

Economic Recovery

Purpose of report

For discussion.

Summary

This report sets out the work of the EEHT and other boards on economic recovery. It notes the challenge of moving from response to recovery as the Covid19 second wave hits. It sets out how the LGA is engaging with Government and with councils and highlights the work that has been commissioned to support councils address economic recovery and deal with increased vacancies in their high streets. The report asks Members to consider the work that the LGA is doing and whether, within limited resources, there are other areas to explore for example the effects of the differential economic impact of covid19 and how councils can respond.

Recommendations

That the Board considers the work that the LGA is doing and whether, within limited resources, there are other areas to explore for example the effects of the differential economic impact of covid19 and how councils can respond.

Actions

Officers will take action as directed

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Economic Recovery

Background

1. The economic conditions continue to be tough. GDP contracted by 19.8% in quarter 2 2020.¹ The latest figures for GDP were published by the ONS on 9th October and show that GDP grew by 2.1% in August 2020, the fourth consecutive monthly increase, but it remains 9.2% below the February 2020 level². Quarter 3 has seen strong growth fuelled by pent up demand, the housing market, and government intervention (e.g. Eat out to help out)³ However, forecasters expect the economy to decline by 10.1% in 2020.⁴
2. The employment data from the Labour Force Survey shows that the response to the pandemic has had a disproportionate impact on part time workers, particularly women, and the self-employed. The number of part-time workers decreased by 332,000 on the year, and 202,000 in the June to August 2020 quarter. Self-employment fell by 240,000 on the previous quarter, a reduction of 5%. In the same period full employment increased by 92,000.⁵

The Claimant Count increased in September 2020 to 2.7 million. This is a monthly increase of 1.0% and an increase of 120.3%, or 1.5 million, since March 2020. The claimant count has increased in all areas year on year to September 2020, with a range of 7.5% to 1.9%.⁶

3. Redundancies increased by a record 114,000 in the June to August quarter, to 227,000 with the number of redundancies reaching its highest level since May to July 2009.⁷

¹ ONS GDP Quarter on Quarter Growth

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ihyq/qna>

² ONS GDP Monthly Estimate August 2020

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/august2020>

³ EY Item Club Autumn Forecast 2020 <https://emeia.ey-vx.com/4838/145830/landing-pages/ey-item-club-autumn-forecast-2020-final.pdf>

⁴ HM Government, Forecasts for UK Economy September 2020

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/919323/Forecomp_September_2020.pdf

⁵ ONS Employment in the UK October 2020

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/october2020>

⁶ ONS Regional labour market: Claimant Count by unitary and local authority (experimental) October 2020

<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/claimantcountbyunitaryandlocalauthorityexperimental>

⁷ Ibid

Covid-19: response to the second wave

4. We are now in a second wave of Covid19, which is likely to have a further negative impact on the economy. Following the introduction of a tiered system of local response, Liverpool City region and Lancashire have moved into the highest tier (at the time of writing Greater Manchester are negotiating with Central Government the terms under which it will go into Tier 3); in these areas there are heightened restrictions on households meeting, and pubs and bars are only permitted to remain open to operate as restaurants, in which case alcohol can only be served as part of a substantial meal. There is also England wide advice to work from home if you can, which impacts on a range of businesses, particularly in city centres, that rely on office workers. It is likely that the tighter the restrictions the bigger the impact will be on reducing the spread of the virus, but this will be accompanied by reductions in economic activity.
5. The Government has sought to address the differential impact of local lockdowns with additional funding per head of population and also through a Job Support Scheme for businesses required to close their premises due to coronavirus restrictions that consists of paying two thirds of employees' salaries to protect jobs, and cash grants for businesses required to close in local lockdowns also increased to up to £3,000 per month. Some local leaders have expressed concern that this is not a sufficient financial response.

Longer-term recovery

6. The economy is not expected to get back to its Q4 2019 size until the second half of 2023⁸. The Government has sought to protect the productive capacity throughout the crisis, but there is an expectation that the recovery will need to level up the economy and engender the expansion of green technology and green jobs. The space for discussions on how to achieve this has been somewhat crowded out by the need to respond to the current crisis. That said, some work has progressed at the national level:
 - 6.1. Alok Sharma, the Business Secretary, has held a series of roundtables on: the green recovery; increasing opportunity; backing new business; the future of industry; and the UK open for Business. The LGA Chairman has participated in the roundtables on increasing opportunity.
 - 6.2. Work has progressed in the Ministerial and official level Local Economic Recovery Group, with work on employment and skills, urban recovery, rural recovery and business innovation being undertaken by task and finish groups with representatives from councils, Mayoral combined authorities and Local Enterprise Partnerships (LEPS). The recommendations of the task and finish groups are now with MHCLG.

⁸ EY Item Club Autumn Forecast 2020 <https://emeia.ey-vx.com/4838/145830/landing-pages/ey-item-club-autumn-forecast-2020-final.pdf>

In general, the recommendation of the task and finish groups have highlighted the need for national/local partnership to co-design locally delivered interventions.

