



# VITAL SIGNS

Building regional economic resilience  
in the Covid age

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Part 1: Local government pandemic response so  
far and outlook for the future

By Joe Fyans

# About Localis

## Who we are

We are a leading, independent think tank that was established in 2001. Our work promotes neo-localist ideas through research, events and commentary, covering a range of local and national domestic policy issues.

## Neo-localism

Our research and policy programme is guided by the concept of neo-localism. Neo-localism is about giving places and people more control over the effects of globalisation. It is positive about promoting economic prosperity, but also enhancing other aspects of people's lives such as family and culture. It is not anti-globalisation, but wants to bend the mainstream of social and economic policy so that place is put at the centre of political thinking.

In particular our work is focused on four areas:

- **Decentralising political economy.** Developing and differentiating regional economies and an accompanying devolution of democratic leadership.
- **Empowering local leadership.** Elevating the role and responsibilities of local leaders in shaping and directing their place.
- **Extending local civil capacity.** The mission of the strategic authority as a convener of civil society; from private to charity sector, household to community.
- **Reforming public services.** Ideas to help save the public services and institutions upon which many in society depend.

## What we do

We publish research throughout the year, from extensive reports to shorter pamphlets, on a diverse range of policy areas. We run a broad events programme, including roundtable discussions, panel events and an extensive party conference programme. We also run a membership network of local authorities and corporate fellows.

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# Acknowledgements

The backbone of this work was formed in the six policy roundtables Localis carried out with Staffordshire County Council over May and early June 2020. In these sessions, stakeholders and experts with local, regional and national remits came together to discuss the crisis in which we found and continue to find ourselves, with a view to establishing what building back better might look like for local places, and what policy and governance could do to enable this. The collective tone and timbre of these discussions charted the course for the work, my colleagues and I are immensely grateful for the high quality and thoughtful input of all who took part in the discussions. Huge thanks are also owed to everyone at Staffordshire County Council who supported the research and those who contributed.

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Any errors or omissions remain my own.

**Joe Fyans**



# Research roundtables

The research for this project was initiated with six research roundtables, held by Localis and Staffordshire County Council and attended by local, regional and national stakeholders in May and June 2020. The purpose of the roundtables was to identify possible paths to regional economic recovery in Staffordshire and the West Midlands, and to understand, in a more general sense, what would be required of national and local government for place-based recovery. These roundtables were invaluable in identifying the parameters and focus of the research, and a debt of gratitude is owed to all the participants, listed below.

## Session 1: Business and Growth

- Mr Liam Halligan, Economics Commentator; the Telegraph
- Mr Phil Hope, Visiting Professor; Imperial College
- Ms Rimaljit Kaur Likhari, Senior Market Analyst; Connected Places Catapult
- Ms Nicola Kent, Head of Funding, Business & Enterprise; Staffordshire County Council
- Ms Claire Spencer, Senior Policy Adviser, Public Services & Inclusive Growth; West Midlands Combined Authority
- Ms Sara Williams, Chief Executive; Staffordshire Chamber of Commerce
- Ms Karen Woolley, Development Manager; Federation of Small Businesses (Staffordshire & West Midlands)

## Session 2: Levelling up, Research & Development

- Mr Anthony Hodge, Assistant Director, Business & Enterprise; Staffordshire County Council
- Mr Jim Hubbard, Head of Regional Policy; Confederation of British Industry
- Ms Maria Mischances, Director; Midlands Connect
- Mr Alun Rogers, Chairman; Stoke-on-Trent & Staffordshire LEP
- Mr Adrian Smith, Deputy Chief Executive & Corporate Director of Place; Nottinghamshire County Council
- Mr Chris White, Director; KCL Institute for Industrial Strategy

## Session 3: Labour markets

- Mr Anthony Baines, Assistant Director for Skills & Employability; Staffordshire County Council
- Mr Duncan Brown, Director of Consulting; EMSI

- Mr Nye Cominetti, Senior Economist; Resolution Foundation
- Mr Stephen Jones, Chief Executive; Learning and Work Institute
- Mr Martin Jones, Deputy Vice Chancellor and Professor of Human Geography; Staffordshire University
- Ms Suzanne Quinn, Project Manager; Stoke-on-Trent & Staffordshire Skills Hub
- Mr Daniel Timms, Senior Consultant; Metrodynamics

