

Education and Business Scrutiny Commission

Monday 20 July 2020
6.00 pm

Online/Virtual. Members of the public are welcome to attend the meeting. Please contact FitzroyAntonio.Williams@southwark.gov.uk for a link to the online meeting.

Supplemental Agenda No.1

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6.	Resilience for the Business Community - Council Activity, Interview with Cabinet Member for Jobs, Business and Innovation Report provided by Cabinet Member for Jobs, Business and Innovation in respect of intended council activity to support broader resilience for the business community in light of Covid-19 (lockdown, easing of restrictions and social distancing).	1 - 6

Contact

Everton Roberts on 020 7525 7221 or email: everton.roberts@southwark.gov.uk
Webpage: www.southwark.gov.uk

Date: 16 July 2020

Item No. 6.	Classification: Open	Date: 20 July 2020	Meeting Name: Education and Business Scrutiny Commission
Report title:		Supporting business resilience in response to Covid-19	
Ward(s) or groups affected:		All wards	
From:		Councillor Stephanie Cryan, Cabinet Member for Jobs, Business and Innovation	

BACKGROUND INFORMATION

1. At the request of the Education and Business Scrutiny Commission, this report sets out the council's response to supporting business resilience following the impact of the Covid-19 pandemic.
2. The economic impacts of the Covid-19 crisis have been profound, far-reaching and difficult to predict. Of particular concern has been the impact of the pandemic and consequent lockdown on Southwark's business community. Immediate financial hardship is evolving into ongoing uncertainty and what is likely to be challenging trading conditions. These will probably be exacerbated by the continued threat of what could be an exit from the European Union with no agreed future trading relationship. Immediate and ongoing support for Southwark business is critical.
3. In response, the council has set out and already started to implement a series of measures to support businesses. The current focus remains the provision of immediate hardship support in the form of financial assistance, information, advice and guidance. This report summarises the support that has been made available to businesses during the pandemic and sets out the next steps in the context of Southwark's Economic Renewal Plan.

KEY ISSUES FOR CONSIDERATION

Impact

4. The economic impact of Covid-19 has been huge. We can see the impact of the broader economic downturn in Southwark through the rising unemployment count. There have been sharp rises in unemployment in Southwark since March 2020, including:
 - Data from DWP show unemployment claimants within the borough rising from 8,580 in March to 18,755 in June 2020, a 119% rise.
 - Younger people are being disproportionately affected. Between March & June 2020, unemployment in the borough rose 155% for 18-24 year olds and 184% for 25-29 year olds compared to 89% for 50-54 year olds and 66% for 55-59 year olds.
5. In terms of the specific impact on business, the current focus of the council remains the provision of hardship support and financial assistance to affected businesses. While the longer term impact of Covid-19 on business closures in the borough

remains unknown, announcements in the Summer Statement will go some way to protecting jobs, but it is accepted that not all jobs will return and there will need to be significant effort to support unemployed residents to gain new skills and new employment opportunities.

6. The impact on hospitality and tourism is of particular concern. Specific measures focused on protecting jobs within hospitality and tourism set out in the Summer Statement include temporary VAT reductions to 5% and the new “Eat Out to Help Out” voucher scheme. However, with the Job Retention (furlough) Scheme winding down in October, we may still expect significant redundancies. This sector provides 31,000 jobs in the borough and employment for 25,000 residents (10% of overall employment). 50% of this sector is aged 16-34, an indication of the youth unemployment challenge to come.
7. The retail sector provides 11,800 jobs in the borough and employs 18,700 residents. There was no additional support provided to retail in the Summer Statement, despite acute trading challenges similar to those faced in hospitality and tourism. With significant job losses announced by retailers in the immediate period following the Chancellor’s announcement, we are quickly seeing the impact on the sector.
8. Construction is also a priority growth sector for the borough. While it may represent 5% of total resident employment, this has grown 71% since 2014, significantly faster than the average growth of this sector in London (14%). While the sector has slowed, impact has been moderate compared to tourism and hospitality. It is hoped that Stamp Duty changes will stimulate demand in the property market and lead to ongoing developments to remain viable.

