Sir y Fflint Flintshire COUNTY COUNCIL

Environment & Economy Overview & Scrutiny Committee

Date of Meeting	Tuesday, 9 March 2021
Report Subject	Economic Recovery
Cabinet Member	Cabinet Member for Economic Development
Report Author	Chief Officer (Planning, Environment and Economy)
Type of Report	Strategic

EXECUTIVE SUMMARY

The 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. There are a number of studies and reports that attempt to project the potential impacts of these events upon the economy but while all model a negative impact the scale and detail of the impact remains uncertain.

This report summarises some of the work produced to date on this topic and, wherever possible, highlights areas of particular risk for Flintshire. Future economic actions will need to take account of these potential risks and monitor and respond effectively to them. In particular, the report draws upon analysis produced by Hatch on behalf of the North Wales Economic Ambition Board and by Grant Thornton on behalf of the Welsh Local Government Association.

The report also sets out the governance structure that has emerged at both the regional and county level to support economic recovery and what programmes of work are emerging in response.
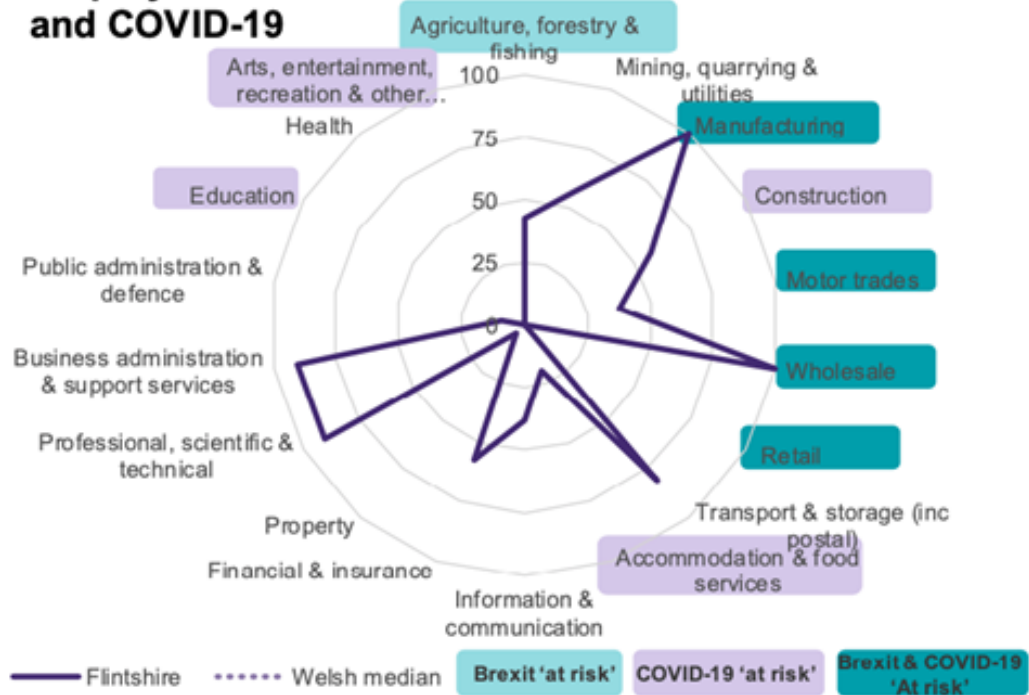
	RECOMMENDATIONS
1	That Members note the potential economic outlook projections and review the recovery structures established to steer future actions.
2	That Members note the current and proposed work programmes established to support economic recovery in Flintshire.

REPORT DETAILS

1.00	**Explaining the economic recovery**
	<u>Brexit</u>
1.01	On 31 December 2020 the transition period for the departure of the UK from the European Union came to an end. The UK Government negotiated the EU UK Trade and Co-operation Agreement with the European Commission which provides 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; in general economies seek greater integration not less. Due to the uniqueness 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. The information presented in this report focusses primarily upon the latter.
1.05	In December 2020 Grant Thornton produced a report on behalf of the Welsh Local Government Association on the potential trade impacts of the UK leaving the EU. The Grant Thornton report highlights that "the European Union (EU) is Wales' largest trading partner, accounting for 61% of all goods exports in 2019. It is a dependency that is notably greater than the United Kingdom (UK) as a whole where the EU only accounted for 48% of all exports." The Bank of England estimate a 10.5% reduction in trade across the UK under the new Trade and Collaboration Agreement and a reduction in Gross Domestic Product of 3.25%. Grant Thornton estimate that the Trade and Cooperation Agreement could reduce exports by 6% each year compared to what would have been expected otherwise. This equates to an annual loss of £1.1bn to the Welsh economy.
1.06	There are a number of risks arising in a Flintshire context:

