

COVID-19: Economic Impact on Spelthorne Business

Introduction

It should be noted that this document has been formulated based upon existing information and evidence available at the time of writing, although as we come out of lockdown the economic situation is expected to change rapidly for some industry sectors.

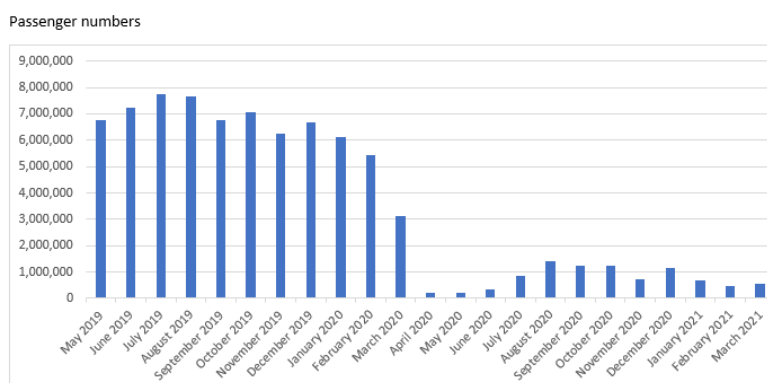
Background

From midnight on the 23 March 2020 the government required as many people as possible to stay at home wherever possible and to only make essential journeys. All non-essential businesses and workplaces were required to close, in addition to the earlier closure of schools and the leisure and hospitality sectors. Social distancing was introduced for everyone, and for the most vulnerable to the infection, a shielding programme was activated. These ‘lockdown’ measures were put in place until it was determined that the reproduction rate of the virus had fallen to a level to suppress the virus, save lives and protect the NHS.

As the UK moved to a position allowing pubs and restaurants to open and the 2-metre social-distancing rule relaxed, the economy slowly and nervously returned in slow steps towards ‘normality’. However, the subsequent lockdown (December to March 2021) has deepened the financial impact on many retailers with both winners and losers emerging.

Heathrow

Heathrow Airport, like the whole of UK aviation, has been severely impacted by the COVID-19 pandemic. Before the pandemic, Heathrow was part of an expanding and successful industry employing approximately 114,000 people in the local area (either directly employed by HAL, working ‘on airport’ or in the local supply chain). Nationally it was contributing more than £16 billion of economic output. A third runway was being planned to serve the increasing demand for the airport. The pandemic has put the future of the runway into question with the CEO (John Holland Kaye) telling the UK Transport Select Committee that “whether the third runway will be needed will have to see how things turn out over the next few years. If we are successful in rebuilding the UK economy, we will need that in 10 to 15 years’ time. If not, I think we are all in a different world.”

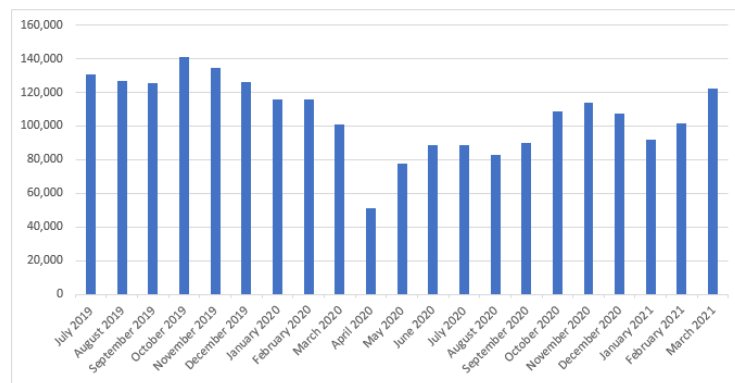


Source: Heathrow.com traffic statistics April 2021

These charts show how COVID-19 has impacted on passenger numbers and cargo tonnage.

In May 2020 the green, amber and red coding system was introduced which will mean passenger numbers will start increasing and COVID- 19 permitting, the passenger numbers will reach pre COVID numbers in 2023

Heathrow cargo by tonnage



Source: Heathrow.com traffic statistics April 2021

Impact on employment

An Oxford Economics report commissioned by Heathrow in 2020 estimated that workplace-based employment reliant on Heathrow would fall by 21,300 jobs in 2020. It indicated job losses would be concentrated in the transportation & storage sector, particularly in air transport activity.