The Councils Emergency Response

9. All business related enquiries related to Covid-19 have been directed to the Southwark Business Desk. To date, the Business Desk has responded to and dealt with enquires from almost 2,000 businesses (enquires from 1,976 businesses as of 10 July 2020).
10. Through the Business Desk, information, advice and guidance has been provided to business on a range of issues including immediate hardship support, measures related to closing and more recently the reopening of premises, information on government initiatives including business grants and the Job Retention Scheme, support with rent and rates relief, and support on personal financial hardship for business owners.
11. In addition to the Southwark Business Desk, information and guidance has been published and regularly updated on the council’s coronavirus web pages, and mailed out to a distribution list of over 5,000 Southwark businesses.
12. The Council issued business rate bills for 2020/21 before the onset of COVID-19 in March to a value of £328m.
13. By June the Council had provided relief for all eligible businesses – in the retail and hospitality sector but also nurseries, totaling £83.1m to just under 2,800 businesses. None of those businesses – about one in five of all business premises in the borough – will be required to pay any business rates this year. The total net value of business rates payable has therefore fallen by 25%.

14. The Council decided in March to suspend all recovery and enforcement action in respect of unpaid business rates. That suspension remains in place and the Council has commissioned work by a specialist provider to carry out financial health checks on businesses that appear to be at greatest risk of distress. This commission forms part of the Council's renewal plans for business rates collection which remains a statutory function.
15. The Government also provided the Council with funding to provide grants for those businesses expected to be most affected by lockdown measures. Small businesses eligible for small business relief and smaller businesses in the retail, hospitality and leisure sectors would be eligible for grants of £10,000. Larger businesses in the retail, hospitality and leisure sectors, with their size measured by the rateable value of the premises they occupied, would be eligible for a grant of £25,000.
16. The Council made payments to eligible local businesses within days of the Government confirming details of the scheme would work and first grants were received by eligible businesses before the end of March. By 05 July the Council had paid grants worth more than £62.0m in respect of 4,248 businesses.
17. A key concern locally were the gaps identified in the government's initial grants to businesses through the Retail, Tourism and Hospitality grant. As awards were tied to rateable values within specified sectors, the council estimated that approximately 11,000 micro businesses in Southwark alone were ineligible for support, including market traders, wholesalers and occupiers of multi-tenant premises such as managed and affordable workspace.
18. As a result, the council quickly repurposed £1.95m previously allocated to the Southwark Pioneers Fund, plus some High Streets Funding, into a Southwark Business Hardship Fund (SBHF). Through the SBHF, grants of up to £10k were made available to micro businesses ineligible for other forms of support. Launched on 8 April 2020, the £2.1m fund was hugely oversubscribed and the council had to close to applications in less than two weeks after receiving over 550 applications during this time. To date, 346 businesses have been awarded grants through this scheme.
19. Partly as a result of local government lobbying, the government finally announced additional funding for businesses ineligible for other forms of support on 1 May 2020. The Local Authority Discretionary Grant Fund (LADGF) provided Southwark with an additional £3.4m to award locally to address business hardship.
20. Through the LADGF, an additional 650 applications have been received, applying for grants of up to £25k for micro and small enterprises. Awards through the LADGF are ongoing but to date 199 business have been awarded grants through this scheme.
21. Between the two funds (SBHF and the LADGF), the council has dealt with in excess of 1200 grant applications from small and micro businesses experiencing significant levels of business hardship.

