

CABINET

Date of Meeting	Tuesday, Tuesday, 18 January 2022
Report Subject	Flintshire Economy Update
Cabinet Member	Cabinet Member for Economic Development
Report Author	Chief Officer (Planning Environment and Economy)
Type of Report	Operational

EXECUTIVE SUMMARY

The United Kingdom (UK) economy is undergoing a major transition as a result of two unprecedented events, the Covid-19 pandemic and the UK departure from the European Union (EU). The impacts of these events are still evolving not least because neither event is over; the pandemic is still active and discussions with the European Commission still continue and have the potential to dramatically change conditions for businesses.

This report provides a summary of current economic conditions in the region and the County drawing from a number of sources. The report provides a summary of the governance structures in place to respond to economic recovery and the work programmes currently underway.

RECOMMENDATIONS

1	That the contents and conclusions of the report are considered and supported.
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REPORT DETAILS

1.00	EXPLAINING THE BACKGROUND AND UPDATING ON THE ECONOMIC POSITION AND IMPACTS WITHIN FLINTSHIRE
	<u>Brexit</u>
1.01	On 31 December 2020 the transition period for the departure of the UK from the EU came to an end. The UK Government negotiated the European Union UK Trade and Co-operation Agreement with the European Commission which provided a framework for the future relations between the EU and the UK. It should be stressed, though, that the Agreement is not a completed process and there are many areas where negotiations will continue over future years to resolve outstanding matters.
1.02	This is an unprecedented situation as no major economy has ever left a closely integrated trading bloc previously. Due to the unique nature of the situation, predicting the likely impacts with any degree of certainty is not possible. With virtually no exceptions, all modelling produced prior to the end of the transition period projected reduced economic growth for the UK in future years compared to what would have been the case had it not left the EU.
1.03	The Trade and Co-operation Agreement with the EU does not apply tariff barriers to trade that would add extra costs to UK products being sold in Europe. However, the decision by the UK Government to allow the UK to diverge from EU standards and regulation will create additional regulatory burdens for UK businesses wishing to export goods which have the potential to reduce their competitiveness.
1.04	It is important to separate the short term disruption arising from the UK leaving the EU with a limited period for businesses to adjust from the longer term impacts which may take several years to appear, if at all.
	<u>Covid-19</u>
1.05	The Covid-19 pandemic has had severe economic impacts due to the restrictions needed to control the spread of the virus. The full impact of the pandemic on the economy cannot yet be fully predicted, not least because some restrictions are still in place and the picture is becoming distorted due the new variant of concern, Omicron. It is expected that the economy make take several years to bounce back to its pre-pandemic activity levels.
	<u>Economic update</u>
1.06	Cardiff University and Nottingham Business School produce an annual UK Competitiveness Index Link . This year's report, released in November 2021, compares indicators for a range of geographies across the country and creates an index to compare them. It defines competitiveness as "the capability of an economy to attract and maintain firms with stable or rising market shares in an activity, while maintaining stable or increasing standards of living for those who participate in it."

1.07	Flintshire now ranks 149th out of 362 counties, a relative fall of 7 places since 2020. As with all indices, this may represent an improvement in the placings of other counties, not necessarily a worsening of conditions in Flintshire. Flintshire has consistently ranked the third highest in Wales after Cardiff and Monmouthshire.
1.08	North Wales as a whole was ranked the 39th most competitive region of the UK (out of 47); a marginally improved position since 2018, but reflective of the historically weaker economic position of Wales as a whole compared to the UK. The report finds that forecasted economic growth is likely to be slow across the UK and that all regions have localities that are being left behind although this is more prevalent in the North East, Yorkshire and Wales.
1.09	The Office for National Statistics issued a bulletin Link in November 2021 which highlights that most economic sectors in the UK have around 1 in 5 businesses that have either stopped trading permanently or temporarily or are operating at a reduced trading level compared to pre-pandemic levels. For the transportation and storage sector this stands at 32% or 1 in 3 businesses.
1.10	The bulletin also highlights that around 1 in 4 businesses report reduced turnover compared to normal expectations for the time of year. This isn't evenly felt, though, with service activities, arts, entertainment and recreation and accommodation and food services most likely to report declined turnover and real estate and transportation and storage least likely to.
1.11	Business confidence in their short-term survival has declined in recent months and is particularly low in the service sector which was highly reliant upon the Government furlough programme which ended in September 2021.
1.12	An increasing proportion of businesses were experiencing challenges with exporting or importing (75%), especially the latter. The main challenges listed tended to be additional bureaucracy and changes to transportation arrangements.
1.13	<p>The October 2021 labour market intelligence report produced by the North Wales Regional Skills Partnership Link provides a snapshot based on employer feedback and a variety of data sources. A summary of the findings are included below.</p> <ul style="list-style-type: none"> • There have been fewer large-scale redundancies announced following Covid than many feared. Most redundancies were notified in the manufacturing, accommodation and food services sectors in North Wales with Flintshire and Wrexham the most severely affected. • The Government furlough scheme, which was supporting 26,000 jobs in Flintshire as of July 2020 and 2,500 in August 2021, ended in September so Covid impacts may still arise and could potentially increase again due to Omicron. Smaller businesses, with less resilience to adverse economic conditions, are more