The balance of evidence suggested that male, older, full-time, and less well-qualified workers were most vulnerable. However, the report indicated job losses would not be confined to those matching these characteristics alone: many jobs were expected to be lost in the distribution, hotels & catering sector which will affect younger workers, and those more likely to work part time. Job losses in Spelthorne connected to Heathrow were expected to reach 1,500 in 2021 with a total of 16,000 job losses across Hillingdon, Hounslow, Spelthorne, Ealing, Slough and South Bucks.

Pre pandemic, 5,800 of our residents were in Heathrow related employment - 10.6% of the Spelthorne workforce, and the airport as a whole is not expected to return to 2019 levels until 2023 at the earliest. It is estimated that about 45% of our residents working at Heathrow live in Stanwell and Ashford, leaving them more exposed to the volatilities around the aviation industry. This strongly suggests that there should be a focus on recovery activities to support residents in the north of the borough. Any recovery in this sector is likely to take years rather than months unless there is a significant change in circumstances, as the prevalence of new variants and high levels of deaths and infections globally will impact on passenger travel in particular.

Employment

Central government has intervened by giving business the option to furlough staff as an alternative to redundancy or indeed closure of the business. This has been a costly but necessary process with 9.6m people furloughed (August 2020) and landed the government with an expected deficit of £300bn in the last financial year. But it has reduced the potential for high unemployment levels at this time. In the March 2021 budget, the Chancellor announced that the furlough scheme will be extended to 30th September 2021. After this it is expected that we will see a sharp rise in unemployment as businesses will have to start paying wages of staff and many may choose to make redundancies instead. In the three months to March 2021, there were 253 thousand redundancies made in the United Kingdom, decreasing from the 308 thousand redundancies made in the three months to January 2021. (<https://www.statista.com/statistics>)

A BBC report in May 21 stated that most economists expect the unemployment rate to rise a little later this year even though it is hoped more restrictions can be lifted. That is because many government support schemes - such as furlough - are due to end after September. The Bank of England expects the unemployment rate to reach around 5.5% in the autumn. However, the number of unemployed is expected to fall next year as the economy continues to recover.

Should the borrowing continue because the economy does not bounce back, there is likely to be a wave of tax rises to help repay the debt. People will have less money in their pocket to spend, and production of goods and services may well fall as a result. Lower tax collection rates and fewer jobs may well leave the country in a more precarious position moving forwards.

This chart shows the total unemployment rates from February 2020, just before the pandemic to January 2021. Spelthorne unemployment rate has increased from 1.7% to 5.6%, Surrey from 1.2% to 4.0%, South East 2.1% to 5.1% and GB from 3.0% to 6.2%

Date	Spelthorne	Surrey	Great Britain	South East
February 2020	1.7	1.2	3.0	2.1
March 2020	1.7	1.2	3.1	2.2
April 2020	3.2	2.4	5.1	3.9
May 2020	5.3	4.0	6.4	5.3
June 2020	5.1	3.8	6.2	5.1
July 2020	5.2	3.9	6.4	5.2
August 2020	5.5	4.1	6.5	5.4
September 2020	5.6	4.1	6.4	5.3
October 2020	5.5	3.9	6.2	5.1
November 2020	5.7	4.0	6.3	5.2
December 2020	5.7	4.0	6.2	5.1
January 2021	5.6	4.0	6.2	5.1

Source: [Nomis](#)

Area	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
Spelthorne	1,050	1,040	1,985	3,240	3,125	3,230	3,360	3,450	3,370	3,485	3,490	3,450
Ashford Common	70	65	135	220	200	225	230	250	240	260	265	270
Ashford East	70	70	140	230	220	230	225	220	210	200	200	205
Ashford North & Stanwell South	125	115	205	315	310	315	350	355	350	375	365	370
Ashford Town	70	85	130	220	215	230	235	255	260	275	280	270
Halliford & Sunbury West	55	55	120	195	170	170	190	190	175	195	185	190
Laleham & Shepperton Green	80	80	165	265	270	275	265	275	270	280	285	270
Riverside & Laleham	55	55	95	150	135	145	160	165	160	155	155	150
Shepperton Town	30	30	80	155	150	150	160	155	140	160	155	150
Staines	95	95	170	275	285	275	300	315	320	325	335	350
Staines South	80	70	135	250	245	240	245	245	240	240	250	245
Stanwell North	155	150	275	400	390	410	420	415	420	435	440	430
Sunbury Common	130	125	230	380	350	375	385	405	380	395	390	370
Sunbury East	35	40	110	190	185	190	190	205	200	195	180	185

