



Discussion Document:

Post Covid Economic Recovery:

A short term perspective:

Is business heading for the perfect storm?

December 2020

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BACKGROUND

The Chancellor delivered a review of spending at a time when, as he put it, the health emergency is not over and the economic emergency has only just begun.

He said that GDP will grow by 5.5% next year, and 6.6% in 2022, with a return to pre pandemic levels at the end of 2022 - good news but big challenges lie ahead

ISSUES

Although HMG clearly feel that recovery is on the horizon as a result of the support being offered and as hope of vaccine rollout increase, challenges lie ahead.

These have not been widely picked up yet, but will bring significant risks, and are highly likely to impact negatively on businesses and local economies.

Depending on progress, UKPLC could be heading for a perfect storm starting in Q1 2021 as businesses may face a 5 point challenge:

- Corporation tax bills in respect of the year ending 31/03/20 will fall due on 01/01/21.
- VAT deferrals carried forward from March-April 2020 will need to be paid by 31/03/21 unless businesses opt into the VAT deferral payment scheme when it launches.
- Covid related loan repayments will be looming with CBILS and Bounce Back repayments starting for some businesses from Q2 2021.
- The Furlough scheme will cease at the end of March 2021.
- Post Brexit reality will kick in.

THE OPPORTUNITY

This may all place a huge strain on UKPLC and the impact is at this stage hard to predict.

Economic development professionals will need to be aware of the issues involved for business.

Some Local Authorities have worked hard to get close to their local business community, so understand the commercial realities they deal with - others have more to do.

The need for ongoing support and the storm looming in 2021 provide the perfect platform to build bridges with business.

KEY ACTIONS

There are many issues involved, and careful thought needs to be given to relative priorities and resource. All options should be considered.

Relationships with business will be central to understanding and managing local economic development in 2021. Proactive contact with business will be critical – for example:

- Development of relationship management protocols between Councils and business will be important to build, or refine. Existing bridges must be reinforced and new ones built.
- Contact with business groups such as the CBI, IOD, FSB and Chambers will be important to ensure lines of communication are open.
- Productive relationships with LEPS must be maintained so funding and support can be coordinated and channeled as needed – innovative schemes may be required.

Economic development professionals who liaise with local employers may identify opportunities:

- To reinforce existing relationships and develop new ones
- To reinforce key messaging about support already provided via Grants
- To identify thriving businesses which may be growing or recruiting and wanting help
- To spot businesses which may be in need of assistance via referral to service providers
- To identify potential inward investment issues or possible moves into/away from the area
- To offer guidance via services such as Planning, Trading Standards or Environmental Health

However, there may generally be a lack of capacity to do this, so outside expert resource may be useful to add capacity, knowledge, skill experience and expertise. This shares the workload and brings in fresh thinking...both of which may possibly be helpful.

DEYTON BELL

Deyton Bell specialise in economic development and business support issues and have provided associated services to over 40 different LEPs and Local Authorities in recent years. We believe there is a need for urgent action to address the 5 point challenge business will face.

NEXT STEPS

To discuss any aspect, please contact Neil Darwin, Director and Chief Economist via: neildarwin@deytonbell.com or on 07860 - 663234.

Alternatively, you can of course also contact any of our other Directors as follows:

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