7. At the local level too, councils have been working to develop recovery plans. Greater Manchester is an example: *“As we seek to rebuild our economy, there is an unprecedented opportunity to do so in a way which does not forfeit the observed environmental improvements by building back better to tackle our climate emergency, and build a fairer society”.*⁹

Work of the LGA

8. The LGA has undertaken a significant amount of work to support economic recovery discussions nationally and also locally with councils. Our 2020 conference publication [Rethinking Local](#) sets out how local government can be a key partner in meeting these challenges. The Chairman has recently written to Luke Hall, new Minister for Local Government setting out the work that the LGA has undertaken (see **appendix A**).
9. In addition, the LGA has commissioned/will be commissioning:
 - 9.1. Research to capture innovative practice and expert views to help local authorities on what they can do to help put empty vacant units, especially in high streets and town centres, to alternate uses. The work will look at the factors that might influence councils to intervene and identify good practice; identify the soft and hard powers that exist for councils to deal with vacant units and the pros and cons of their use; and consider the sources of funding for council intervention.
 - 9.2. A programme of support and learning for local authorities on local economic recovery. Every local economy is different, however, there will be approaches and initiatives taken and planned which will offer learning for others; some will have made significant progress, others just starting. This work will support sharing of learning through guidance and good practice advice and an online toolkit. A virtual conference is also planned. from those who have made progress with other areas.
 - 9.3. Recent recessions have led to an increase in self-employment and micro-businesses. We are therefore considering a good practice guide for councils looking to support the development of micro-businesses from across the community.
 - 9.4. Many areas will be considering opportunities to invest and promote sustainable and climate friendly projects. To help councils the LGA has commissioned a good practice guide for councils considering green finance and funding for sustainable

⁹ GMCA, Living with Covid Resilience Plan <https://www.greatermanchester-ca.gov.uk/news/greater-manchester-living-with-covid-resilience-plan-published/>

projects. This is currently in draft stage and will be published over the coming weeks and will be accompanied by a webinar later this year. Further work on green recovery is outlined in the item on climate change on this agenda.

Work of other boards

10. The LGA also has an economic growth adviser programme, which is run under the auspices of the Improvement Board. The programme offers direct bespoke advice and support to local authorities to help them deliver economic growth in their area.
11. The City Regions Board has commissioned work to establish a Vision for Urban Growth and Recovery which will report in early Summer 2021.
12. The employment and skills agenda will be key to a successful recovery. Building on Work Local, the LGA's vision for an integrated and devolved employment and skills service, and the work to shape Kickstart which has been done through the MHCLG task and finish group on skills, further work will be done to support councils to contribute to local jobs and skills recovery.

Implications for Wales

13. The Welsh Government is managing the response to the pandemic in Wales.

Financial Implications

14. There are no immediate financial implications

Next steps

15. That the Board considers the work that the LGA is doing and whether, within limited resources, there are other areas to explore for example the effects of the differential economic impact of covid19 and how councils can respond.
16. That the progress made on our work on empty retail units and economic recovery plans is brought to the Board in December.

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Appendix A



From the Chairman of the LGA
Cllr James Jamieson

Luke Hall MP
Minister for Regional Growth and Local Government
Ministry of Housing, Communities and Local Government
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15 October 2020

Dear Luke

I wanted to raise with you the issue of economic recovery, both in terms of the work that the LGA has done and how best we continue to engage with you, the Ministry and across Whitehall, on this matter. Our discussions with ministers and the engagement across Whitehall has been very productive to date and we are keen to continue this work.

Since the advent of the COVID19 pandemic we have all been aware that the economy has and will continue to be severely affected. The Government's investment in protecting the productive capacity of the country, through a series of interventions, including the furlough scheme, grants and loans to businesses, and temporary changes to the tax system, has been essential for many businesses and their employees. Councils have played an important part in the programme and we will ensure that our joint endeavour with Government continues over the coming months.

We have also prioritised thinking beyond the immediate crisis to how the economy can recover and be renewed in line with the Government's levelling up and green agendas.

We have engaged with MHCLG, and more generally across Whitehall, through a ministerial Local Economic recovery Group, with representation from senior local politicians, city region Mayors and Local Enterprise Zones (LEPs). This has been supported by an officials' group, with representation from chief executives from councils, combined authorities and LEPs.

Through these groups we have been keen to work towards a national framework for economic recovery and establish a clear role for local government and the communities they serve. The continuing epidemic has made it challenging to settle a future plan, but together we have made

good progress in establishing key issues, including employment and skills, housing and planning, transport, and the green recovery and we have identified opportunities for action in each of these areas.

