

Introduction

This is the second Economy Update 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. This update places Manor Royal in its wider Crawley context drawing on recent published studies and resources (see Reference section). As well as providing an assessment of vulnerability this update makes the case for understanding place specific impacts, designing a place specific response and discusses shortcomings in available support.

Caution about assumptions but a degree of consistency

All places will be affected by the measures taken to protect public health. Estimates vary but suggest all towns and cities will have between 20-30% of jobs potentially affected in the short to medium term. A number of assumptions, scenarios and forecasting techniques have been used to draw these conclusions. How the crisis will actually play out depends on a number of variables. The situation is hugely volatile and subject to change, itself a problem for business and economic forecasters alike.

There is a degree of consistency among a number of commentators and economists, including those referenced here. What emerges is the unique impact that COVID-19 is having on different places, which is a function of the industrial structure of each place affecting their vulnerability and ability to recover.

Assessing vulnerability

A recent report from Centre for Cities, an economic think tank, estimates Crawley to be the most exposed of the UK's large towns and cities. This is attributed to the large number of jobs provided by Crawley linked to vulnerable sectors, particularly aviation and "exporting" industries. These are not necessarily jobs occupied by Crawley residents, they are jobs generated by Crawley based businesses.

Based on their analysis over half of Crawley jobs are at risk of being furloughed or lost. This is qualified by the report authors who recognise that the effects of Covid-19 are uncertain and difficult to predict.

ING, financial and economic analysts, report an impact on all sectors with some positive effects in the health sector. They report tourism, hospitality and aviation facing sharp falls in demand, with little chance of catching up later on. Retail trade in non-food products faces a similar period of low demand. Transportation, manufacturing and wholesale trade have good chances of catching up once supply chains are restored, subject to supply constraints. Moody's judge mining/oil and gas, transportation, employment services, travel arrangements, and leisure & hospitality as being most vulnerable.

How vulnerable is Crawley?

This section draws on the assessment tool developed by Hatch Regeneris. Their dashboard tries to identify exposure across England's 343 local authorities. It draws on a range of economic, social and health indicators. They identify areas surrounding airports as having acute levels of employment exposure.

Those areas that rank in the top 25 of local authority areas are classified as “most exposed”, those in the middle 50% are classified as “exposed” and those in the bottom 25% as “least exposed”.

Local Authority	% of businesses impacted by Covid19	% of employment impacted by Covid19	% self-employment
Adur	Exposed	Least Exposed	Exposed
Arun	Most Exposed	Most Exposed	Exposed
Brighton and Hove	Most Exposed	Most Exposed	Most Exposed
Chichester	Most Exposed	Exposed	Most Exposed
Crawley	Most Exposed	Most Exposed	Least Exposed
Epsom and Ewell	Exposed	Exposed	Exposed
Horsham	Least Exposed	Exposed	Most Exposed
Mid Sussex	Exposed	Exposed	Exposed
Mole Valley	Exposed	Least Exposed	Most Exposed
Reigate and Banstead	Exposed	Least Exposed	Most Exposed
Tandridge	Least Exposed	Exposed	Most Exposed
Worthing	Most Exposed	Least Exposed	Most Exposed

Locally, Crawley is judged to have a relatively high level of exposure although no one is unaffected. The stand-out figure is the percentage of employment judged to be in a vulnerable sector.

Local Authority	% of businesses impacted by Covid19	% of employment impacted by Covid19	% self-employment
Worthing	31	23	18
Tandridge	25	27	29
Reigate and Banstead	26	23	21
Mole Valley	26	21	24
Mid Sussex	26	25	13
Horsham	25	26	18
Epsom and Ewell	26	26	15
Crawley	31	50	10
Chichester	29	28	27
Brighton and Hove	32	31	18
Arun	29	31	14
Adur	27	23	15

On a more positive note Crawley compares well on Societal and Health indicators.

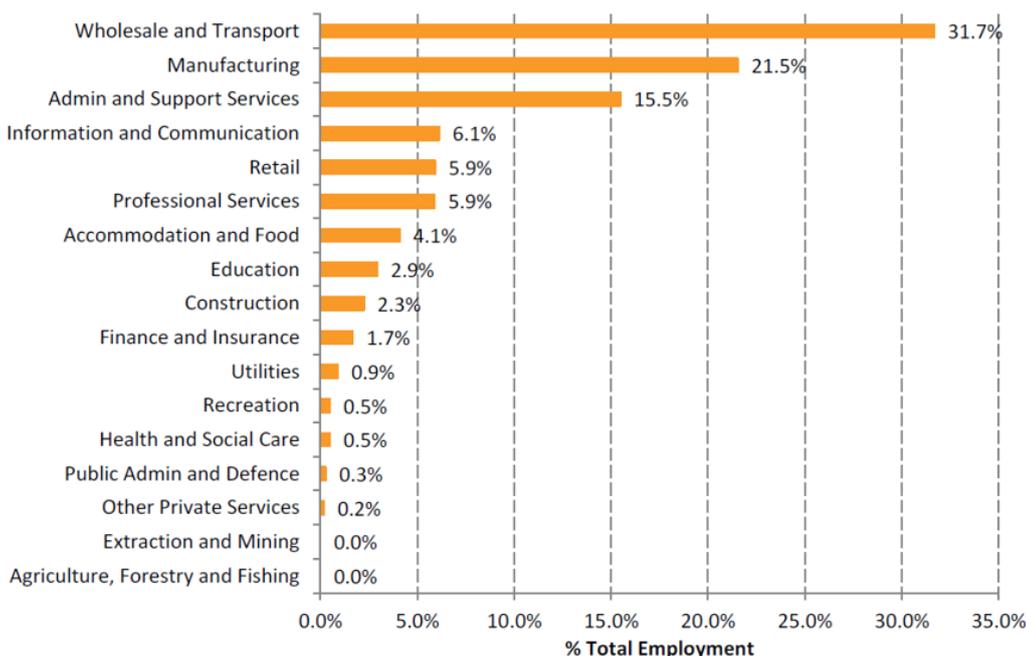
Employment in Crawley

The top 5 employment sectors account for 70% of all Crawley employment. Those in red are those sectors judged to be the most vulnerable and account for 45% of all employment with a further 1,250 jobs (1.3%) in Arts and Leisure. By no means will all these jobs necessarily be at risk. The comparatively high number in the Transport and Storage sector reflects the influence of the aviation sector.

