



# Doncaster Council

## Report

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**Date:** 12<sup>th</sup> October 2020

**To the Chair and Members of the  
Regeneration and Housing Overview and Scrutiny Panel**

**REPORT TITLE:** Economic impact arising from COVID-19

<b>Relevant Member(s)</b>	<b>Cabinet</b>	<b>Wards Affected</b>	<b>Key Decision</b>
Bill Mordue		All	No

### **EXECUTIVE SUMMARY**

1. This report provides information on the economic impact of COVID-19, how it has affected Doncaster and the effective distribution of business support grants

### **EXEMPT REPORT**

2. The report is not exempt.

### **RECOMMENDATIONS**

3. Members of the Regeneration and Housing Overview and Scrutiny Panel are asked to note and comment on the information provided.

### **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

4. The performance of the economy benefits all citizens of Doncaster and COVID-19 has had a significant impact on economic performance over the last six months and will continue to do so for the foreseeable future

## BACKGROUND

5. The Covid-19 pandemic has created both a medical crisis and an economic crisis across the world. Covid-19 containment measures have resulted in sharp declines in economic output, significant job losses and business closures, the consequences of which will be felt for years to come
6. In quarter 2 (April to June) 2020, the UK's gross domestic product (GDP) is estimated to have fallen by 20.4%, the biggest fall on record. In August 2020, the UK Claimant Count was 2.7 million, an increase of 1.5 million (or 120.8%) since March 2020.
7. All UK businesses have been affected by Covid-19, but the impact has been unequal. Sectors that are highly reliant on face to-face interactions, such as hospitality, leisure and non-food retailers have been hardest-hit. The people who work in those sectors, who tend to be younger and lower paid, have been particularly vulnerable to losing their jobs or having their wages cut.
8. Sectors that can operate relatively well with social distancing in place, for example construction and manufacturing have still been affected by reduced demand, supply chain disruption and the scaling back of investment. Other sectors have seen a more limited impact or even increased demand, for example food retail and delivery, digital technology and healthcare.
9. The economy has recovered to some extent since June when the lockdown measures were eased, with shops reopening, factories beginning to increase production and housebuilding picking up. However, the current consensus<sup>1</sup> is for an overall -10% contraction in the UK's GDP for 2020, which is greater than the Eurozone (-7.9%) America (-3.8%) and Japan (-5.8%). Making up the lost ground is a major challenge and even in five years, the UK economy is likely to be smaller than had been expected.
10. Prior to the pandemic, Doncaster was making good progress in developing a stronger and more inclusive economy. For example:
  - Between 2012 and 2018, Doncaster recorded a £1.57bn (+37%) increase in Gross Value Added (GVA) taking the total to £5.9bn.
  - The number of jobs had increased by 10,000 to 121,000 in five years.
  - The proportion of jobs in knowledge intensive business services (e.g. financial and professional services) had increased to 8.1% and the gap with the national average was narrowing.
  - In December 2019, the employment rate was 71.7%, which was 6 percentage points higher than five years ago.
  - The rate of house building was on a par with the national average and 2018/19 was a record year with over 1,300 net homes provided.
11. However, Doncaster entered the pandemic with relatively low economic resilience due to a number of long-standing challenges relating to, for example, the levels of skills, productivity, household income, unemployment and deprivation

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<sup>1</sup> HM Treasury: 'Forecasts for the UK economy: a comparison of independent forecasts'

