

Update on Economic Recovery Work

Purpose of report

For discussion.

Summary

This report provides commentary on the economic impacts of COID-19 and the prospects for recovery. It provides an update on the work that the LGA has been doing on economic recovery.

Recommendation

That Board Members consider and discuss the issues raised in the report and the approach that is being taken by the LGA in representing councils on issues of economic recovery.

Action

Officers will take actions as directed.

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Update on Economic Recovery Work

Covid-19 Economic Impact

1. Covid-19 and the response to it has had a significant impact on the economy. During the lockdown period up to April, GDP fell by 25 per cent, with a 20.4 per cent decline in April itself.¹
2. The impact on people has been significant. Between 1 March and 16 June 2020 over 3.2 million individuals have made a universal credit declaration (providing information to begin a UC claim)² There are currently around 9.2 million furloughed workers. Between March and May 2020, the number of paid employees has fallen by more than 600,000.³
3. Nearly all sectors of the economy have been negatively affected compared with pre-Covid-19 levels of activity, with construction down by 44 per cent; manufacturing down by 28 per cent and services down by 24 per cent.⁴
4. The Government has provided unprecedented financial support to individuals and businesses throughout the period of lockdown. Amongst the range of support, the Government has paid out £23bn via the Coronavirus Job Retention Scheme, £7.6bn via the Self-Employment Income Support scheme,⁵ and around £11bn in grants to small businesses via councils.⁶ These payments, along with loan guarantees, tax deferrals and reduced income, as a result of the stalled economy, has meant that the Government has had to borrow. Public sector net debt now exceeds 100 per cent of GDP, the first time this has happened since 1963⁷.
5. As the lock down is lifted more businesses are now trading. ONS business survey data for the period 18 May 2020 to 31 May 2020 found that 84% of businesses that responded said that they were currently trading, up from 72% in the period between 23 March and 17 May 2020.⁸
6. The Treasury's latest comparison of independent forecasts, published on 18 June, indicates that the economy will contract by -9.2 % in 2020. The overall decline in 2020 and the rate of recovery into 2021 will depend on the level of scarring in the economy. According to the Bank of England's Chief Economist, "the trough in activity was reached in the middle of April, with a steady recovery thereafter".⁹ The Bank of England's reading

¹ ONS, 14 June 2020, [GDP monthly estimate, UK: April 2020](#)

² DWP, 23 June 2020 [Universal Credit Declarations and Advances, management Information related to Universal Credit declarations and Advances from 1 March 2020 to 16 June 2020](#),

³ ONS, 16 June 2020 [Earnings and employment from Pay As You Earn Real Time Information, UK: June 2020](#)

⁴ ONS, 14 June 2020, [GDP monthly estimate, UK: April 2020](#)

⁵ [HMRC coronavirus \(COVID-19\) statistics](#)

⁶ BEIS, 23 June [Local authority grant payments as of 21 June 2020](#)

⁷ ONS, 19 June 2020, [Public sector finance](#)

⁸ ONS, 18 June 2020 [Coronavirus and the economic impacts on the UK](#)

⁹ Andrew Haldane, 30 June 2020, [The Second Quarter](#), Bank of England

of the data is that the economy is bouncing back at a faster rate than previously expected. However, the future path for the economy is still uncertain. A key factor will be labour market and what happens when the furlough scheme begins to taper off in August and comes to an end in October 2020. There is a risk that the scheme is masking unemployment. High levels of unemployment could stall a consumer led recovery.

Government investment programme

12. Substantial public investment will be needed to boost the economy into the recovery. In a [press release](#) accompanying a speech on 30 June 2020 the PM outlined an initial programme of investment in infrastructure:

- 12.1. £1.5bn this year for hospital maintenance, eradicating mental health dormitories, enabling hospital building, and improving A&E capacity.
- 12.2. £100m this year for 29 projects in the road network
- 12.3. Over £1bn to fund the first 50 projects of a new, ten-year school rebuilding programme, starting from 2020-21. These projects will be confirmed in the Autumn, and construction on the first sites will begin from September 2021.
- 12.4. £560m and £200m for repairs and upgrades to schools and FE colleges respectively this year.
- 12.5. £142m for digital upgrades and maintenance to around 100 courts this year, £83m for maintenance of prisons and youth offender facilities, and £60m for temporary prison places.
- 12.6. £900m for a range of 'shovel ready' local growth projects in England over the course of this year and next, as well as £96m to accelerate investment in town centres and high streets through the Towns Fund this year. This will provide all 101 towns selected for town deals with £500k-£1m to spend on projects such as improvements to parks, high streets, and transport.

Devolution

13. The Devolution White Paper is expected in the early Autumn. Recent ministerial comments have linked devolution to economic recovery. In a recent answer to a parliamentary question Simon Clarke MP, Minister for Local Government, stated that the White Paper will "set out our transformative plans for economic recovery and renewal, and for levelling up opportunity, prosperity, and well-being across the country". The Minister went on to link the plans for economic recovery to "restructuring our local institutions".