	• Due to its economic profile Flintshire is particularly vulnerable to the trade impacts highlighted above. Grant Thornton estimate that the Flintshire and Wrexham economic area could lose £300m annually in trade. This excludes consequential effects upon supply chain companies as the impact of lost trade income "ripples" through them. • A disproportionate proportion on Flintshire businesses are not owned locally, making them more vulnerable to disinvestment decisions made elsewhere. • There are a higher proportion of Flintshire residents with low skill levels compared to the Wales average. Typically, those with the lowest skills are most at risk of redundancy and longer term unemployment.
	<u>Covid-19</u>
1.07	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 the restrictions are still in place and evolving. It is expected that the economy make take several years to bounce back to its pre-pandemic levels.
1.08	Current economic impacts of the pandemic include: • All sectors have suffered adverse impacts from Covid with the majority of businesses reporting negative impacts. • The tourism and hospitality sector has been disproportionately affected and businesses in the sector are less likely to have the cash reserves needed to survive. In Flintshire, it is estimated that the sector had generated £179m less in revenue by October 2020 than it had by the same point in the previous year (STEAM 2020). • Critical sectors such as aerospace, automotive and advanced manufacturing have made considerable use of the furlough scheme which is masking the impact of Covid upon those sectors. • There has been a major reduction in job opportunities posted especially in the retail and tourism sectors. • Unemployed claimants have doubled compared to pre-Covid levels. Young people have been disproportionately impacted.
1.09	The diagram below from the Grant Thornton report shows where potential impacts from Brexit and Covid may be most likely to be felt within Flintshire.

Employment sectors – At risk from Brexit and COVID-19

Legend: —— Flintshire ••••• Welsh median | Brexit 'at risk' | COVID-19 'at risk' | Brexit & COVID-19 'At risk'
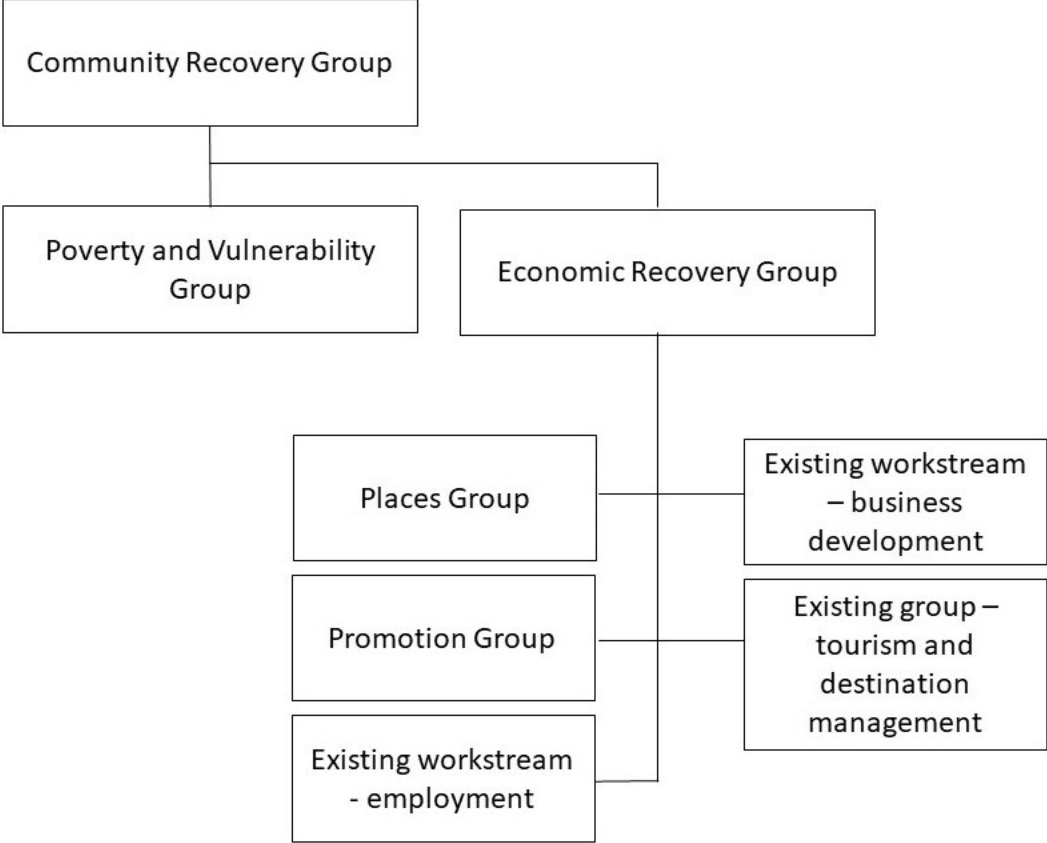
1.10	The Hatch study identified that businesses are responding to the Covid-19 pandemic and rethinking their long term intentions. These include: • rethinking premises and physical footprints; • reducing overheads and building resilience; • diversification; and • shifting to greater online activity.
	<u>Economic recovery</u>
1.11	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.
1.12	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 and other public sector bodies and the private sector. The Group is leading the development of a regional recovery strategy as well as developing a package of short term support measures for the region. The Group has established sub groups to lead on: response to redundancies; town centres; and business support. There are existing work streams in place for skills and employment.
1.13	Following the signing of the North Wales Growth Deal in December 2020, detailed development of the individual projects in the package is underway. This will include a review to ensure that projects take account of the changing economic picture.