Looking Forward to Economic Renewal

22. The longer term economic impacts of the COVID-19 crisis will be profound, far-reaching and difficult to predict. A borough wide Economic Renewal Plan will set out a clear framework to drive the response of the council and its key partners on this impact. This Plan will focus on supporting business resilience, addressing challenges in the labour market and mitigating against the wider social, economic and health impacts on our residents.
23. The Economic Renewal Plan will have immediate, short, medium and long term priorities, set around four key themes of employment & skills; business; high streets and town centres, and wellbeing. The Plan will ensure that our resources are targeted for maximum local impact in the short term, such as vital support for key local employment sectors most heavily impacted by the crisis, but done in tandem with longer term planning and strategy development, and combined with ongoing lobbying of central Government where necessary.
24. An early example of such a response is the immediate short term support that has been put in place for the hospitality sector. To help hospitality businesses reopen while keeping risks low and managing the impact on residents and other users of our streets, the council has published a Hospitality Activation Plan with essential information about new licensing, noise, street cleaning and social distancing measures. These measures include physical interventions around high streets to allow more space for social distancing for shoppers, cyclists and pedestrians.
25. Aligned with the broader refresh of the Council Plan, the Economic Renewal Plan will be action focused and outcome orientated, and responsive to changing economic conditions. This will enable us to develop future plans around renewal and the council plan review in a coordinated way, and take account of the issues as they arise, such as those highlighted in the report from Scrutiny on accessibility and social value.
26. Using the Plan as a framework will also allow the council and its partners to maximise on the value of Government announcements, including:
 - The “Kickstart” job creation scheme for young people. The government will pay the wages of new young employees for six months.
 - Apprenticeships creation bonuses for companies. Firms will get a payment of £2,000 for each apprentice they take on. Companies taking on apprentices aged over 25 will be given £1,500.
 - £111 million for unpaid traineeships, coupled with training to help young people prepare for the world of work.
27. Cutting through the Economic Renewal Plan will be the key strategic themes of Brexit, Climate Change and Southwark Stands Together.
28. Economic renewal planning for the borough cannot tackle the issues brought by the Covid-19 crisis independently of planning for Brexit; it must also take account of the risks Brexit poses for the economy in key areas such as workforce and skills, trade, regulation and immigration. This economic renewal plan will therefore evolve in tandem with planning for Brexit, with a shared emphasis on protecting our local economy and our diverse Southwark communities.

29. Southwark Council has set out its aim for the borough to become carbon neutral by 2030 and is in the process of developing a Climate Change Strategy. Unchecked, climate change will make changes to the way we live, work, travel and produce, on a global, national and local level, so any plan for economic renewal in 2020 must take this into account. This renewal plan must therefore fully align with our emerging Climate Change Strategy and demonstrate our support for the principles of the Green New Deal.
30. The Covid-19 crisis has disproportionately impacted BAME communities. Along with the killing of George Floyd, this has shone a light on the inequalities, systemic injustice and racism they face. As one of the most diverse boroughs in the country, the council is intent on joining the support for BAME residents to tackle racism and achieve equality. It has therefore launched “Southwark Stands Together”. This process will begin with a series of listening events. The feedback from these events will help to inform targeted actions to be added to the Economic Renewal Plan as it evolves as part of this drive for equality.
31. Once agreed, the Economic Renewal Plan will be subject to external conversation with a wide range of partners and networks to help inform its development, provide appropriate challenge, identify additional opportunities and challenges and to highlight any gaps. The input of Scrutiny would be hugely welcome during this process.

BACKGROUND DOCUMENTS

Background Papers		Held at
Hospitality Action Plan		Southwark Website
https://www.southwark.gov.uk/assets/attach/13722/Activation-plan-final-draftv3.pdf		
Procurement: Accessibility and Social Value		Southwark Website
https://moderngov.southwark.gov.uk/documents/s89793/Appendix%20A%20Procurement%20Report.pdf		

AUDIT TRAIL

Lead Member	Councillor Stephanie Cryan, Cabinet Member for Jobs, Business and Innovation	
Lead Officer	Stephen Gaskell, Director of Response and Renewal	
Report Author	Danny Edwards, Strategy & Partnerships Manager, Chief Executives Office	
Version	Final	
Dated	16 July 2020	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	Yes	Yes
Date final report sent to Scrutiny Team	16 July 2020	

Education & Business Scrutiny Commission

MUNICIPAL YEAR 2020-21

AGENDA DISTRIBUTION LIST (OPEN)

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