GMCA GREATER MANCHESTER COMBINED AUTHORITY

Business, Energy and Industrial Strategy Committee call for evidence: Impact of coronavirus on business and workers inquiry

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KEY MESSAGES

- Government's response to COVID-19 has been commendable on many accounts, however, there are a number of areas where **a more decentralised approach would have been faster and more successful**; this will be true for many elements of the imminent economic recovery work.
- **Cash flow** remains a critical issue for many Greater Manchester businesses. Despite Government support packages, firms are not able to access loans or grants quickly enough. Further delays are likely to have a catastrophic impact on the viability of many of our businesses as many businesses are now approaching the end of their cash reserves.
- The **Coronavirus Job Retention Scheme (CJRS)** is welcomed, however, a number of its design features are likely to cause significant damage to businesses and workers without immediate rectification.
- **Newly self-employed** have been particularly hard-hit by coronavirus. Immediate support is needed for businesses who have set up since April 2019.
- The **Small Business Rates Relief (SBRR) grant** is welcomed, however, businesses in multi-occupancy buildings or in managed workspaces have in many cases received no benefit from this support, despite their indirect and ongoing contributions towards Business Rates. To remedy this, government could set a hard deadline for the end of April for business to claim existing Business Rates grants, beyond which, the surplus of remaining money allocated to this fund could open up to these businesses, subject to eligibility criteria.
- The **£750m support package for the charities sector** is welcomed, however, it is anticipated that only a small fraction of this will reach the smallest and most vulnerable local charities who are ineligible for most or all other forms of support.
- **Confusion around employers continuing on-site business operations** remains prevalent. Without rectification, this will continue to have a significantly damaging impact, particularly in the context of our exit strategy.

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(I) INTRODUCTION

GMCA GREATER MANCHESTER COMBINED AUTHORITY

GMCA is working closely with Greater Manchester's ten local authorities, LEP, Business Growth Hub, and business representative organisations to understand how the COVID-19 pandemic is impacting the local economy.

This submission highlights the key issues that businesses and hard-working citizens are experiencing right now, as well as the work that we are doing at a local level to mitigate some of these impacts. Many of the issues relate to key gaps in national support schemes. These must be addressed so that the Chancellor can deliver on his commitment to ensure that "no one is left behind".

England's localities have an integral role to play to support both the immediate response and the subsequent economy recovery that will be delivered over the coming months and years. There has never been a greater urgency for further devolution of powers and funding to local and city-region authorities. Localities are at the front line of this crisis and are uniquely situated to bring together businesses, the voluntary sector and public sector bodies to respond to the economic and social impacts of COVID-19.

So far the response to COVID-19 has been overly centralised and national oversight of tasks such as the procurement of PPE has been inefficient and ineffective. Our own, local procurement and mutual aid arrangements at both district and Greater Manchester level has been largely successful in filling the gaps in Government's provision and demonstrates that the response could have been significantly improved if localities had been suitably engaged from the onset of the crisis. Devolution of some responsibilities and decision-making to the regional and local level will be even more important to ensuring that we get the recovery phase right.

(II) GREATER MANCHESTER ECONOMY

Greater Manchester's Economy is the most diverse in the country[1], and includes the highest numbers of new start-up firms in the UK.

The Office for Budget Responsibility (OBR) scenario, published 14th April, said that the UK economy in the short term could contract by as much as 35% in the second quarter of 2020 if the current lockdown persists for 3 months. In this scenario, unemployment is expected to rise to 10%, compared to 3.9% at the start of the year. That would equate to 2 million extra people out of work. The report also suggests that the recovery could also be swift with a potential return to pre-virus GDP levels by the end of the year.

Work by the GMCA research team has replicated this for Greater Manchester and found the effects on the regional economy are likely to be broadly in line with those felt nationally. The most distinct differences to the national picture are:

- growth in the human health and social work sector would be more impactful in Greater Manchester due the relatively high proportion of output in this sector in the city region; and
- the fall in output in the manufacturing, wholesale/retail, transport/logistics and administrative sectors would be felt slightly more keenly in Greater Manchester than nationally.

40% of employment in Greater Manchester is located in sectors which the OBR have forecast are likely to be hardest hit in terms of output by COVID-19. These include retail/wholesale, manufacturing, education, health and construction, a decline in output in the short term in anticipated in all industries. The gaps below therefore present particular issues for large and diverse economies such as Greater Manchester, and may constrain the pace at which our city-region recovers over the coming months and years.