	<p>likely to be impacted but their redundancies are usually too small in scale to be registered so may pass unrecorded.</p> <ul style="list-style-type: none"> • There has been a slight fall since May 2021 in the number of Universal Credit claimants across North Wales after a significant increase to that point. Almost half of all claimants are located in Flintshire and Wrexham (13,211 in Flintshire September 2021). • Unemployment has fallen over the last year in North Wales, unlike the rest of Wales. The proportion of people who are unemployed in Flintshire in October 2021 was 3.9% compared to a Wales figure of 4.3%. In October 2020 this stood at 5.2% and 5.7% respectively and in October 2019 at 2.8% and 3.0%. • There has been a significant and sustained decrease in the availability of candidates for employment with employers citing Covid, Brexit and candidate uncertainty as the main factors. 81% of employers are facing recruitment challenges. • The numbers of jobs posted has almost doubled since March 2020 with vacancies for nursing, personal care, care workers, kitchen and catering assistants, cleaners and van drivers all proving hard to fill. • Positively, there has been a significant increase in employers considering recruiting an apprentice (97% increase in Flintshire since 2020). However employers, especially in the hospitality, food manufacturing, retail and customer service sectors struggle to fill opportunities. • The mismatch between the aspirations and skills of young people and the needs of the labour market was an issue pre-Covid and remains a major long-term problem. • Business confidence is low due to recruitment challenges, uncertainty and Government changes to the tax regime. • The top four challenges that are currently facing businesses across North Wales as a result of the pandemic are: • <ul style="list-style-type: none"> • Loss of skilled staff (39%) • Training plans have been delayed (18%) • Supply chain issues (15%) • Financial challenges (11%)
1.14	<p>A summary of the situation in different business sectors is provided below, largely drawing upon the Regional Skills Partnership survey, but supplemented by local intelligence gathering.</p>
1.15	<p>Manufacturing (14% of North Wales employment, 28.2% of Flintshire employment)</p> <p>The sector, the most critical in Flintshire by scale, appears to be recovering strongly from the impacts of Covid notwithstanding issues with supply chains and recruitment. Locally, there remains strong business interest in investing in the County and in business expansions. The availability of candidates with the right skills remains a significant constraint to recovery and longer-term growth as does the availability of suitable sites and premises for investment. The increased cost of operating supply chains may cause a long-term competitive disadvantage to plants in Flintshire.</p>

1.16	<p>Construction (5.6% of North Wales employment, 6.3% of Flintshire employment)</p> <p>The sector was severely impacted by Covid but few further redundancies are expected regionally. Supply chain and recruitment issues remain a major challenge. The sector struggled to recruit before the pandemic and the supply of a suitably skilled workforce may constrain growth.</p>
1.17	<p>Energy and Environment (8.9% of North Wales employment)</p> <p>The sector appears to have been largely resilient to the impacts of Covid and retains significant growth potential. Direct recruitment seems less problematic than for other sectors although supply chain companies can struggle.</p>
1.18	<p>Food and Farming (6.6% of North Wales employment)</p> <p>The sector was severely impacted by Covid and by Brexit challenges. The sector is showing signs of recovery although supply chain challenges remain. The sector has traditionally struggled to fill vacancies and this has escalated post-pandemic.</p>
1.19	<p>Health and Social Care (16.1% of North Wales employment, 7% of Flintshire employment)</p> <p>The sector was severely impacted by Covid and Brexit. The sector has traditionally struggled to fill vacancies and this has reached severe levels, combined with growing demands upon the sector. The sector cannot operate competitively to increase wages and improve terms and conditions due to the constraints of public sector funding levels. Locally, this has included severe impacts upon the Council and its care providers.</p>
1.20	<p>Tourism and Hospitality (11.8% of North Wales employment, 6.3% of Flintshire employment)</p> <p>The sector was severely impacted by Covid disruption. It struggled with recruitment pre-pandemic and this has escalated subsequently and may be a major long-term constraint upon the sector.</p>
	<p><u>Commercial estate</u></p>
1.21	<p>The Council has commercial units in a number of locations across the County as well as business centres in Greenfield and Deeside. The proportion of void units has declined significantly between February 2020 and August 2021 when analysis took place. For commercial units the level of void units fell from 12% to 7% and for smaller units from 28% (Dock Road), 13% (Pinfold Industrial Estate) and 10% (Garden City) to 0% across all sites. The picture is different for the business centres with Greenfield void levels remaining broadly stable at around 38% but voids in Deeside Enterprise Centre rising from 5% to 16% due to a large occupant leaving.</p> <p>Feedback from commercial agents is that commercial property stock is extremely scarce in Flintshire. The Business Development team and Welsh Government support businesses to find suitable land and premises</p>

for investment and find that businesses are struggling to locate in the County.