12. Doncaster has seen a steep rise in the Claimant Count to a total of 14,495 (as at 13 August 2020). This is a rate of 7.6% (for those aged from 16 to 64), which is higher than England (6.6%), Yorkshire and the Humber (6.7%) and the rest of South Yorkshire. Doncaster's claimant count for 16-24 year olds is 10.9%, which also the highest in South Yorkshire.
13. The Government announced the Coronavirus Job Retention Scheme (CJRS) on 20 March 2020 to provide employers with financial support for their employees' salary. In total 43,600 employments have been furloughed through the CJRS in Doncaster (32% of eligible employments which is the same rate as England) for at least part of the period between March to June. National level data indicates that the take up of the scheme has been falling since June as the UK economy has opened up. However, the CJRS scheme will end on the 31 October and unemployment could rise as a result. The degree to which this happens will depend on the impact of the Government's new Job Support Scheme, which starts in November.
14. Urban centres have been acutely affected by Covid-19. The Centre for Cities High Street Recovery Tracker looks at the extent to which the UK major towns and cities are returning to their pre-Covid levels of activity. It is positive to see that Doncaster town centre is in the top 10 for how much footfall levels have bounced back.
15. Looking ahead, Doncaster (and the rest of South Yorkshire) is vulnerable to the long-term scarring of its economy. For example, unemployment can have long lasting impact on residents who may find it increasingly difficult to reconnect with job opportunities, which can then impact on their health and well-being.
16. It is still too soon to understand the full economic effects of the pandemic as there are many uncertainties ahead, particularly given the threat of a second Covid-19 wave, the fluidity of Government economic support and social-distancing policy, the risk a disruptive Brexit and how households and businesses respond to all these factors. A sustained recovery is by no means assured and even on current data it is clear that long-term disparities in prosperity across the UK could be exacerbated.
17. On a positive note, the Business Doncaster Investment team are still receiving new enquiries from companies looking at Doncaster and enquiries remain above target levels. Enquires are predominantly from companies in the retail and warehousing sector, particular on line, looking for warehouse space
18. The property sector remains positive and speculative commercial development, which was under construction at the start of the pandemic, has continued throughout the last six months. Units under construction at Armthorpe and the Airport are close to completion and are attracting significant interest

19. Funding

20. At the start of the pandemic the government introduced a range of funding measures designed to support business through the initial lockdown period

21. Small Business rates grant scheme.

Small businesses in England, which pay little or no business rates, were entitled to a one off cash grant of £10,000

Doncaster beneficiaries

<b>Claim Category</b>	<b>Number of businesses paid to date</b>	<b>Value paid to date</b>
Small Business Grant	3981	£39,810,000

22. Retail, Hospitality and Leisure scheme

Depending on the rateable value of the premises businesses in the retail hospitality and leisure sectors were entitled to a one off cash grant of up to £25,000

In addition, businesses in the retail, hospitality and leisure sectors in England have had business rates frozen for the 2020 to 2021 tax year

Doncaster beneficiaries

<b>Claim Category</b>	<b>Number of businesses paid to date</b>	<b>Value paid to date</b>
Retail, Hospitality and Leisure Grant	849	£15,045,000

23. Discretionary Grant scheme

Small and micro businesses with fixed property costs that were not eligible for the small business grant or the retail, hospitality and leisure grant were eligible for a local authority discretionary grant scheme. The business had to fit into certain categories outlined in the table below

Doncaster beneficiaries

<b>Claim Category</b>	<b>Number of businesses paid to date</b>	<b>Value paid to date</b>
<b>Phase 1</b>		
Shared spaces	51	£255,000

B&Bs	1	£10,000
Charity property (no SBR)	13	£130,000
Regular market traders (£1,000 - £3,000 - £5,000)	32	£54,000 (22 x £1k, 9 x £3k, 1 x £5k)
Nurseries	31	£310,000
Supply chain	6	£60,000
<b>Phase 2</b>		
Not in Rating	130	£1,295,000
Local single business RV £15-51k	95	£475,000
Parish or Town Council with NDR liability	8	£80,000
<b>Total</b>	<b>367</b>	<b>£2,669,000</b>

24. In total 5,197 Doncaster businesses have benefitted from these funding scheme to the sum of £57,524,000
25. All these schemes are now closed for further applications although Business Rates have still a small number of payments still to be made
26. In addition, the Business Doncaster team have engaged with 611 businesses and gave them additional COVID-19 support in respect of help with completing grant applications, Human Resource issues, understanding furlough etc.
27. As we move towards a second wave of infections during the autumn / winter seasons we await further government announcements on further grants for businesses. If any are forthcoming it is expected they will be successfully administered through local authorities as in phase 1
28. In addition to government intervention the Sheffield City Region through its economic recovery work have tasked a group made up of sub regional local authority employees, chamber of commerce's and other regional bodies to look at a range of programmes to support businesses in the region. One group has been charged with looking at financial assistance and a programme of both grant and loan support is being considered for companies that have not been able to access any previous COVID-19 grants and to support companies in priority business sectors. This group will report to the SCR business growth board in October with a financial programme proposal. Other programmes being looked at are digital connectivity, leadership and management, business advisors and supply chains

## OPTIONS CONSIDERED

29. There are no specific options to consider in this report

## REASONS FOR RECOMMENDED OPTION

30. This report provides the Panel with an opportunity to gain further insight of the effects of COVID-19 on the national, regional and local economy and to receive

information on how government business grants have been allocated in Doncaster

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

31.