(III) OVERVIEW OF KEY UNRESOLVED ISSUES

(1) Small business rates relief support

- The £10,000 support grants provided by Government for businesses who have properties and pay Business Rates is welcomed. Businesses who would be otherwise eligible for the grant based on their size, however, are not able to access this support as they do not directly pay Business Rates. This has

[1] https://www.greatermanchester-ca.gov.uk/what-we-do/economy/greater-manchester-independent-prosperity-review/

resulted in a key gap for businesses in multiple-occupancy tenancies where the building owner ordinarily pays Business Rates. These businesses are disproportionately found in certain key industries, such as the digital sector, and so leave many of the country's most promising start-up businesses at risk of insolvency.
- In many cases, these businesses continue to make indirect contributions towards the Business Rates bill for the whole property via rental agreements, yet are relying on property owners to pass on the benefits of the support grants which is often not occurring. We propose that Government could set a hard deadline for the end of April for business to claim existing Business Rates grants, beyond which, the surplus of remaining money allocated to this fund could open up to businesses meeting the following criteria: they are in multi-occupancy workspaces where they pay an 'all in' rent; they have between 1 and 10 employees; and they have not already received a grant from their Local Authority through the existing Business Rates scheme. This could be of benefit to an estimated 8,500 businesses in Greater Manchester alone.

(2) Coronavirus Business Interruption Loan Scheme (CBILS):

- Government's guidance on 2 April provided welcome clarity that banks could not ask for personal guarantees on loans of less than £250k, however, businesses are reporting a number of further complications hampering their speed or eligibility for accessing these loans. No cap has been placed on the interest rates that can be charged for loans under the scheme. Reports suggest some banks in Greater Manchester are offering interest rates of up to 20%. Some firms have also faced difficulties getting through to banks to apply due to extremely long waiting times, and when they do are being redirected to less favourable bank loans.

(3) Coronavirus Job Retention Scheme (CJRS)

- **Payment delay**: The CJRS portal was opened on 20 April to allow furlough payments to be made by 30 April. If there is delay to these payments, the impact is likely to be catastrophic. Approximately 50% of Greater Manchester businesses have, or intend to, furlough staff and evidence from the Greater Manchester Chamber of Commerce suggests that many of these will be forced to consider making redundancies in the event of a delay. Difficulties in accessing CBILS has compounded the urgency for CJRS to make payments by as soon as possible.
- **Cliff-edge exit**: Revenue flows for businesses may, in most cases, not be restored quickly enough to re-hire all employees at full pay following the current 'cliff-edge' end point of the CJRS. CJRS should therefore be structured in a way that allows employers to incrementally bring their workforce back from furlough as the scheme draws to a close.
- **Part-time furlough**: Greater Manchester business representatives are reporting many small businesses being forced to cease operations due to the inflexibility of the CJRS. Many small businesses require the skill sets of all members of the organisation to allow them to continue operations, even at a reduced level. Allowing employees to be furloughed part-time would allow these businesses to retain the skills needed to maintain a reduced level of operation throughout the crisis.
- **Eligibility dates**: The extension to the Scheme's eligibility date to 19 March (announced 15 April) was welcomed, however, the eligibility criteria are based on PAYE submissions to HMRC which creates a clear inequality between those who are paid monthly and those paid weekly. Weekly paid employees who started with a company in early March will most likely have been included on the relevant PAYE submission to entitle them for furlough support, whilst a monthly-paid worker starting on the same date will have been paid at the end of March and would thus miss the PAYE submission deadline of 19 March. This anomaly will have massively adverse consequences for many individuals without redress.

(4) Self-employed

- Individuals who have entered self-employment since April 2019 do not currently qualify for the Government's self-employed support packages. This group includes people who are more likely to be in a vulnerable financial position than others: young people starting out with their businesses who may be renting rather than owning; people who work in the creative industries who are working in a freelance capacity of whom there are many in Greater Manchester; and older workers who have taken an

entrepreneurial leap and, in some cases, have invested many years of savings to get their businesses up and running.
- Government can close this gap as we move into the new financial year by allowing this cohort to have a short window to submit early tax returns for the 2019-20 tax year. There is precedent for this in the four week window granted to self-employed who have not yet made a 2018-19 submission to do so, and then access the Self-Employed Income Support Scheme. Designing a scheme in this way would be robust against fraudulent claims given that these individuals will still have to pay tax on reported earnings at a later date.

(5) Voluntary and community sector sustainability

- Many of the nearly 16,000 Greater Manchester charities and social enterprises are experiencing unprecedented demand for their services whilst, in parallel, they face record income reductions due to loss of trade and donations.
- Initial modelling undertaken by voluntary organisation networks suggests that only a small fraction of the £750m support package for the charity sector (announced 8 April) will reach the smallest local charities and social enterprises, as it will largely be allocated to national charities and hospices.
- These small charities are broadly often also ineligible for other forms of support such as loans and business rates relief as their trading income is less than 50% of overall income. Further action is needed to mitigate the estimated £4.3bn of lost income for the UK VCSE sector in the coming 12 weeks and so they can step up to support the most vulnerable at this difficult time.