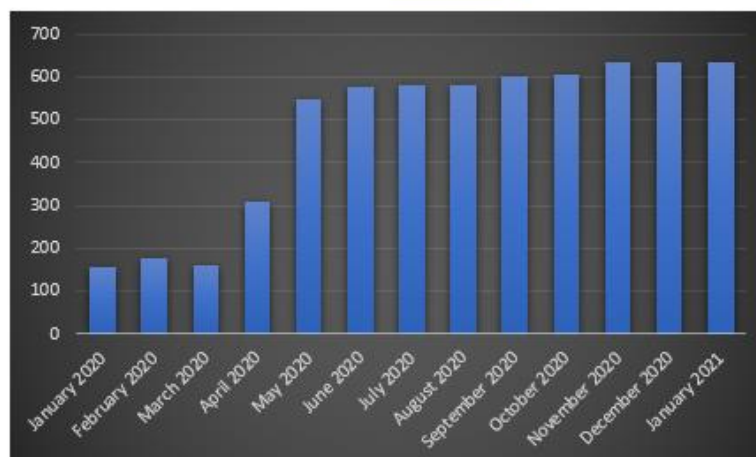
This table shows how the COVID-19 pandemic has affected the unemployment rate in the 13 Wards in Spelthorne from February 2020 to January 2021. The number of unemployed has increased by 328% from 1,050 to 3,450. The worst affected wards by number of claimants are Stanwell North with an increase of 275 followed by Staines 255, Ashford North & Stanwell South 245, Sunbury Common 240 and Ashford Common and Ashford Town both with 200 extra unemployed.

The pandemic has however affected different age groups differently.

Age 16 – 24: In January 2020 there were 155 (2.34%) young people unemployed and as the year progressed to January 2021 this number had increased to 635 (9.59%); as can be seen from the chart, unemployment has not dropped below 550 since May 2020, so not only has the rise been steep, but it has then been maintained at a consistent level.

Apprentices were a key vehicle to obtain employment for the young people, but the pandemic has brought an end to many of those opportunities as businesses furlough staff or making redundancies. The increased level of unemployment for this age group in Spelthorne has risen from 2.3% to 9.6%. At the same time

Claimant count in Spelthorne 16 – 24 year olds

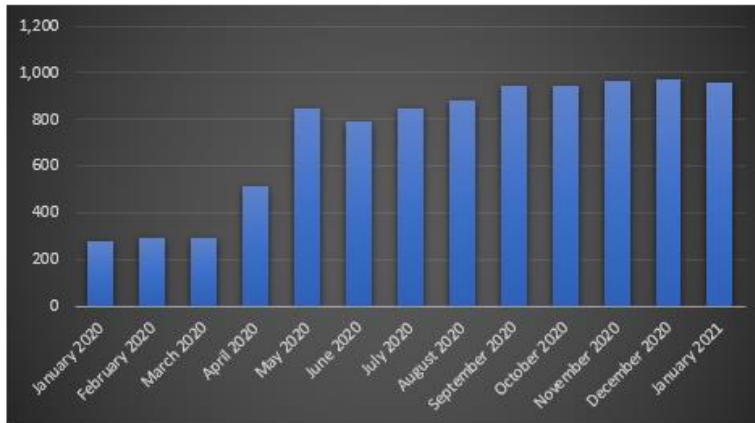


Surrey moved from 1.5% to 6.1%, the South East moved from 2.9% to 7.8%, and the UK from 4.1% to 9.2%.

Age 50+:

In January 2020 there were 275 (1.5%) people in this age group who were unemployed rising to 960 (4.8%) by January 2021.

The over 50 population are often a cohort that attracts greater difficulties in obtaining employment once a job has been lost. This is despite the Equalities Act 2010 which expressly prohibits bias based upon age.



Source: [Nomis](#)

Research has suggested that most people who may lose their jobs at Heathrow are likely to be from this age group and be low skilled. Low skill sets decrease the opportunity of future employment as there will be a smaller job pool to

apply for, additionally these will nearly always be at the lower end of the pay scale in terms of financial remuneration. To put these figures into context with other areas Spelthorne has seen a higher percentage increase than Surrey, the south east or Great Britain. Spelthorne has risen from 1.5% to 4.8%, Surrey from 1.1% to 3.2%, South East from 1.7% to 4.0% and the UK from 2.4% to 4.8%

Level of furloughing across Surrey Districts and Boroughs

Research carried out by Arup using data from the Wave 4 of the Office of National Statistics (ONS) Business Impact of Coronavirus Survey (20th April-3rd May 2020) which included sector-by-sector breakdown of the proportion of the workforce that has been furloughed. This does not include data from the businesses that have stopped trading.

