

Introduction

This Economy Update has been produced by the Manor Royal BID to provide an insight into how the COVID-19 outbreak is affecting businesses and jobs in the Manor Royal Business District. These updates will be produced periodically as a means to inform stakeholders and influencers of how local businesses are coping and what additional support they require. It is also intended to help plan for recovery. The Manor Royal BID has adjusted its service provision in response to the crisis and has set up a mechanism for gathering feedback from companies based in the BID area.

Manor Royal Business District and the Manor Royal BID

The Manor Royal Business District is one of the UK's largest business parks. It covers an area of 540 acres accommodating over 9 million square feet of commercial floorspace (approx. 30% office, 60% industrial / warehousing / factories). Over 600 businesses are located in Manor Royal providing jobs for 30,000 people operating from over 750 business units.

It is a hub for a variety of core business activities including manufacturing, pilot training and simulation, medical devices, transport & logistics, wholesale activities plus a variety of professional, information communication, administrative services and HQ functions.

Manor Royal generates £34 million in business rates, accounts for over a third of all Crawley jobs, 63% Crawley's commercial floorspace offering, 25% of all business rates collected in the town and is estimated to make a fiscal contribution of £207m per annum. The health of Manor Royal is intrinsically linked to Crawley's overall health and the health of the wider economy and people's livelihoods, 18,000 commute from outside of Crawley to work in Manor Royal.

The Manor Royal BID is the largest "industrial" BID in the country. It was formed in 2013 and subsequently renewed with an improved mandate at the Renewal Ballot of 2018. Its aim is to support the businesses and employees and to "improve the trading and working environment of Manor Royal".

COVID-19 impact

The initial impact on Manor Royal based businesses is varied, reflecting the diverse nature of the business district. Some companies find they are still busy and trading well e.g. companies operating in the medical sector (Elekta and Welland), logistics companies (Hermes, Ocado, Amazon, Tesco.com etc) and certain retailers (Tesco, Aldi, Boots, B&M and Marks & Spencer) albeit all have had to make adjustments to respond as far as possible to guidance on social distancing.

However, there are many companies who are facing significant financial difficulty for whom their very future is under threat. The support put in place by the Government is either of little or no use. Without further help otherwise healthy, viable and active businesses will be forced to close with the subsequent loss of jobs and wider economic impact.

Shortcomings of Government support for Manor Royal

For the most part the initial response by the Government has been concentrated on Retail, Leisure and Hospitality businesses who are predominantly based on the High Street and town centres. These businesses benefit from help with rates holidays and grants of up to £25,000. This demonstrates a lack of understanding for the impact the crisis has on businesses away from the high street and those based in places like Manor Royal.

The decision of the Government to use ratable values as a criteria to judge qualification for financial help, while convenient, further places companies in Manor Royal at a disadvantage. Ratable value bears no relation to the success of a company, it's health, productivity or profitability. Local businesspeople and entrepreneurs are being penalised for operating from larger premises.

In these cases, companies are having to bear the cost of higher rents (often with no help from landlords), higher rates (with no help from Government) and are further compounded by not operating in Retail, Leisure or Hospitality.

Apart from the option of furloughing staff while having to remain closed, all these companies can do is take on more debt in the form of the Business Interruption Loan. This is not helpful for small business owners. In the longer run saddling companies with more debt will be a drag on recovery and still threaten the future viability of businesses. Similar criticisms can be levelled at VAT and rates deferrals where those liabilities still have to be met.

Research from the Corporate Finance Network (01 April 2020) estimates that 18% of SMEs could go bust within weeks and 32% within months and that loans to these companies, interest free or not, is not the kind of support they need. This is true of a number of Manor Royal companies we have spoken to. We are at risk of losing those companies who feel over-looked by Government. Approximately 98% of all companies in Manor Royal, and Crawley, fall into the SME category.

Some examples of companies under pressure are provided in the appendix to this note. These are merely examples of numerous similar calls and emails we have received at the Manor Royal BID office. We provide these to illustrate the impact across a range of sectors and business types.

Stress analysis

Below is a table that assesses potential areas of stress in Manor Royal i.e. those business units occupied by a business active in a possible vulnerable sector. This is a crude analysis as more information would be required to understand the absolute health and viability of these individual companies. We are collecting feedback and can report on this on a case by case basis.

Some examples are provided in the Appendix 01 and the analysis highlights the numbers of companies not qualifying for Government grants, although they can apply for loans.

	Retail	Retail related/ consumer	Car sales	Aviation	Pilot training	Tourism	Building /construction	Events / Leisure	Total
Business Units (Total)	39	47	25	40	6	8	36	23	224
Business Units (below £15k)	5	23	2	7	1	1	3	4	46
Not qualifying for grants	34	24	23	33	5	7	33	19	178

In total there are over 900 ratable units (hereditaments) in Manor Royal, of which 130 are a car park or advertising unit leaving 777 units available for occupation.

Of this number 224 (28.8%) are in one of the sectors that could be regarded at risk. 178 (22.9%) cannot access a Government grant, which is an under-estimate once the strict criteria is applied. This analysis does not take account of businesses operating in other sectors that might also be under stress e.g. transport and logistics (Manor Royal's largest single sector), Manufacturing, car repairs, wholesale/trade counter activities.

It should be noted that in total up to 270 business units fall below £15,000 threshold and might be able to qualify for a grant of £10,000 although certainly not all.

In summary, Manor Royal's exposure is significant and could equate to as many as 3,000 to 5,000 jobs – further analysis would be required to verify this figure.

Suggestions for further support

Broadly the recommendations made by the The Corporate Finance Network appear sensible allowing business owners who wish to exit their business through sale to do so in a structured way whilst protecting employees in the process.

For those otherwise healthy and viable businesses who want to trade out of the crisis to be able to access grants for smaller amounts (under £100k). For qualifying businesses this would avoid SMEs having to take on additional debt in the form of a loan, their only option available to help them respond to the dire trading conditions they currently face.

Alternative criteria, not ratable value, would be required to judge those businesses who should benefit from a grant. This might be a combination of available cash, previous trading figures and cashflow forecasts to help ascertain whether the business is otherwise viable and has reasonable prospects of longer-term survival following the crisis.

In the feedback from companies provided in the Appendix some other options are suggested.

Whatever alternative arrangements are made, if any, some level of business closure on Manor Royal seems likely. However, this figure is likely to be higher if companies cannot access further support.