Business rates

1.22 As of September 2021 there were 5,485 premises in Flintshire registered for Business Rates. Approximately 656 (14%) had been notified as vacant. The table below shows the distribution of vacant units across the County and by the main planning use classes.

	A1 Shops and retail	A2 Professional services	A3 Food and drink	B Offices, industrial and storage	Overall
Flintshire	9.4%	26.5%	9.7%	9.2%	14%
Buckley	12.2%	22.2%	0	37.5%	16%
Connah's Quay	4.8%	0	11.1%	20%	8%
Holywell	12.5%	35.3%	11.1%	41.7%	21%
Mold	8.1%	23.4%	12%	21.4%	17%
Flint	8.9%	42.2%	0	10.7%	17%
Saltney	6.7%	50%	0	0	3%
Shotton	8%	12.5%	0	27.3%	11%
Queensferry	9.4%	14.3%	0	25%	15%

There are a number of uses that appear particularly likely to be vacant and which will need further monitoring as the Covid recovery process continues.

Town centres

1.23 The Council undertakes periodic informal counts of ground floor vacant units in the core of the town centres. As of September 2021 the number of vacant units in each town stood at:

Town	September 2021		2017	
	No. units	% vacancy	No. units	% vacancy
Buckley	7	7.1%	10	10.2%
Connah's Quay	4	7.1%	9	16.1%
Holywell	10	8.8%	13	11.5%
Mold	10	4.2%	15	6.3%
Flint	4	3.2%	12	9.6%
Saltney	1	7.7%	1	7.7%
Shotton	5	5.4%	13	14.0%
Queensferry	3	4.6%	7	10.8%

The numbers above do not match those in paragraph 1.22 due to different sampling boundaries being used.

This is an extremely low level of vacancy and is expected to have improved further since the time the count was made. Anecdotally, there appears to be a resurgence of interest by small companies in acquiring town centre floor space for retail. Investment by larger companies and retail developers remains very limited in most smaller towns.

1.24	Where there are still vacancies, though, they appear to persist longer in Flintshire towns than is the average for Wales. Analysis by the Local Data Company in 2021 found that persistently vacant units were declining in Flintshire as a whole they remained higher than the Wales average in all towns except Buckley and Queensferry.
1.25	The Council has, to date, had insufficient sources of data to monitor town centre health. In response, it is currently commissioning electronic footfall monitoring equipment for all town centres. In addition, it has appointed extra staff capacity to engage and support town centre businesses and gather first hand intelligence about trading conditions.
	<u>Regional and local responses</u>
1.26	The public sector and its partners have taken action at every spatial scale to respond to the economic impacts of the Covid-19 pandemic. Both UK and Welsh Governments have released a wide range of financial support packages for businesses which continue to be vital to helping businesses to survive the disruption to their operations. The Council has been heavily involved in delivering Welsh Government funded grants to local businesses.
1.27	Regionally, a new governance structure has been established, building upon existing regional working relationships. This is led by the regional Economic Recovery Group which brings together Welsh Government, the North Wales Economic Ambition Board, local government, other public sector bodies and the private sector. A package of short term economic stimulus actions has been developed and has been submitted to Welsh Government for consideration. The package includes: <ul style="list-style-type: none"> • urgent action to co-ordinate support for unemployed people, help businesses to recruit and respond to future skills needs; • measures to help the tourism and hospitality sector to recover; • short term actions to help with town centre recovery; and • actions to better understand North Wales business needs, support town centre businesses and attract new investors in North Wales.
1.28	Also at the regional level, the Mersey Dee Alliance is working with UK and Welsh Governments to identify a package of support for the cross-border area to complement the work in on each side of the border. This package will include work streams on town centres, digital infrastructure, the energy sector and sustainable transport.
1.29	Locally, a multi-agency Economic Recovery Group for Flintshire has been established to ensure that workstreams are effectively co-ordinated and complement the work of partners and of regional programmes. The Group oversees workstreams including town centre places, tourism and destination management, business development, employment and promotion.
1.30	The economic recovery workstreams are still evolving as the situation on the ground is still subject to change with the EU exit having only recently