#### Session 4: Role of local government in economic development

- Cllr Philip Atkins, Former Leader; Staffordshire County Council
- Professor Colin Copus, Visiting Fellow; Localis
- Mr Ed Cox, Director of Public Service Reform; West Midlands Combined Authority
- Mr Darryl Eyres, Director for Economy, Infrastructure & Skills; Staffordshire County Council
- Mr David Godfrey, Director of Strategy; Kent County Council
- Mr Mark Parkinson, Chief Executive; Stoke-on-Trent and Staffordshire LEP

#### Session 5: Clean growth

- Mr Richard Blyth, Head of Policy Practice & Research; Royal Town Planning Institute
- Mr Luke Hillson, Design Director; Barton Willmore
- Mr Craig Jordan, Head of Economic Growth & Development; Lichfield District Council
- Mr Chris Langdon, Development and Investment Director; Engie
- Mr Sam Markey, Executive Office – Director; Connected Places Catapult
- Mr Mark Parkinson, Chief Executive; Stoke-on-Trent and Staffordshire LEP
- Ms Catriona Riddell, Owner; Catriona Riddell Associates
- Mr Matt Shufflebotham, Economic Development Director; Staffordshire County Council
- Mr Ian Smith, Assistant Director, Cities and Local Growth Unit; Department of Business, Energy and Industrial Strategy
- Ms Claire Spencer, Acting Head of Inclusive Growth and Public Sector Reform; West Midlands Combined Authority

## Session 6: Logistics

- Mr Christopher Ashley, Head of Policy – Environment & Regulation; Road Haulage Association
- Mr Mike Best, Senior Director – Planning; Turley
- Mr William Blincoe, Planning & Development Adviser; Coventry & Warwickshire LEP & Growth Hub
- Mr Peter Leaver, Director – Planning & Development; JLL
- Mr Mark Parkinson, Chief Executive; Stoke-on-Trent and Staffordshire LEP
- Mr Paul Rouse, Director of Planning; Savills
- Mr Christian Sayer, Senior Policy Officer; Greater Birmingham & Solihull Local Enterprise Partnership
- Mr Matt Shufflebotham, Economic Development Director; Staffordshire County Council
- Mr Ben Taylor, Planning Director; Barton Willmore
- Mr Gregg Titley, Development Director; St Modwen Properties
- Mr Chris Yarlsey, Road Infrastructure Policy Manager – Midlands/South West England; Freight Transport Association

## Session 7: Future Health and Care Economy

- Professor John Ashton, Former Regional Director (North West); ADPH
- Professor Mark Gamsu, School of Health & Community Studies; Leeds Beckett University
- Mr Michael Wood, Head of Health Economic Partnerships; NHS Confederation
- Ms Karen Saunders, Public Health Specialist; Public Health England
- Mr Andrew Jepps, Assistant Director for Care Commissioning; Staffordshire County Council
- Ms Claire McIver, Consultant in Public Health; Staffordshire County Council
- Cllr Alan White, Deputy Leader, Cabinet Member for Health; Staffordshire County Council

# Executive Summary

This report covers the local government response to the social and economic upheaval of the coronavirus pandemic 2020, particularly focusing on the national lockdown from March to June, but also including the period up to October 2020. In the UK, Covid-19 struck a country rife with regional inequality, already on the brink of major economic upheaval as part of the Brexit process, and deeply dividing along political and geographical lines. The effects of the crisis exposed longstanding issues – crucially with economic resilience in England's regions and funding of public services – which are intricately tied into the balance of power between local and central government. Yet in the response from local communities and the local state, there are lessons to be learned that may help point to a path away from not just the depths of the crisis but also the sluggish growth and widespread inequality of recent decades. The goal of this report is to detail those moments in the crisis where new forms of organisation and action have emerged at the local level that might provide the beginnings of a blueprint for a better way forward.