1.14	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.
1.15	Within Flintshire a governance structure has been established to lead the approach to economic recovery. The structure of this is set out below.
1.16	The roles of the new groups are: Economic Recovery Group - Representation from the Council, Department for Work and Pensions, Coleg Cambria, Federation for Small Business, Welsh Government and the tourism sector. - The role of the group is to oversee all economic recovery programmes and to ensure that they are co-ordinated effectively. It is also tasked with bringing together the regional thematic programmes of work so that they integrate effectively locally. Places Group - Internal Council officer group comprising planning, regeneration, property, street scene, transport and housing teams. - The group is tasked with developing and delivering interventions relating to the built environment in town centres including redeveloping or improving properties, public realm improvements, green infrastructure and active travel initiatives. Promotion Group

		• Internal Council officer group comprising corporate communications, regeneration, business development and tourism teams. • The group is tasked with effectively promoting town centres and the tourism and hospitality sectors to assist their recovery.
1.17	The main strands of activity that have taken place to respond to the economic crisis have included: • Providing a help line service to business community and keeping them up to date on Covid and Brexit developments. • Refocussing the Flintshire in Business support programme towards online delivery with a series of "how to" videos produced and 43 virtual events held. • Delivering a promotional programme from September 2020 to January 2021 for town centre, tourism and hospitality businesses. • Delivering the Welsh Government funded grants to local small businesses (£2m total, 1,443 applications received, 1,014 successful applications). • Continuing to deliver employability mentoring support to individuals who are out of work but with increased emphasis on helping them to find wider support including financial advice, benefits, and well-being. • Supporting households to access acceptable broadband levels and continuing the delivery of digital infrastructure investment programmes.	

1.18	The economic recovery work streams are still evolving as the situation on the ground is still subject to change with the EU exit having only recently taken place and the Covid pandemic still underway. The priorities set out below are therefore likely to change to meet local needs.
	
	1. Contribute to regional work streams for economic recovery and, in particular, ensure that regional investment packages adequately meet the needs of Flintshire.
	2. Ensure that development work is undertaken so that Flintshire is able to take advantage of regional programme funding as it becomes available.
	3. Reshape business development programmes
	   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.
	4. Maximise the local economic and social benefits from Council expenditure
	   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.
	5. Increase the scale and ambition of the town centre regeneration programmes to include	

	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. 6. Improve the digital infrastructure of the County to support business adoption and access by household. 7. Respond collaboratively to redundancy announcements to support companies and staff. 8. Provide a flexible mentoring service to unemployed individuals to help them to re-engage with the labour market.

1.19	In recognition of the importance of these programmes in supporting economic recovery the following actions have been included within the Council Plan for 2021/22:
	
	• Affordable and Accessible Housing - Explore opportunities to maximise housing and revitalise our towns through the redevelopment of the High Street.
	• Economy
	   o Town centre regeneration
	      ▪ Monitor the health and vitality of town centres to support effective management and business investment decisions.
	      ▪ Promote town centre, hospitality and tourism businesses to help with their post-Covid recovery.
	      ▪ Encourage and support investment in town centre properties especially to facilitate more sustainable uses. Link
	      ▪ Improve the environment in town centres.
	      ▪ Support the growth of community enterprises in town centre locations.
	   o Business
	      ▪ Engage small businesses and improve support packages available to them.
	      ▪ Support the post-Covid recovery of Flintshire's street and indoor markets.
	      ▪ Support the growth of the local and regional food and drink business sector through marketing and collaborative projects.
	      ▪ Support the recovery of the tourism and hospitality sectors and rebuild confidence in the industry.
	      ▪ Increase the scale and impact of the social business sector.
	      ▪ Support local businesses in their efforts to reduce their carbon footprint and become more resource efficient.
	   o Transport and digital infrastructure
	      ▪ Complete the connection of all eligible public buildings through the Local Full Fibre Network Project.

