DCC Procurement, NEPO and RTC North are collaborating to raise awareness of local public sector procurement opportunities via a series of webinars and intensive assisted activity via ERDF programmes. They are also collaborating to roll out a PPE Supply Chain programme to support companies develop new products and services to help ensure greater UK capability in this sector.
- (e) Business Durham and the Council's Public Health Team are rolling out the SME Mental Health programme available to support the mental health needs of employees within the workforce in the private sector.

Conclusions

- 39 Durham County Council, Business Durham and partners have been delivering direct support to businesses and individuals that have been affected by the crisis and delivering some support on behalf of the Government. The impacts of the crisis have been mixed thus far, with the visitor economy and hospitality sectors worst affected. However, conditions remain uncertain, and as Government support is withdrawn the economic impacts and job losses are likely to escalate.
- 40 Partners across the County and beyond will continue to work together to develop an understanding and minimise the negative impacts of the crisis where possible.

Background papers

- None.

Other useful documents

- None

Contact: Sarah Slaven

Tel: 03000 261 258

Glenn Martin

Tel: 03000 263 423

Appendix 1: Implications

Legal Implications

None

Finance

None

Consultation

None

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

None

Human Rights

None

Crime and Disorder

None

Staffing

None

Accommodation

None

Risk

None