	<p>taken place and the Covid pandemic still underway. The priorities set out below are therefore likely to change to meet local needs.</p> <ol style="list-style-type: none"> 1. Contribute to regional work streams for economic recovery and, in particular, ensure that regional investment packages adequately meet the needs of Flintshire. 2. Work both regionally and locally to connect key employment sectors more effectively to young people and parents to reduce the mismatch between labour market opportunities and aspirations. 3. Ensure that development work is undertaken so that Flintshire is able to take advantage of regional programme funding as it becomes available. 4. Reshape business development programmes to: <ol style="list-style-type: none"> a. Increase emphasis in 1-1 and group support on helping business to adapt, diversify and build their resilience. b. Increase emphasis on online channels of support. c. Increase engagement with, and support for, High Street businesses. d. Continue to promote the town centre, tourism and hospitality sectors to assist with their recovery. e. Increase engagement with, and monitoring of, sectors at highest risk. f. Work with Welsh Government to improve the availability of sites and premises to facilitate business investment. 5. Maximise the local economic and social benefits from Council expenditure <ol style="list-style-type: none"> a. Increase the number of Council contracts that include social value clauses and increase the scale of benefits realised. b. Provide targeted support to help local companies to supply the public sector. 6. Increase the scale and ambition of the town centre regeneration programmes to include: <ol style="list-style-type: none"> a. Improvements to the appearance of the towns including properties, green infrastructure and the street environment. b. Targeted redevelopment of sites and properties for a more diverse range of uses to reduce retail reliance. c. Encourage new enterprises into town centres including social businesses and circular economy businesses. d. Develop digital infrastructure in towns to enable better monitoring of their vitality as well as business. e. Improve access to the towns through sustainable and active travel. 7. Improve the digital infrastructure of the County to support business adoption and access by household. 8. Respond collaboratively to redundancy announcements to support companies and staff. 9. Provide a flexible mentoring service to unemployed individuals to help them to re-engage with the labour market.
1.31	<p>The Council will continue to bid for external funding to support these work programmes wherever resources become available. In summary, these currently include:</p> <ul style="list-style-type: none"> • UK Government Levelling Up Fund – next round not yet launched.

	<ul style="list-style-type: none"> • UK Government Shared Prosperity Fund – not yet launched. • Mersey Dee Alliance – the Council has played an active part in submitting a programme of proposals to UK and Welsh Governments to promote short to medium term economic recovery. Further discussions with the two Governments are underway. • North Wales Growth Deal – the Council has played an active part in securing this funding and continues to contribute to the programmes to ensure effective delivery and benefits realisation across North Wales. • The Council has worked with the North Wales Economic Ambition Board to submit proposals to Welsh Government for short term actions to kick start economic recovery. A decision is awaited. • Welsh Government – Transforming Towns programme – the Council can bid for funding for capital projects including property investment. All towns are eligible. • Welsh Government Covid recovery grant programmes – the Council has delivered Welsh Government funded grants to businesses in the County. Further grants rounds are expected. • Welsh Government – repayable funding programmes – the Council is currently issuing loans to town centre businesses to support property investment. • Welsh Government – Town Centre Entrepreneurship Loans to businesses delivered by the Development Bank for Wales. Currently only four towns in North Wales are eligible. Welsh Government are due to review the programme in early 2022 and eligibility may expand. • Business Wales and Development Bank for Wales – a wide range of support is available to businesses. The Council promotes these programmes to local businesses.
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2.00	RESOURCE IMPLICATIONS
2.01	None arising directly from this report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	None arising directly from this report.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Links included within the text above.

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Niall Waller (Enterprise and Regeneration Manager) Telephone: 01352 702137 E-mail: niall.waller@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
	<p>Business Wales – Welsh Government’s business support team.</p> <p>Development Bank for Wales - set up by the Welsh Government to support the economy of Wales by making it easier for businesses to access finance.</p> <p>Mersey Dee Alliance – partnership that supports strategic economic growth across North East Wales, Wirral and West Cheshire.</p> <p>North Wales Economic Ambition Board - a joint committee comprising the six local authorities for North Wales together with representation from the business community and higher education.</p> <p>North Wales Growth Deal – a programme of capital projects funded by both UK and Welsh Governments to boost the economy of North Wales.</p> <p>North Wales Regional Skills Partnership – body established by Welsh Government to steer post 16 skills provision in North Wales.</p> <p>Tariff barriers - These are taxes on certain imports. They raise the price of imported goods making imports less competitive. (www.economicshelp.org)</p> <p>Universal Credit – a social security payment announced in 2010 and replacing a range of previously separate benefits. The phased roll-out of the benefit to recipients is still underway.</p>