## Local government in the pandemic

The overall arc of local government's role in the pandemic has been one of increasing frustration, even amongst a great deal of success under the circumstances. Throughout the coronavirus crisis, government at all levels has been functioning in an environment of extreme uncertainty; faced with difficult, unenviable and inter-dependent trade-offs presented by a myriad set of health, economic and social challenges. The response has emphasised the importance of well-directed and amply-resourced national policies such as the furlough scheme and the Small Business Grant Fund, the latter delivered swiftly and in partnership with local government. Yet, the response has also highlighted the inadequacy of the 'command and control' style of national government that has impeded a coherent and consistent response at place level. In many other nations, the state-funded local capacity to recruit volunteers and deploy test-and-trace systems. The UK opted for a heavily-centralised approach. Volunteer recruitment, testing and contact tracing were all handled centrally at first, often continuing in this manner for some time until local officials were allowed to step in. Personal protective equipment (PPE), the distribution of which many local authorities took into their own hands after failures in the central system, is another example.

On the economic side of the crisis, most council activity in the first months of the pandemic was focused on business support. Through the Small Business Grant Fund, councils supported thousands of small businesses up and down the country by distributing money provided by central government. Beyond this distributor role, however, has been the business support function – advisory hubs and services set up across the country by councils, LEPs and chambers of commerce. In many cases, this has brought the local state into contact with micro-size and small enterprises which have traditionally been harder to reach. These links must be strengthened beyond the heat of the crisis, as the need for financial support becomes supplemented by the need for measures like localised demand stimulus and advice on transitioning to the 'new normal'. This report also highlights the work of local government to facilitate rapid adaptation of high streets, town and village centres. Active travel strategies were brought in or accelerated in rural and urban areas, pedestrianisation was adopted at pace to support

local business whilst adhering to social distancing guidelines. All of this action provides impetus to the 'build back better' movement, which acknowledges the longstanding problems in Britain's town centres and looks to use this moment as a chance to remodel and revitalise this essential social infrastructure, as a partnership effort with local communities.

## **Building back better**

The Build Back Better campaign is underpinned by five objectives; to secure the health and needs of everyone in the UK, protect and invest in our public services, rebuild society with a transformative Green New Deal, invest in people, and to build solidarity and community across borders. How we go on to Build Back Better is in our hands, and this is seen as a once in a lifetime opportunity to define the future of our society. This is particularly pertinent to decarbonisation, the most pressing existential challenge of our time. The need for accelerated economic growth to under-write pandemic spending should turbo-charge the clean growth agenda. 'Levelling up' retrofit efforts and funding green infrastructure projects can help stimulate growth, increase good quality employment and create assets in terms of finance, health and natural capital. For the local state to drive this job creation, however, there must be devolution of funds to invest. Across the country, many councils and LEPs have identified clean growth initiatives and the current situation does not allow for the 'bidding for pots', piecemeal evaluation process currently in place for central government investment. Councils have also been featuring decarbonisation in their local strategic plans – whether it is investing their own funds in energy projects, setting high standards of energy efficiency in new housing schemes or approving planning permission for EV chargers. On the route to net zero, councils have a leadership role within strategic planning that no other organisation has which must be operationalised in the push to build back better.

Connected with this are local labour markets. An immediate consequence of the lockdown measures was the shutting down of many sectors of the economy. While some of these were temporary, others have lasted until late into the summer and could take a lot longer to recover. The blanket-coverage of the furlough scheme extension provides a short-term delay to the major labour market disruption to come. There is a role for the local state in ensuring that the principles of building back better are applied to employment and skills. Before being converted into a more short-term spending round, the planned Comprehensive Spending Review became a focal point for the increasingly fractious local government sector to rally around on the issue of the local state and its role in the labour market. The LGA has called for government to "co-design a plan to support the long term unemployed and increase and re-purpose skills investment to retrain people into local in-demand jobs" along the lines of their Work Local model. In their submission, the LEP Network highlight the presence of Higher and Further Education representation alongside business on local Skills Advisory Panels – the expansion of which was recommended in Localis' 2019 report Hitting Reset – and called for fast-tracked capital investment coordinated at the local level. What both submissions illustrate is the existing framework within the local state to take an active and cross-cutting approach to reorient local labour markets to face the new reality.