This has then been multiplied by the % of jobs in each sector within each Borough to estimate the overall proportion of the workforce which has been furloughed. It is worth noting that our near neighbours in Feltham have an estimated furlough rate of almost 38% with 23,500 residents. The total for Hounslow is estimated at 42,500; these figures are important as they will also be competing for jobs that would be attractive to Spelthorne residents.

Spelthorne	27%
Woking	26%
Elmbridge	26%
Tandridge	26%
Surrey Heath	25%
Waverley	24%
Runnymede	23%
Guildford	23%
Epsom and Ewell	23%
Mole Valley	23%
Reigate and Banstead	21%

The working population of the borough is 57,700 according to NOMIS and with predicted 27% furloughing by Arup, that means 15,500 residents are not working and on a reduced income.

As of April 14, 2021, approximately 11.5 million jobs, from 1.3 million different employers were furloughed in the United Kingdom as part of the government's job retention scheme.

Business Sectors

One of the most prevalent industries in Spelthorne is transportation, with double the amount of businesses situated in the borough compared to the next highest density in Surrey boroughs, so cargo and logistics are an important employer.

In the latest available figures provided by the National Online Manpower Information System (NOMIS) (2018), There are estimated to be 3,500 people working in the Transport & Storage sector in Spelthorne which is 9.2% of our working population compared to 4.5% in the South East and 4.9% nationally. Given that these businesses are often closely tied to the fortunes of Heathrow airport, it is likely that there will be a significant loss of jobs within this sector. It is worth noting that in both Hillingdon and Hounslow, they have the largest number of businesses in this sector compared to the other boroughs in London and the whole of the south east.

This provides for a very high level of supply where the demand is very weak. It has also been reported that trading conditions have been extremely challenging and have seen other businesses squeezing margins by reducing prices in order to obtain some of the limited demand for this service.

On 21st May 2020 one of the largest transport and logistics companies based in Spelthorne reported a loss of 85% of their ground handling business within a few weeks with only a few flights running and pretty much 70% of the cargo. Therefore, by 1st April 2020 they furloughed 1200 staff in the UK, of which 55% was in Spelthorne. They also consolidated their business from 7 warehouses to 3 at London Heathrow and closed a warehouse in London Gatwick.

BP

In 2020 the company announced around 2,000 redundancies in the UK with 15% or 300 job losses taking place by the end of the year. These are expected to mainly affect office jobs, so Sunbury could take a significant hit. The number of employees that are resident in Spelthorne is not known, but the majority are expected to be the lower paid jobs such as cleaning and catering. As a landlord, we are not expecting any risk of BP not honouring the long term leases they have with us.

Businesses in the borough

There are 7673 businesses in Spelthorne, the split by ward is below

Area	Number of Businesses	% of Businesses
Ashford Common	497	6.5
Ashford East	402	5.2
Ashford North & Stanwell South	422	5.5
Ashford Town	1329	17.3
Halliford & Sunbury West	363	4.7
Laleham & Shepperton Green	522	6.8
Riverside & Laleham	278	3.6
Shepperton Town	736	9.6
Staines	1101	14.3
Staines South	396	5.1
Stanwell North	494	6.4
Sunbury Common	499	6.5
Sunbury East	634	8.2

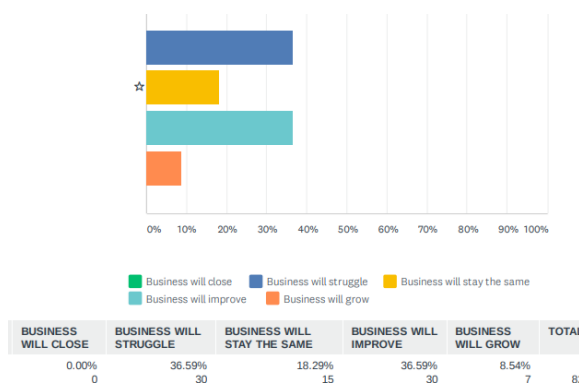
The top 10 categories by number of businesses are shown in the table below.