The LGA has undertaken a significant amount of work to support economic recovery discussions national and also locally with councils, who are themselves developing local economic recovery plans. Our 2020 conference publication [Rethinking Local](#) sets out how local government can be a key partner in meeting these challenges. It is worth recapping key elements of this work:

Employment and Skills

- Working with Core Cities and the LEP Network the LGA prepared a paper on employment and skills which was presented to Ministers. The paper contained calls for a range of programmes to support those affected by the pandemic as well as a plea for partnership working and flexibility on local delivery. The Government subsequently announced the Kickstart Programme and additional support for apprenticeships. We are continuing to work with officials through the Local Economic Recovery Group on employment and skills to shape delivery of the Kickstart programme and have published a report on [what good looks like](#).
- In June 2020 the LGA published a report [“Local green jobs – accelerating a sustainable economic recovery”](#) which mapped the opportunity to create 700,000 new jobs in areas such as clean electricity generation and providing low-carbon heat for homes and businesses. This paper has received significant coverage and positive reviews and must inform a, still absent, national framework for addressing climate change and a green economic recovery.

Housing and Planning

- The provision of more housing is a national ambition. We know that house builders have traditionally been susceptible to economic downturns and there is a role and opportunity for national and local government to provide counter-cyclical support. In June 2020 the LGA published [“Delivery of council housing: Developing a stimulus package post-pandemic”](#) which made the case for investment in a new generation of high-quality social homes. The Government has brought forward its £12bn Affordable homes programme, which we had called for and welcomed. Our work has shown that with the right investment, and with flexibilities in Right to Buy, councils could be enabled to do more to address the housing crisis.
- In July 2020 the LGA published [“Local Planning Authorities: Developing a recovery and resilience planning package post-pandemic”](#) which set out a number of recommendations for incentives, powers and flexibilities that would enable planning to contribute to the conditions required for locally led economic recovery. We remain concerned that the Government’s proposals on planning, as set out in the White Paper, will not address the problems inherent in the housing market and I would welcome further discussions on these issues.

Public transport

- We had the opportunity to raise the issue of the sustainability of public transport and to share a paper with Ministers and officials at DfT and MHCLG. Our paper noted that for the buses sector to recover Government funding should be directed through councils who will be able to commission a network of services according to local

circumstances. In areas with other modes like light rail it will allow bus, tram and light rail to be properly integrated with bus services. We also noted that any future funding mechanism to support public transport should be directed through councils who could commission transport networks that reflect the wider social, economic and environmental aspirations of local people and businesses.

Inclusive growth

- I contributed to the Business Secretary's roundtable discussions on how to level up economic performance across the UK. The LGA contributed a paper on [driving inclusive growth in local areas](#) which covered: the link between affordable housing, skills attainment and job creation; procurement; infrastructure and transport. This report contains a wealth of good practice and points to the important role that local government plays in this area. which also plays into the levelling up agenda.

Tourism

- Working with Core Cities, Key Cities and the LEP Network the LGA prepared a paper on supporting the tourism and hospitality sectors which was presented to Ministers. The paper contained calls for a range of programmes to support those affected by the pandemic as well as a plea for partnership working and flexibility on local delivery. It supplements the LGA's publication on developing a pipeline of [skills for the visitor economy](#).

Green recovery

- In our [Comprehensive Spending Review Submission](#) we renewed our call for the Government to work with councils and businesses to establish a national fiscal and policy framework for addressing the climate emergency. This framework should outline responsibilities for the Government nationally – for example, aligning the regulatory system, including the planning system and national tax incentives – and the local responsibilities, together with a commitment to cooperate with local public sector bodies. There should be a process of engagement between central and local government and industry to enable councils to fulfil their role to translate a national framework into transformative local plans that deliver on this agenda and invest in solutions for a green recovery and future.

Task and Finish Groups

- In addition to Employment and Skills, we have been working with officials, councils, combined authorities and LEPS on task and finish groups covering urban, rural and business recovery. These groups have brought forward a series of recommendations and it is now important that we get to discuss these issues in a forum that brings together Ministers and local leaders.

Policy changes and flexibilities to statutory duties

- I wrote back in May to Simon Clarke MP, the then Minister for local government, setting out a number of areas where changes to policy would enable local government to support its communities and businesses more effectively during the pandemic. A number of changes were subsequently made, particularly around the planning system, and I would welcome a discussion on making these changes permanent. It was also good to see that a number of funding streams were brought forward. In other cases,

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we continue to work with the Ministry and departments across Whitehall on what policy and legislative changes can be made to support a shift economic recovery.

We have made good progress and the LGA is committed to working with you to develop new ideas and ensure a joint endeavour to aid economic recovery and to create the conditions in which national and local government can work together to address the very challenging conditions that cities, towns and rural areas will face as we emerge from the pandemic.

I would welcome discussions with you on how we continue a forum in which local leaders, Mayors, LEPs and Ministers can discuss and steer the design of the measures needed to ensure a successful economic recovery and help influence the Spending Review and the future White Paper on Devolution.

Yours sincerely,



Cllr James Jamieson
Chairman