	<b>Outcomes</b>	<b>Implications</b>
	<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	<p>The economy is at the centre of all Doncaster Council objectives and has a direct and indirect effect on all directorate Key Priorities</p>
	<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	
	<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>	

	<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes</li> </ul>	
	<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	

## **RISKS AND ASSUMPTIONS**

32. There are no specific risks associated with the recommendations of this report

## **LEGAL IMPLICATIONS [Officer Initials SRF Date 28/9/20]**

33. There are no specific legal implications arising from this report. Specific legal advice can be provided on any matters arising.

## **FINANCIAL IMPLICATIONS [Officer Initials...JC..... Date...28/09/2020..]**

34. On 29 September Cabinet considered the report “Updated medium-term financial strategy (MTFS 2021/22 – 2023/24)”. This report described the forecast impact of COVID-19 on the council’s financial outlook including the impact of lower business rates and a general downturn in the economy. The report considered risks relating to the economy including:
- Third Parties – risks that might materialise as a result of third parties and suppliers ceasing trading or withdrawing from the market.
  - Price Inflation – risks that inflation increases by more than the estimate built into the MTFS.

- Economy – risk that a recession increases the level of default on debt and bad debt provisions have to increase and/or a higher level of debt has to be written off.
- Spending Review – risks that may materialise as a result of the multi-year Spending Review, and reforms to Business Rates Retention and the Fair Funding Review.
- Business Rates Retention – risk that a Business Rates reset occurs in the next 3 years (assumption is that it does not happen but only formally postponed by Government until 2021/22 at the earliest) which would result in a loss of funding to the council.
- Collection Fund – risks that the income from Council tax and Business rates reducing by more than forecast in the MTF5 assumptions.
- Exiting the European Union – risks that may materialise due to exiting the European Union e.g. increases costs.

All risks including the above will be monitored during 2020/21 and the MTF5 will be updated accordingly in preparation for 2021/22 budget setting.

Specific financial implications relating to government funding measures designed to support business through the initial lockdown period are included within the body of the report.

#### **HUMAN RESOURCES IMPLICATIONS [Officer Initials DK Date 28/09/2020]**

35. There are no direct HR implications to this report

#### **TECHNOLOGY IMPLICATIONS [Officer Initials PW Date 25/09/20]**

36. There are no specific technology implications in relation to this report. Online forms have been developed as needed to support the funding measures outlined above.

#### **HEALTH IMPLICATIONS [Officer Initials...CT.....Date ...28.09.20.....]**

37. Public Health is appreciative of the overview of the situation regarding the economic impact arising from Covid 19. It is clear that the impacts to our economy will be far reaching, particularly on business who are unable to weather the storm, as well as people who are less skilled, less able to travel for employment and less able to adapt to change.

Working with our partners across SCR and other regional and sub-regional bodies will help develop a population approach to maximise opportunities for individuals and communities and businesses, and in particular those most vulnerable to the uncertain situation, to prevent widening health and social inequalities.

## **EQUALITY IMPLICATIONS [Officer Initials...CD... Date.....10.10.20.....]**

38. There are no equality implications with regards to this report. Regular review of the Overview and Scrutiny work plan enables the Committee to ensure it remains relevant and is responding to important issues for citizens and the borough. The work plan update helps support openness, transparency and accountability as it summarises outcomes from overview and scrutiny activities. Citizens are able to contribute to the work of overview and scrutiny by attending meetings or contributing to reviews

## **CONSULTATION**

39. There is no consultation required for this report

## **BACKGROUND PAPERS**

40. None

## **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

**GDP** = Gross Domestic Product  
**GVA** = Gross Value added  
**CJRS** = Coronavirus Job Retention Scheme  
**SBR** = Small Business Rates  
**RV** = Rateable Value  
**NDR** = Non domestic rates liability  
**SCR** = Sheffield City Region

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