## Context of the crisis

### The antecedents of levelling up

Understanding the context in which the crisis took place is key to understanding how the local response might be used as a blueprint for a better system. In Britain, the pandemic was experienced by a heavily centralised nation rife with regional inequality. Gaps in economic productivity between London and other regions of the UK are as wide as they were in 1901. The gap in output between Britain's most and least productive regions is also wider than in all major EU countries. Centralisation of public spending has increased in the past five years, with local authorities forced to cut spending by almost £10bn. This disproportionate centralisation of political and economic power in London has choked off investment to other regions of the country, causing 'brain drain' issues with flows of young people moving into London to earn and progress away from their home regions. Raising productivity across the country, closing the gap in output-per-hour, is the central challenge for raising prosperity, improving lives and increasing economic resilience. This is not a new issue, central government has attempted to address it in many forms over the past few decades. The history that led us to 'levelling up' is crucial to understand, in order to use this pivotal moment in our history to make substantive and sustained progress in closing the gap.

The regional gap in productivity has increased since the gradual reduction in regional growth funding and shrinking local authority spending power brought on by the austerity budgets post-2010. Local Enterprise Partnerships (LEPs) were set up by the coalition government in 2010 to replace the former Regional Development Agencies carrying out much of the same purpose as their predecessor in leading local economic growth, but with a greater voice for local businesses. A central part of the Government's Industrial Strategy in 2017 was also the creation, coordinated and driven by the LEPs, of Local Industrial Strategies (LIS). Many of these strategies have extensively researched evidence bases on local economies and populations which are more vital now than ever. The Industrial Strategy council recently urged the Government to place LIS at the heart of the economic recovery from the pandemic. Most recently, in July 2020, MPs on the BEIS Committee launched an enquiry on whether major updates to the national strategy are now required in light of the pandemic and 2050 net-zero target. Using the work that has already been done is crucial, particularly at the local level where intelligence on aspects of strategy like the size and nature of certain sectors in subregional economies has previously been hard to come by.

With the twin drivers of pandemic response and the levelling up agenda, policy energy in Whitehall is likely to be directed towards the macroeconomic. In securing finance and investment at the local level, the challenge is how to articulate to government clearly what would constitute the sub-regional elements of a recovery plan. The roots of this and the broad evidence base required are already present in the LIS. This approach requires, however, a partnership effort between central and local government, with a respect for local strategy and information which has been far from apparent during 2020. After an initial pulling-together, relationships between all tiers of governance in England have frayed during the pandemic. On the one hand, the command-and-control style from Westminster, often continually pressed ahead with in the face of on-the-ground evidence, has led to resentment from council leaders, particularly in areas that have seen local lockdowns. At the same time, confusion around the Local Recovery and Devolution White Paper has led to infighting and wasted energy in the local government sector.

## Recent trends

There are other factors beyond the longstanding and increasing English inter-regional malaise that dovetail with a push to build back better. In June 2019, following Parliament's declaration of a 'climate emergency', legislation was passed requiring the government to reduce the UK's net emissions of greenhouse gases by 100 percent relative to 1990 levels by 2050, accelerating the previous targets of the Climate Change Act. Overall, the UK saw a fall in territorial emissions by 28 percent between 2008 and 2018, achieved alongside a GDP growth of approximately 14 percent over the same period. The UK has reduced its greenhouse gas emissions faster than any other G20 economy over this time. Locally, the majority of councils have now declared a climate emergency. This enables local authorities to be more ambitious, particularly on those areas linked to greater emissions, such as housing and transport. As the imperative for Net Zero emissions rises, measures enabling the transition towards decarbonisation are coming to the fore: the Road to Net Zero strategy for road transport; the imminent Buildings and Heat Strategy; the Green Investment Bank; the increasing prevalence and political importance of creating green jobs. All of these measures are intensified by the pandemic, particularly the need to invest in green infrastructure and, relatedly, create green jobs.