The work of the LGA

9. The LGA has been engaging with Ministers and officials to represent the interests of councils in the economic recovery. While the initial focus of government has been on the relaxation of the lock down and reopening retail, we have also been able to raise longer-term issues. We have pushed for the focus of the medium and longer-term recovery discussions with Government to be on: employment and skills; housing; a green and inclusive recovery; and continuing support to business. We have drawn on existing LGA policy and worked to provide a single voice for local government, stressing the importance of moving forward quickly to implementation.

Council finances

10. The ability of councils to support communities and businesses through the Covid-19 crisis and into economic recovery is dependent on their continuing financial wellbeing. The LGA's latest analysis of survey data shows that the funding gap faced by councils as a result of Covid-19 has widened. The Government has provided £3.2 billion of emergency funding to councils and CCGs have provided funding of £300 million which has helped meet some of the pressures so far - leaving councils facing a funding gap of £7.4 billion. The LGA has called for the Government to urgently bring forward details of its comprehensive plan to ensure the financial sustainability of councils this year and next.

Opening High streets

11. As the lock down measures have been lifted, councils have had a significant role to play in working with businesses and communities to ensure that the town centres and high streets are configured to support the safe return of shoppers. The LGA has sought to work with Government to ensure that the guidance being provided to both councils and businesses appropriately reflects the balance of responsibilities between the two. We have also responded to councils concerns about the limits on how the Reopening Highstreets Safely Scheme (RHSS) can be used. There are still concerns that RHSS does not allow for expenditure on wardens. Government has no immediate plans to change the guidance to allow this type of expenditure, citing underlying ERDF rules.

Employment and Skills

12. We have argued that a co-designed, locally integrated and delivered employment and skills offer within a broad, flexible national policy and funding framework is needed. Components of the offer must include a flexible apprenticeship programme; increased investment in employment support; job creation; increased coordinated skills investment; with specific support for young people and adults. To achieve this, we are proposing: a national Cobra for skills; local jobs and skills taskforces; and a multi-year, flexible, outcome driven local funding pot.

Housing and planning

13. We have published a [housing stimulus package](#) that makes the case for measures and reforms that would support councils to work towards delivering a new generation of 100,000 high quality social homes per year. The report also highlights the need to and the benefit of investing in existing stock – including investing in energy retrofit to improved energy efficiency and support the achievement of the national zero carbon target. This would also provide jobs.

Green and inclusive recovery

14. We have published a report on [Green Jobs](#) which highlights that nearly 700,000 direct jobs could be created in England's low carbon and renewable energy economy by 2030, rising to more than 1.18 million by 2050. In our recent conference publication, [Rethinking Local](#), we set out our offers and asks on a green recovery. Councils can build on the public's new sense of ownership of the environment and local green recovery, but we need Government to facilitate this with funding flexibilities to stimulate the economy and as part of long-term allocations guaranteed for councils which will allow them to invest in green housing, jobs, infrastructure and other environmental measures locally and for the long term. We have also published research into [inclusive growth](#) which provides evidence of the importance of local leadership and sets out a number of lessons based on the work that councils are currently doing. The report explicitly acknowledges the exacerbating aspect of Covid-19 and it stresses the need to build more inclusive economies even at a time when growth is a challenge.

Support to Businesses

15. We have worked with the Department for Business Energy and Industrial Strategy (BEIS) in supporting councils to deliver grants to Small Businesses; the Small Business Grant Scheme; the Retail Hospitality and Leisure Grant Scheme; and the Local Authority Discretionary Fund Scheme. As at 29 June 86% per cent of the original allocations had been paid out to 90% of those properties identified. Councils have done everything that they can to identify eligible businesses, but it is likely that there will be an underspend on the original allocation.
16. The Government announced that an amount equal to 5% of the original allocation of grant funding, £617million, would form a Local Authority Discretionary Grant Scheme (councils can spend an amount equal to 5% of their original allocation). The aim is to provide support for small businesses that did not qualify for the original grants. With this scheme councils are required to use any underspend from the original allocation before requesting any additional funding from Government. Councils have said that the Discretionary Fund is too small to meet demand.
17. It is anticipated that there will be an underspend of the original small business grant schemes allocation. We are asking that this underspend should be reallocated to councils so that it can be used to support businesses and the recovery.

Responses to select committee inquiries

18. We are currently responding to the BEIS select committee inquiry into post-pandemic economic growth. This is a very wide-ranging enquiry which covers areas of interest to the Board, and referred to in this paper, including the levelling up agenda and greening the recovery. In addition, the Environmental Audit Committee has published a call for evidence on 'Greening the post-Covid Recovery', and we will also be responding to this inquiry.

Next steps

19. We will reflect on and update our economic recovery work following comments from members.

Implications for Wales

20. We continue to work closely with the Welsh LGA on matters related to Covid-19.

Financial Implications

21. There are no immediate financial implications.