		▪ Start the delivery of the Flintshire elements of the North Wales Growth Deal investment in digital infrastructure. ▪ Connect further rural communities to improved digital infrastructure. ▪ Develop and deliver transport infrastructure improvements as part of North Wales Metro programme and the Council's Integrated Transport Strategy. Link ▪ Ensure Flintshire strategic transport priorities are well-represented in the Regional Transport Plan from the forthcoming Corporate Joint Committee development. o Local Development Plan ▪ Ensure timely adoption of the LDP once Inspector's Report received. ▪ Monitor overall Plan performance via the Annual Monitoring Report (AMR) and submit to Welsh Government. ▪ Maintain and update the LDP housing Trajectory in line with planning decisions made. ▪ Make decisions at Planning Committee in line with the adopted LDP. ▪ Reference the LDP growth strategy in early work on a North Wales Strategic Development Plan (SDP). o Spending money for the benefit of Flintshire ▪ Encourage and support commissioners and suppliers to generate additional well being outcomes. ▪ Increase the ability and confidence of local businesses to supply the public sector. ▪ Collate and celebrate the achievement of strategic well being outcomes. o Reducing worklessness ▪ Co-ordinate a multi-agency approach to support businesses to recruit staff from disadvantaged groups ▪ Deliver mentoring and wider support programmes to assist disadvantaged people to re-engage with the labour market.
1.20	It has been highlighted above that the economic impacts of these transitions will create a rapidly evolving situation and the response will need to be flexible as a result. Progress on delivering the priorities in the Council Plan and the associated work streams will be reported to Cabinet and the Environment and Economy Overview and Scrutiny Committee on a regular basis and discussion with members in these committees will allow the programmes to adapt to change on the ground.	

2.00	RESOURCE IMPLICATIONS
2.01	None arising directly from this report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT

3.01	**Ways of Working (Sustainable Development) Principles Impact**	
	Long-term	The report highlights that the economic impacts may take several years to materialise and may not be predictable. The programmes will be underpinned by increased monitoring and will evolve as circumstances change.
	Prevention	The economic circumstances highlighted in the report cannot be prevented. The programmes will help to prevent the economic impacts from being longer-lasting and more deep-rooted than they might otherwise have been.
	Integration	The governance structures highlighted in the report combine both thematic work on particular specialisms with regional and local groups to integrate the work streams back together.
	Collaboration	All of the programmes of work identified are delivered through collaboration. The report highlights the range of collaboration at all spatial scale, already underway.
	Involvement	A broad range of stakeholders, at all spatial scales, will be involved in the development and delivery of all programmes of work.

Well-being Goals Impact

Prosperous Wales	Positive – the programmes of work identified will help to mitigate the negative economic impacts expected.
Resilient Wales	Neutral
Healthier Wales	Neutral
More equal Wales	Neutral
Cohesive Wales	Neutral
Vibrant Wales	Neutral
Globally responsible Wales	Neutral

Risks

- Corporate risk PE01 Loss of Community Benefits by not maximising the inclusion of social value in Contracts
- Corporate risk PE03 Unable to regenerate Town Centres through implementation of the Town Centre Strategy due to insufficient resources and the compound economic consequences of the emergency situation

	• Corporate risk PE04 Failure to prepare and deliver Growth Deal projects due to potential realigning of capital funding • Corporate risk PE19 - Failure to prepare and deliver Growth Deal projects due to potential realigning of capital funding

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	All actions identified in the plan for economic recovery are developed and delivered in partnership with relevant stakeholders including local communities where relevant.

5.00	APPENDICES
5.01	None

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Grant Thornton Brexit Exposure Dashboard Grant Thornton Trade Impacts report Hatch report Impacts of Covid on North Wales

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

8.00	GLOSSARY OF TERMS
	Circular economy – A circular economy is an alternative to a traditional linear economy (make, use, dispose) in which we keep resources in use for as long as possible, extract the maximum value from them whilst in use, then recover and regenerate products and materials at the end of each service life. (WRAP 2021) Green infrastructure - Green infrastructure is a network of multi-functional green space and other green features, urban and rural, which can deliver quality of life and environmental benefits for communities. (Town and Country Planning Association 2021) Non-tariff barriers – These involve rules and regulations which make trade more difficult. (www.economicshelp.org) 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. Social business - A social enterprise or social business is defined as a business that has specific social objectives that serve its primary purpose. Social enterprises seek to maximize profits while maximizing benefits to

	society and the environment. Their profits are principally used to fund social programs. (wwww.investopedia.com) Tariff barriers - These are taxes on certain imports. They raise the price of imported goods making imports less competitive. (www.economicshelp.org)