The creation of green jobs is interwoven with another recent trend, the push for better jobs in the UK labour market. Much of this work in the past ten years has focused on underemployment or poor quality employment, but this now must be extended to employment in general. Unemployment in the UK has been falling steadily over the last few years until a spike coinciding with the pandemic and lockdown. This will increase dramatically as the furlough scheme ends. The structure and strength of the local labour market will be a key determinant of a place's outlook for recovery, with major structural weaknesses present in different forms across the country. Improving the skills situation at pace and scale is crucial to long-term recovery. The September 2020 review of the Shortage Occupations List by the Migration Advisory Committee found a skills gap across the health and care sector. Beyond this, the goals of the levelling up agenda are challenged by the presence list of skilled trades from masonry to plumbing to joinery on the shortage list. Along with internationally lagging rates of adults achieving qualifications equivalent to NVQ3 (A-Level) before the crisis, one fifth of adults lacked basic literacy or numeracy skills and around 12 million people lacked basic digital skills. Beneath these national statistics lies significant local variation, with skills a key contributor to the wage disparities seen across regions in England. National and local government is now faced with the challenge of attempting to improve these conditions in an environment where significant numbers of people are unemployed, furloughed or concerned about their job.

## Looking ahead

Recovery and renewal of local economies has been prioritised by the vast majority of councils across the UK, and a number have placed particular emphasis on understanding how the ongoing disruption from the pandemic is likely to play out at the local level. The shape of the economy is unlikely to return to normal for some time. Despite the plunge in GDP, the general uncertainty may be a window for new, more strategic approaches to implementing policy. A step in this direction would be to move away from a project-by-project, central government evaluation-based approach to investment and to make the

case for devolving investment and funding as part of the Levelling Up agenda. In fact, the success of the combined authority model strengthens the argument for more devolution of a similar kind. Despite bespoke deals, the powers at the disposal of the metropolitan combined authorities overlap considerably, with a clear framework discernible. Devolution deals, in these extremely pressing circumstances, do not need to be as complicated or as drawn-out as they have been in the past.

The unprecedented state support to industry over the course of the pandemic necessitates a renewed focus on the role of public money in driving growth which dwarfs the kind of considerations, ambitious as they were, of the Chancellor's 'levelling up budget' in early 2020. Emphasising and expanding on high value sectors will be a key part of levelling up in the UK as a means of increasing the spread of high-skilled workers, a factor which is intrinsically linked with addressing wage inequality. There is a need to rebuild the UK 'industrial commons' as recognised in the Government's Industrial Strategy. This is tied in with the push to net zero, as achieving innovations in efficiency for the manufacturing sector is crucial to meeting carbon targets. A strong recovery will be greatly aided by a more effective use of the LEP's business-led approach, backed up by robust local networks and evidence bases, than has been previously made by central government in laying out strategy. In the UK's high-value knowledge-intensive service sector, pandemic-related changes have major knock-on effects in localities. Due to maintained levels of homeworking, patterns around the changing face of the high street and town centres are likely to accelerate. Using the convening power of the local state to encourage the knowledge economy back into town centres, rather than staying at home or at the town periphery in office parks, is a viable route to enabling vibrant places that are sustainable and connected through trade and the digital economy.

This must be carefully balanced with ongoing changes to travel patterns. With the pandemic bringing commuting to a halt and encouraging active travel, there are certain positive implications for reaching net zero targets and achieving key deliverables for decarbonisation. As we begin to recover, the challenge is how to keep on a good epidemiological trajectory without locking ourselves into behaviours which might harm the environment or long-term economic stability. The long road to decarbonisation has been modelled to involve the removal of around 60% of trips in cars. The end of lockdown is likely to push this goal further into the distance. Data from China shows that sales of cars have increased in line with a shift from public to private transport – it is quite possible that this will happen in the UK as well. A particular challenge may emerge for those living on the peripheries of large towns and cities, where the roads have weak and easily congested intersections. These areas are most likely to experience traffic growth and private transportation as more people return to work. Empowering strategic authorities to adapt to these changes holistically – from the high street to the periphery – will be crucial to a dynamic recovery.



## Learning and acting on the lessons from 2020

The list below highlights some key lessons to be drawn from central and local government pandemic response from March to October 2020, as described in the report, along with recommendations for central government action.