Number of Businesses by Category	
Specialised construction activities	776
Computer programming, consultancy and related services	562
Retail trade	543
Real estate activities	510
Wholesale trade	483
Other personal service activities	458
Activities of head offices; management consultancy activities	445
Transport	368
Office administrative, office support and other business support	319
Food and beverage service activities	312

In a recent survey conducted with the businesses that were in receipt of Additional Restrictions Grant (ARG), we found that the construction services sector has continued to perform very strongly during the pandemic. In fact, several of the businesses we spoke to have seen growth due to large demand in the home improvement sector during lockdown.

We asked: On the basis that all Covid-19 restrictions will have been lifted, what is your level of confidence for your business succeeding over the next 12 months?

None said their business will close
 37% said their business would struggle
 18% said business would stay the same
 37% said business would improve
 9% thought their business would grow



We also asked: Please comment on the suggested potential interventions and let us know what else could the funding be used for to support businesses and what impact is it likely to have?

From this question the majority of businesses asked for the following;

- 75% - Web and social media support
- 72% - Subsidised purchase of equipment
- 60% - Free business advice & support
- 54% - Grant to improve shop fronts

ANSWER CHOICES	RESPONSES	
Subsidized purchase of equipment	72.09%	62
Free business support	60.47%	52
Grant to support web / social media presence	75.58%	65
Grant to improve shop fronts	54.65%	47
Other suggestions to support your business and the impact it will have.	62.79%	54

Business rates and high rents were also cited as inhibitors to restarting their business after lockdown.

Finance and cashflow planning was also asked for.

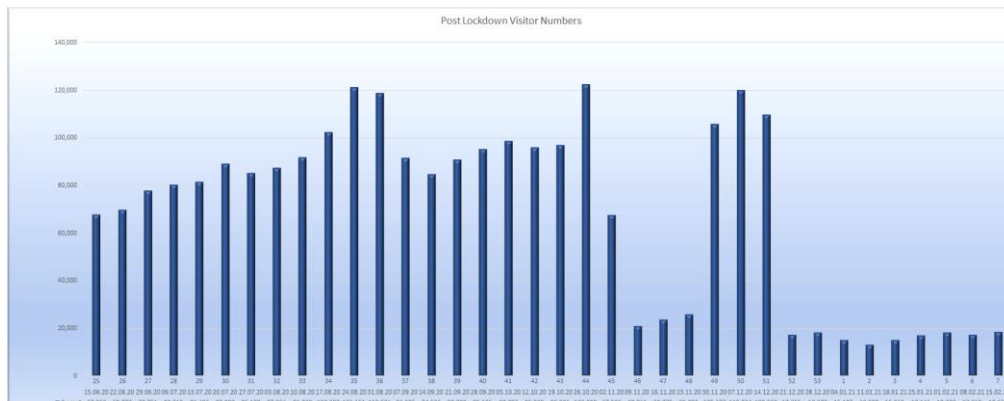
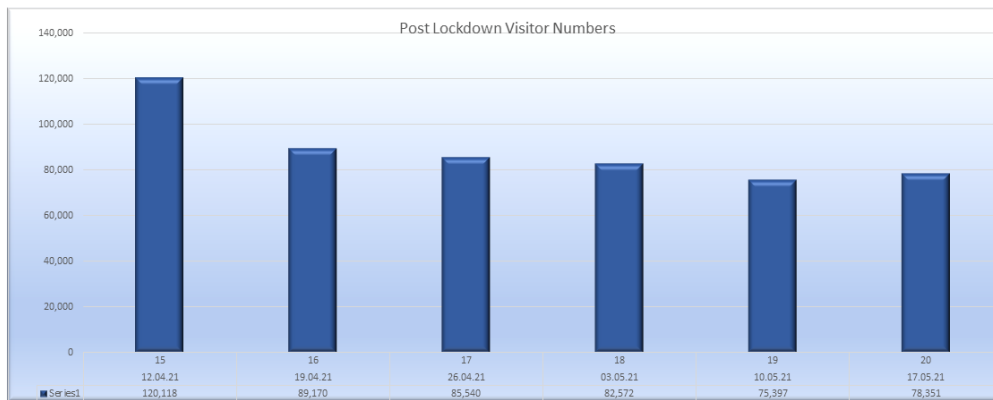
High streets

Staines

In terms of shops, leisure and hospitality, the town centre is home principally to the larger chains rather than independents. That being said, a handful of closures in the Elmsleigh Shopping Centre both during and pre-pandemic (such as Thomas Cook, Ernest Jones, Topshop, Monsoon, Ponden Home) have created openings for emerging independent retailers such as Ximiso, MBitz and Blue Inc., with other lettings in the pipeline. Larger store closures in the town centre generally, such as Debenhams and Decathlon, may be regarded as opportunities to reimagine and reinvigorate those two ends of the town centre; whilst the relocation of Marks & Spencer from the High Street to its new premises in Two Rivers facilitated a state of the art fit-out to launch the new M&S Foodhall.

