

Senedd Cymru
Pwyllgor yr Economi, Seilwaith a Sgiliau

Effeithiau COVID-19: Galwad Agored am dystiolaeth a phrofiadau

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Welsh Parliament
Economy, Infrastructure and Skills Committee

Impacts of COVID-19: Open Call for evidence and experiences

Response from: Isle of Anglesey County Council



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**Open Call for Evidence
Senedd Economy, Infrastructure and Skills Committee**

The Impacts of Covid-19

**A submission by the Isle of Anglesey County Council
June 2020**

[NODWCH OS GWELWCH YN DDA: Mae cyfieithiad Cymraeg o'r datganiad yn cael ei gyflwyno ar wahân / PLEASE NOTE: A Welsh translation of this statement is being submitted separately]

1. Introduction.

- 1.1 Anglesey's economy has long been disadvantaged by its peripherality and rural character. Low paid seasonal sectors such as tourism and agriculture play an extremely important economic role. Holyhead, as a major port linking UK to Ireland (and consequently supporting a range of local transportation related haulage and other supply-chain businesses), also features heavily in providing direct and indirect local employment. It is also now a stopping off point for many major cruise liners, with 23 already confirmed during the 2020 cruising season.
- 1.2 Anglesey, from the most recent NOMIS Local Authority Labour Market Profiles, can also be seen to be a County of predominantly small / micro-sized businesses and of the self-employed.
- 1.3 Anglesey has, therefore, been hard hit by Covid-19, particularly:
- (i) the visitor economy
 - (ii) huge falls in demand for certain agricultural outputs (such as milk and other local produce to supply the hospitality sector), and
 - (iii) by the reduction in movement of people and goods regionally, nationally and internationally through Holyhead – a port **excluded** from UK Government's recently announced financial support for strategic routes.
- 1.4 Prior to the Covid-19 pandemic, Anglesey's economy was already fragile. The recent closure of manufacturers, such as Marco Cable Management in Llangefni and Rehau in Amlwch, were already taking their toll. Various phased reductions in staffing levels from well paid jobs at the at the Magnox nuclear power station at Wylfa, as decommissioning proceeds exacerbates the issue. The hopes of economic revival, driven by investment in nuclear new build at the site, were also recently dashed by the suspension of the Horizon Nuclear Power / Hitachi nuclear new build investment at the site.
- 1.13 As a general comment, it must be noted that it still remains very early days in detecting and understanding the impact of the pandemic, as a whole, on local businesses. As yet, the availability of official statistics is limited. Regional Surveys of business impacts are also in the process of being developed and implemented by, for example, the North Wales Economic Ambition Board. These need to be completed, interrogated and the intelligence produced taken into account.

2. Matters affecting local businesses / gaps in business support.

- 2.1 From the outset of the pandemic response, the IACC established an Emergency Economic Development Team plus a dedicated helpline for business callers. In terms of 'messages' from local businesses, the following issues arise.
- (i) A need to reopen the Economic Resilience Fund as soon as possible.
 - (ii) Businesses with premises with Rateable Values exceeding £51,000 being excluded from Rate Relief Grant and regard this as both inequitable.

- (iii) Businesses trading below the £85,000 VAT threshold being ineligible for Economic Resilience Fund support.
- (iv) The owners / directors drawing income from their company by means of dividends, not being adequately recompensed by HMRC schemes.
- (v) An important element of the visitor accommodation stock on the island are small bed and breakfasts and guest houses. As such they pay council tax rather than business rates and are therefore to via Business Rate Relief Grants.
- (vi) With the lockdown period extended and with it becoming apparent that social distancing will become a long-term feature of the 'new normal', many local businesses, particularly in the tourism and hospitality sector, have very real concerns about longer term survival. Furthermore, many tourism sector businesses fear that they will be unable able to build up the financial reserve necessary to survive the 'closed season' over winter of 2020.
- (vii) In the absence of a large and vibrant local private development sector, many small local construction businesses depend on public sector projects and expenditure for a substantial part of their income and to remain viable. Many are now expressing concerns that, given the level of public expenditure that has gone into the Covid-19 response, the public purse will not be in a position to invest in capital works post-crisis, and will be cancelling contracts or not bringing forward anticipated, planned pipeline projects.
- (viii) Many local businesses had failed to make contact with their bank and of those who were succeeding to submit business interruption loan applications, many were unsuccessful as risk was deemed too high. For others, interest rates on loans offered were too high to make repayments feasible. As an exception, the Development Bank of Wales has been extremely pro-active and business focussed.

3. Transport issues

- 3.1 The level of public transport usage is down significantly and bus companies, supported, only by generous payments in accordance with Welsh Government guidelines are not able to run a regular service. This is not sustainable in the medium term so with social distancing and passenger nervousness, the sector is under threat. This will disrupt the education, employment, tourism, leisure etc. sector and lead to increased use of individual vehicles and emissions.
- 3.2 There has been an increase in walking and cycling but for leisure more than commuting. The Welsh Government is encouraging applications for a trial grant for temporary measures to encourage walking, cycling and bus transport but this is challenging in a rural area. There is a need to have the Wales Travel Act in recognition of the importance of improving leisure walking and cycling facilities and not just commuting.
- 3.3 There is a good opportunity to pilot DRT (demand responsive taxi) in rural areas so that bus resources can be concentrated on transporting most passengers to hospitals, shopping, towns etc.
- 3.4 There is a significant risk of parking, traffic and road safety problems outside schools as parents will be nervous about letting their children board a bus or share a lift.
- 3.5 There is a risk of a second wave in the autumn / winter when walking and cycling are not practical options.