### Bringing it all back home – only greater local autonomy and trust can deliver national strategy

1. The pandemic ought to have entrenched the fundamental idea that, in public health and beyond, a trust-based partnership between national and local government with a place-based way of working, considerate and cognisant of local factors, can lead to a more effective delivery of strategy.
2. Clearer delineations of responsibility and a greater respect for the knowledge of how local government operates could have saved a great deal of time, money and human endeavour in the crucial first months of the pandemic.

**A clear roadmap for devolution, with public health powers enshrined**, should be laid out by government in 2021 both to boost national resilience against future shocks and to better equip local government for a place-based recovery. Now is not a time to waste yet further time by obsessing on new structures and complex governance arrangements.

### Make full use the strategies and evidence bases already in existence and be flexible and place-sensitive about institutional configuration

3. Local authorities are amply and admirably demonstrating that they have an awareness and understanding of the ongoing economic and social disruption of the pandemic – and are using this as an evidence base to recover and build back better.
4. A strong labour market recovery will be greatly aided by effective use of the business-led approach of Local Enterprise Partnerships and Chambers of Commerce, backed up by robust local networks and evidence bases, than has been previously made by central government in pandemic response.
5. **Local growth vehicles for delivery of local growth.** In defining the actors and institutions able to access the Levelling Up and Shared Prosperity funds to stimulate economic recovery, **the government should be flexible on delivery vehicles for sub-regional infrastructure projects, providing they are anchored in a democratically-elected and accountable local authority.**

### Community hubs and other ‘social infrastructure’ are vital to national resilience

6. Local authorities can play a critical role in facilitating the dynamic activity that nourishes the social infrastructure of a place by fostering a network of community groups, hubs and organisations where experiences, resources and knowledge can be shared locally.
7. Government should create clear, statutory pathways to community ownership of these assets and protect social infrastructure through statute by extending and expanding the Community Assets provisions of the Localism Act.

# 1. Introduction

This report covers the local government response to the social and economic upheaval of the coronavirus pandemic 2020, particularly focusing on the national lockdown from March to June, but also including the period up to October 2020. The aim of the report is to detail local government response and central-local governmental relations during the crisis, to contextualise this narrative within the recent political-economic history of the UK and to look ahead to the risks and opportunities of a 'new normal'. Much of the early research for this report came out of seven research roundtables which Localis held with Staffordshire County Council, involving local, regional and national stakeholders, at the height of lockdown. From these events and further expert interviews, the monumental scale of this national upheaval was brought into stark relief. Yet in the context of a country rife with regional inequality – already undergoing the most significant political transformation in a generation with the exit from the European Union and poised to turn a corner with the 'levelling up' agenda – calls to 'build back better', to attempt to forge a new social contract in this unexpected fire, are resonant. The need to fundamentally realign is felt nowhere more acutely than in local government, where multiple funding crises have been mounting, particularly in adult social care, for years. The goal of this report is to detail those moments in the crisis where new forms of organisation and action have emerged at the local level that might provide the beginnings of a blueprint for a better way forward.

## Covid-19 as a case for reform

It is important when talking of how to move ahead, not to understate the damage that has been done. Of the over half a million people that have been infected with the virus, many will suffer the long-lasting health impacts for many years. Lockdown, too, has severe consequences for health, particularly mental health<sup>1</sup> but also the physical impact of reduced exercise outdoors<sup>2</sup> on a nation that was already overweight<sup>3</sup>. Whilst community spirit in the pandemic has been a lifeline for society, the social infrastructure on which it depends – our parks, community centres, libraries, places of worship – has been stretched to breaking point. Economically, Britain's GDP has plunged in a manner unparalleled in the OECD. Mass unemployment and business failure are predicted, with the media making much of the very real prospect of a long and unsettling winter.