The past year - the pandemic era - has seen some changes in trends: It is clear that people still have an appetite for shopping as a pastime, and this has been borne out since the release of lockdown. In Elmsleigh, although actual shopper numbers are down compared with 2019, basket-spend over the past month has been on a par with pre-pandemic levels overall, showing that whilst people may be going out less frequently, they are still keen to go out shopping. In the High Street a notable trend is being seen towards increased pavement seating around our hospitality outlets: whilst this clearly arises from the need for social distancing and more space, the positive side impact is that the pavement café trend creating a more vibrant shopping experience for the visitor.

Weekly Visitor Numbers Since 12th April 2021



Elmsleigh Centre Weekly visitor numbers from June 2020 to Feb 2021

Two Rivers: Footfall numbers have returned to 2019 levels and basket spend has reported to have increased.

Market: The market traders have reported a slow return of trade. Many of them rely on the office workers for their trade, and until they return to working in the town the future of some of the traders is in the balance. The Farmers Market has decided it is no longer viable to operate in Staines as footfall has been too low to sustain the market with traders choosing to go to busier towns.

Ashford

With 2,650 registered businesses this town, although smaller geographically than Staines-upon-Thames, has a much larger and diverse business community in terms of number and type of businesses. The high street is dominated by independent retailers although these are predominantly hair & beauty, takeaways, and estate agents, which gives the impression there is not a good mix.

Businesses that have been lost include during COVID-19 have included charity shops, a kitchen showroom and a gym. On the flip side there have been a number of new shops opening including TUT Restaurant, Best Western Supermarket, Chai Café, Pizza Parlour, Ice Cream Parlour, Sushi 2 Me and refurbishment of Armstrong’s Hairdressers.

It is too early to tell the full impact, however at the moment the business gains on the high street have outnumbered the losses. The Local Restriction Support Grants (LRSG) have been a lifeline for these businesses, and many have reported that they would not have survived without the grant money. The speed

of recovery of trade for the non-essential retailers will determine their ability to remain open as cashflow is now one of the biggest concerns.

Sunbury

With 1496 businesses in Sunbury this town is split between the busy Sunbury Cross Junction and lower Sunbury parade on the Avenue and Thames Street. Businesses are reporting similar situation as the other towns with a large impact on footfall. There has not as yet been too many losses of retail businesses and there has been a new bakery store open on Thames street with reports of strong trade despite their out of the way location.

Shepperton

With 1258 businesses in Shepperton & Laleham combined, Shepperton Town has a traditional High Street. Whilst we do not have footfall counters to provide year on year figures, the anecdotal evidence is that footfall was catastrophically affected during the lockdown periods.

On a positive note, many businesses were able to take advantage of online trading, click & collect and home delivery services.

Adversely, some (eg Blue, a female clothing store) were left in a situation whereby they had new stock that they were unable to sell and, although not perishable, that they would not be able to sell at a later date due to weather and then fashion movements. Currently Shepperton is performing well with the majority of businesses re-opening on schedule.

A new bakery (Cavan Bakery) is due to open in the next week and this will join JAMZ Café & Bakery which opened in 2020 during the pandemic.

New commercial units are being fitted in the old HSC bank building, forming a new mixed development site.

Business Births & Deaths

Using FAME database, we looked at businesses that opened and closed during the 2019 / 2020 in Spelthorne.

Business Births	2019	2020	2021 up to 27th May
Shepperton	87	127	60
Ashford	253	369	147
Sunbury	112	156	87
Staines	133	198	81
Total	585	850	375

Business Deaths	2019	2020	2021 up to 27th May
Shepperton	154	116	61
Ashford	240	221	108
Sunbury	125	104	68
Staines	129	98	45
Total	648	539	282

The figures show us that we saw a gain of 311 businesses overall in 2020 compared to 2019 and 93 new businesses in 2021 to May. This is thought to be largely due to the amount of people being made redundant who have decided to try setting up a business as a means to replace income.

Business Plus or Minus	2019	2020	2021 up to 27th May
Shepperton	-67	11	-1
Ashford	13	148	39
Sunbury	-13	52	19
Staines	4	100	36
Total	-63	311	93