	Crawley	Crawley	South East	Great Britain
		(%)	(%)	(%)
Total Employee Jobs	94,000	-	-	-
H : Transportation And Storage	23,000	24.5	4.7	4.8
N : Administrative & Support Activities	17,000	18.1	8.9	9.1
G : Wholesale & Retail; Repair of Motor Vehicles/ Motorcycles	13,000	13.8	16.4	15.2
C : Manufacturing	7,000	7.4	6.4	8.1
I : Accommodation & Food Services	7,000	7.4	7.4	7.6

A look at Manor Royal

Wholesale and transport is Manor Royal’s largest employment sector (approximately 10,000 jobs) of which 4,400 are in some way connected to aviation (15% of all Manor Royal jobs). There are 70 motor-related businesses based in Manor Royal, with 25 business units dedicated to motor sales, judged to be a vulnerable sector. 1,300 jobs in Manor Royal are retail related and another 1,000 classified in Accommodation, Food and Recreation. This highlights a degree of exposure that Manor Royal shares with the wider Crawley area.



Shortcomings in available support

Combined with the conclusions of the previous Economic Update, these vulnerability factors reinforce the fact that the current package of support falls short of meeting the needs of many operating in Manor Royal for the following reasons:

- Most Manor Royal properties have a Rateable Value (RV) greater than the £15,000 threshold to qualify for a grant. 65% of all Manor Royal properties have an RV above £15,000.
- Rateable value is a poor indicator of business size or need. While administratively efficient using the Business Rates system means that grant assistance is sometimes provided to those that don't most need it, while those that do miss out.
- A concentration on Retail, Leisure and Hospitality fails to recognise support required by businesses operating in other sectors.
- Applying for a Business Interruption Loan for many is the only option, other than furloughing staff. Having to service a new debt is not a palatable option particularly for a number of small and medium-sized business owners when the pace and path of recovery is unknown.
- The current response does not take account of place specific impacts and vulnerabilities.

Suggestions for alternative support

Some of these options have been highlighted previously and provided here for completeness alongside further suggestions based on business feedback and economic insights:

- **Recognition of unique place impacts:** Insight from economists is clear. Different places will be impacted differently according to the unique circumstances and industrial structure of each town and city. This needs to be recognised by Government and those stakeholders who can influence Government decisions.
- **Devise place specific support:** It is not realistic for Government to develop individual packages of support for each of England's 343 local authority areas. However, there is an argument for place-specific support for those towns and cities that are judged to be at risk through their exposure to high levels of employment in vulnerable sectors. A particular case might be made for those places that otherwise have the potential for future growth and increased productivity with the resulting benefit this would have in increased tax receipts for Government.
- **Access to larger grants:** Subject to satisfying certain simple conditions, for businesses unable to benefit from the current available support to able to apply for larger grants. The Corporate Finance Network suggest up to £100k.
- **Use a different basis for assessing suitability:** Rateable Value is a poor basis for assessing need and is too blunt an instrument for getting financial support to those that most need it and are best placed to survive and thrive in the future.
- **Rent assistance:** After staff costs, the cost of rent and rates represents the biggest financial strain on businesses. Some landlords have made allowances for this. Others either have not or cannot offer discounts or rent reductions as they too have debts to service. Some have offered to defer rent payments, which helps in the short term but in the medium to longer term can represent a

sizeable burden that could still result in the threat of closure when the debt falls due later in the year. Additional support in this area would help, this could be in the form of the proposed grant or by introducing a scheme that allows businesses to furlough unusable commercial floorspace due to lockdown measures on a similar basis to the scheme in place allowing employers to furlough employees.

Conclusion

Manor Royal is exposed to a level of risk that requires a place specific response, as does Crawley as a town. Manor Royal businesses would benefit considerably from an expanded package of support. Forecasts paint a fairly dire picture but the difficulty with making accurate predictions should be kept in mind. Nonetheless, there is enough agreement concerning vulnerability factors affecting the town that suggests their conclusions should be taken seriously.

There are some brighter spots too. Some businesses are trading well, although it is uncertain how sustainable this will prove to be. Forecasts are also more positive about businesses operating in Health care, medical equipment, freight transport and some aspects of business services and support services that are well-represented in Manor Royal.

Manor Royal based businesses are encouraged to take advantage of those services being provided by the Manor Royal BID and to use the dedicated Feedback Form that can be found at www.manorroyal.org/covid19

References

1. Hatch Regeneris, COVID-19 impact exposure tool
<https://www.regeneris.co.uk/exploring-local-exposure-to-covid-19/>
2. Center for Cities Blog, "What does the COVID-19 crisis mean for the economies of British cities and large towns?" (16 April)
<https://www.centreforcities.org/blog/what-does-the-covid-19-crisis-mean-for-the-economies-of-british-cities-and-large-towns/>
3. Lichfields, Manor Royal Economic Impact Study (January 2018)
https://www.manorroyal.org/pages/index.cfm?page_id=78&title=projects&project_id=35