Yet in many of these damning statistics is the case for reform, not despair. The UK has been experiencing sluggish growth for many years, with an economy over-leveraged on London and vast swathes of the population across the country being locked out of the cause and effects of that growth<sup>4</sup>. Social care for the elderly has been a ticking timebomb ignored by every successive government since at least the early 1980s<sup>5</sup>. A decade of austerity and neglect has left our community spaces reduced in number and quality. A highly globalised labour market developed over decades meant that leaving the European single market

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1 The Health Foundation (2020) – Emerging evidence on COVID-19's impact on mental health and health inequalities

2 Public Health England (2020) – Wider impacts of COVID-19 on health: summary

3 NHS England (2019) – Health Survey for England 2018

4 Localis (2019) – Hitting Reset

5 Munira Wilson (2020) – We must not waste the chance to fix the social care system

would inevitably have left skills gaps in a number of key industries, from healthcare to construction, which successive, rapid-fire reforms to the countries education and training system had not yet found a solution to<sup>6</sup>. All of this was demonstrably true before the pandemic. What has been reached, over the course of a long and painful year, is a national consensus that things cannot go back to the way they were<sup>7</sup>. In this way, 2021 may resemble 1944 in Britain, or 1933 in the United States, as a pivotal year where transformational programmes began in the spirit of renewal against a backdrop of devastation.

## Places in the pandemic

The overall arc of local government's role in the pandemic has been one of increasing frustration, even amongst a great deal of success under the circumstances. Chapter two of this report charts the key economic role played by councils in support for local residents and enterprise, whilst also detailing the repeated failures of communication from a central government that has too often adopted a 'command and control' approach. The issues with a centrally-contracted and run test and trace system have been well documented<sup>8</sup>, as have the multiple occasions in which local public health teams have stepped up to get the job done in the face of failings in the central system<sup>9,10</sup>. Whilst funding has been provided for obligations placed on local government, this has often been only assured in clarifications, often seemingly at odds with previous statements<sup>11</sup>. Against this backdrop, repeated statements throughout the spring and summer implying a major restructuring of local government were made, only for the paper outlining these changes to be delayed to next year amid talk of its radicalism having been greatly overstated<sup>12</sup>. At the same time, the Planning White Paper outlined plans to strip councils of the majority of their autonomy in assessing need and approving developments of new building. Mayors and council leaders were told of local lockdowns in their area minutes before the government announced them<sup>13</sup>. These are just some of the factors that have led to an impression of a disregard for local government throughout the pandemic.

Yet throughout the crisis, the sector has shown its capacity to deliver at the local level. On the economic side, the following chapter details how local response units supported businesses of all sizes, adapted high streets and public spaces, strove to continue all forms of education and worked to look beyond the immediate crisis to what these changes could mean for places going forward. Of course, a good deal of the hard work was done at the community level, by groups ranging from informal networks to established social enterprises<sup>14</sup>, who provided crucial support, mostly as volunteers, to the vulnerable in their neighbourhoods even at the height of the crisis. Both local government and local communities are due a new settlement in light of this pandemic, with a square

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6 Migration Advisory Committee (2020) – Review of the Shortage Occupation List: 2020

7 Reuters (2020) – No more status quo: PM Johnson vows to transform Britain after coronavirus crisis

8 Peter Blackburn (2020) – A hidden threat: test-and-trace failure edges closer

9 Norfolk County Council (2020) – Locally supported contact tracing for Covid-19

10 The Times (2020) – Test and Trace: Where did it all go wrong?

11 Kent Online (2020) – Boris Johnson's 'Covid Marshals' plan leaves Kent councils demanding clarity on funding and powers

12 Local Government Chronicle (2020) – Updated: Scepticism mounts over devo white paper as ministers' focus turns elsewhere