(6) Continuation of on-site work

- The GMCA has received representations from employees about businesses who are remaining open and not following PHE guidance on hygiene and social distancing. We have also received numerous complaints from members of the public who are querying why businesses such as those in the construction industry are remaining open.
- Government advice on the topic of “key workers” and “essential work” is readily available online, however, the broadcasting of information on this topic has been unclear and has caused lasting confusion. As per Government advice, all businesses with the exception of those listed on 23 March are allowed to remain open, with employees working from home if possible, or else following social distancing and hygiene standards on-site, again, “where possible”.
- The use of the phrase “where possible” leaves too much ambiguity and so the guidance should be much clearer that employers that aren’t designated as key worker industries should only open if they are confident they can comply with public health measures. This ambiguous wording presents a risk of employers returning to open before the lockdown measures are relaxed, as well as the issue of employers continuing to operate where it may not be safe to do so.
- Local Authorities in Greater Manchester are following up on reports of employers operating potentially unsafe working practices, but there has been mixed guidance about whether enforcement powers can be used. To date the Health and Safety Executive has advised against the use of the Health and Safety Act 1974 (Section 74) though it is not clear why it cannot be used for local enforcement.
- As we look towards an exit strategy, it is vital that the economic crisis and the health crisis is appropriately balanced. Effective communications to businesses and employees will be essential in achieving an optimal ‘sequencing’ that encourages the right businesses to resume operations at the right time to maximize the speed of economic recovery whilst minimizing the spread of coronavirus.

(IV) OUR LOCAL RESPONSE

It is crucial that the gaps above are addressed and so as well as making this submission, the Mayor of Greater Manchester, the Greater Manchester Local Enterprise Partnership (LEP), and other political leaders have written to Government Ministers to highlight where further action is needed. The Mayor is also highlighting these as part of a weekly Wednesday COVID-19 press conference.

Local approaches to the COVID-19 crisis have the potential to be more responsive and more adaptable than national-level responses in meeting the needs of residents and businesses and it is important that this lesson is learnt as we move into the recovery phase. The examples below give a selection of the response work done by the GMCA, Greater Manchester LEP, The Business Growth Hub and other partners to date:

- Launched the Greater Manchester #HereforBusiness campaign to ensure businesses and employees know what support is available both nationally and locally. It includes proactive social media messaging, a dedicated microsite that acts as a single and authoritative repository for support available, and includes extended telephone opening times for businesses to access personalised advice. The campaign includes outbound calls to around 25k businesses in Greater Manchester.
- Invested an initial £3m of Local Growth Funds to provide local business loans of between £5k and £250k where they are struggling to access other sources of finance. A call has also been put out to investors to grow this loan fund.
- Launched Employ GM, an online portal that connects Greater Manchester employers who have urgent temporary vacancies with individuals that can start straight away. It has been launched to minimise the current supply-demand mismatch within the labour market and to help people who may have become unemployed quickly return back to work. To date the Employ GM has seen around 6k hits and has supported 98 businesses to recruit.
- Greater Manchester Local Authorities are considering payment holidays from business rates and rents where businesses can demonstrate they are in severe hardship and on a case-by-case basis.
- £100k has been granted to Citizens Advice services in Greater Manchester to enable them to offer a telephone-based advice service and to strengthen their ability to work remotely.
- United We Stream has been is enabling local artists and performers to showcase their talents to a global audience through livestreamed events, and is inviting people to donate what they can with all money raised supporting the leisure, tourism, hospitality, and retail sectors in Greater Manchester.

(V) Greater Manchester ECONOMIC INDICATORS AND TRENDS

- **Business sentiment:** The extent of the economic impact in Greater Manchester is reflected by the fact that 92% of firms interviewed by the Growth Company are now reporting an impact due to COVID-19. This has increased from 78% in late March suggesting that the economic crisis is deepening.
- **Business failure:** Greater Manchester is the third worst affected LEP region for redundancies, with more than 4,000 reported since 1 February (around two-thirds directly attributable to COVID-19).
- **Unemployment**: Initial estimates suggest unemployment in Greater Manchester could rise to between 140,000 and 170,000 from a base of 70,000. In December 2019, 73% of the Greater Manchester population was in employment compared to 76% in the UK as a whole.
- **Leisure and retail**: Data from Manchester City Council suggests town centre footfall has decreased by between 45-71% compared to last year. There has been a continuous downwards trend suggesting residents are continuing to adapt their behaviour to the lockdown. The consequences of hotel closures have been widespread and catastrophic. The severity and breadth of impact on the industry has made initial attempts to quantify the economic impact on the sector infeasible.