3.6 If Welsh Government is eager to see progress, it needs to help with the costs of more staff resources. At present there are increasing expectations but fewer staff.

4. Young people and skills

4.1 It must also be recognised that young people and their education is also experiencing significant disruption. Certain age groups will, in particular, be at critical points in their educational or career pathways. Appropriate provision through, for example, wage subsidies must be considered in order to support young people into employment and training so that they do not risk becoming a 'forgotten' or 'lost generation' amidst the pandemic fall-out.

4.2 Apprenticeships and traineeships will be vital in moving the post Covid-19 economy forward. Further Education budgets to support apprenticeship, and the availability of apprenticeship places, not only need to be safeguarded and protected but consideration needs to be given to expanding and broadening provision – particularly given that early NOMIS data indicates that, on Anglesey, younger age groups are being harder hit by the pandemic and are registering for Universal Credit to a disproportionately greater extent than older workers.

5. Looking to the future.

5.1 **The tourism sector** – recent discussions with for example, the Anglesey Tourism Association, would suggest that some of the principal issues needing to be addresses include:

- (i) That hospitality and tourism businesses with a rateable value above £51,000 be offered supported through the Business Rate Grant / Economic Resilience Fund
- (ii) That the Financial sector need to be encouraged to be more proactive and responsive to the needs of hospitality and tourism business
- (iii) A stronger, enforceable directive in respect of leased / rental premises where landlords are still not adhering to the guidance concerning rent holidays and evictions would be helpful
- (iv) Recognition and action to ensure that business insurance companies behave in a more flexible and sympathetic way to account for the financial challenges of Covid-19 experienced by hospitality and tourism businesses
- (v) Across the tourism sector, and the wider rural economy, the provision of 'bespoke' and targeted wage subsidy schemes merit further consideration.

5.2 **The agricultural sector** – a clear agenda is coming to the fore which identifies the needs and aspirations of this sector. We are confident that the representatives of the sector will communicate these effectively to you.

5.3 **The Port of Holyhead.** Overlooked by UK Government in its commitment of support for other strategic sea routes the link between Holyhead to Dublin is now financially 'vulnerable' and it is critical that funding is provided to safeguard the Port through this difficult time.

5.4 **The North Wales Growth Deal** - a package of appropriate and ambitious capital schemes will be essential. Important also that the UK government considers the support required to secure the Wyfa Newydd development.

- 5.5 **Other significant opportunities** – amongst these are the further development of the Port of Holyhead, the Morlais offshore renewable energy demonstration zone and the expansion of the Menai Science Park, M-SParc.
- 5.6 **Unemployment** – even during just the first full month of ‘lock-down’ (March 2020 – April 2020), the number of Universal Credit claimants has increased substantially (from 1,335 to 2,315 over the period of one month). This situation will deteriorate further, especially when the ‘furlough’ period comes to an end. It is essential, therefore, that departments such as DWP have the capacity and resources to deal with the newly unemployed in a fair, equitable and expeditious manner in order to safeguard their ongoing wellbeing and that of their families. Similarly, as employment opportunities and prosperity returns, these same departments and agencies must have the resources and capacity needed to effectively broker, support and implement initiatives to secure prompt re-employment of such individuals.
- 5.7 **Creating an economy that is more resilient to future crises** – a need to consider commissioning work to properly monitor, evaluate and make recommendations as well as explore ‘opportunities’ – local manufacture and production of, for example, PPE or pharmaceutical products, to provide ‘local’ capacity and help secure future resilience.
- 5.8 **Appropriate future supply chains** – there is a need to consider developing models relating to e.g. supplier relationship management (not depending on supplies from one supplier or a group of suppliers from the same geography), developing multi-sourcing strategies, developing new approaches to inventory and stock level management, involving logistics providers as partners in a business, diversifying businesses to make or fabricate key components rather than depend on just in time delivery of pre-assembled parts etc. There are opportunities here also to reduce our carbon footprint. Many of the Covid-19 impacts on supply chain resilience are also now being compared to those which will also, potentially, accompany climate change episodes. In both instances, initiatives which move us to shorter supply chains, producing and buying locally, not globally, would appear to make socio-economic and environmental sense.
- 5.9 **Meeting costs of the local government ‘response’** - From the local authority perspective:
- (i) In order to enable the Welsh Government to support Local Authorities there is a need to give the power to the Welsh Government to allow Local Authorities to defer the additional costs / loss income arising from the pandemic in order that the cost which is not grant funded by Welsh Government does not fall on the reserves of each local authority. The easiest way for this to happen would be to allow local authorities to capitalise the cost and for Welsh Government to fund the annual revenue cost of the resultant borrowing.
 - (ii) Additional costs arising from any contraction in the economy and the increase in unemployment will also fall on local authorities through increased expenditure to fund the Council Tax Reduction Scheme and through increased write off of uncollectable Council Tax.
 - (iii) Again, local authorities will need support from Welsh Government to meet these additional costs / loss of income. Local authorities are also well placed to deliver infrastructure projects on behalf of the Welsh and UK Governments but this needs to be funded by a simplified and flexible grants system which does not require large amounts of administration and bureaucracy – Welsh Government need to be flexible in how this funding is given to local authorities.

- 5.10 **Business Support** – explore ways to financially support and overcome issues affecting our local businesses, as highlighted in Section 2 (and in 5.1 for the tourism sector specifically), to ensure their medium to long term survival so that they are able, in the future, to again contribute to a vibrant and sustainable economy on the Island.