13 The Guardian (2020) – Councils given five minutes' notice of local lockdown confirmation

14 Public Health England (2020) – The community response to coronavirus (COVID-19)

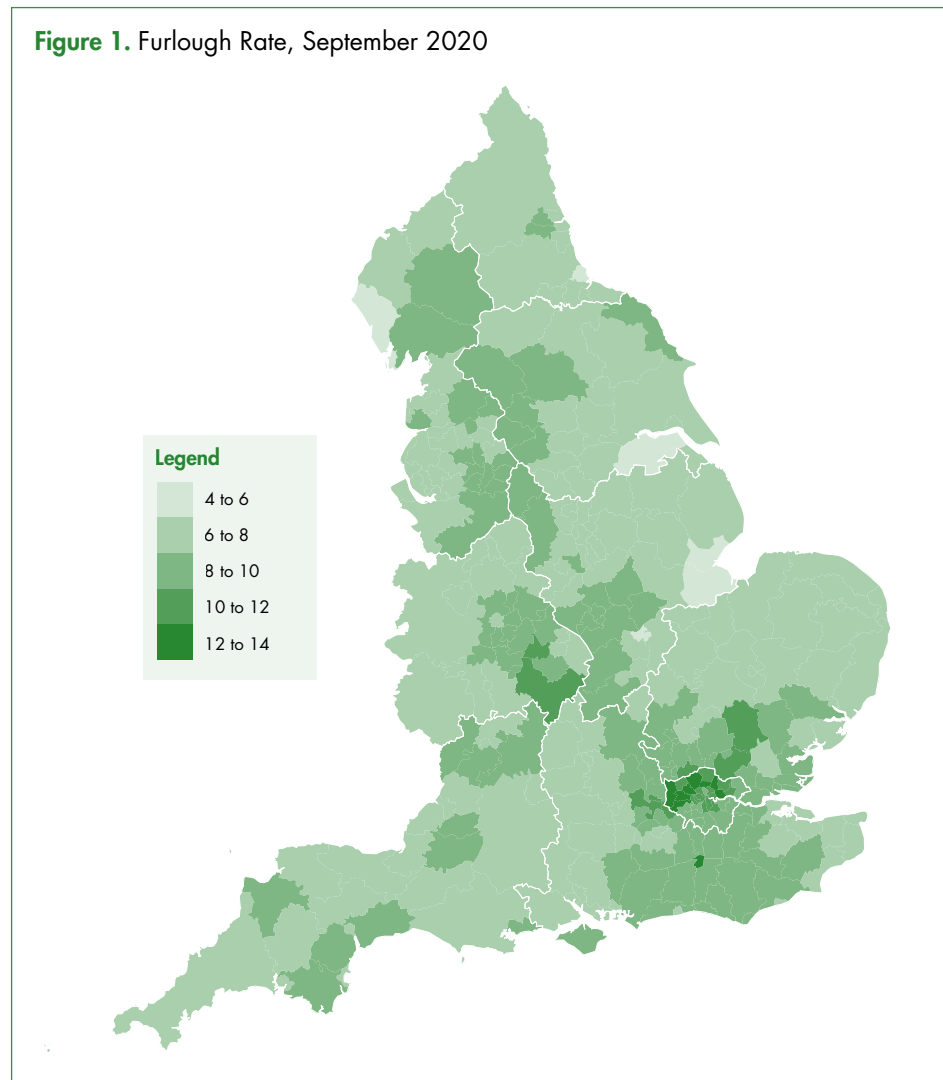
deal between communities and their councils just as important to national resilience and unity as one between local and central government. Yet there is more to come, with the second wave and new restrictions starting to accelerate at the beginning of autumn 2020, building to a renewal of full national lockdown in early 2021. Communities have been acknowledged, but not rewarded, for their efforts, and our civil society spirit is likely to be called on again before the pandemic is over. Councils have been sidelined repeatedly, even as the need for local knowledge in public health strategy becomes increasingly clear. From this low point, there is ample scope to move to new highs, but it will not happen without the right kind of action. This report points to the early evidence of what might need to be considered if we are to build back better.

## 2. Local government in the pandemic

### Crisis response

Throughout the coronavirus crisis, government at all levels has been functioning in a context of extreme uncertainty: faced with difficult, unenviable and inter-dependent trade-offs presented by a myriad set of health, economic and social challenges. Councils are working extensively at the level of place to address the whole gamut of public service, public health and business contingencies brought about by the pandemic. We have seen local authorities pool their resources, adapt and respond to new problems, and generate solutions autonomously, often more effectively than national government. This has ranged from sourcing PPE – locally, nationally and even internationally – for frontline staff and care homes, to offering digital support for homeschooling. The pandemic response has frequently been a community and partnership effort, spearheaded by local government.

**Figure 1.** Furlough Rate, September 2020



The response has also emphasised the importance of well-directed and amply-resourced national policies such as the furlough scheme and the Small Business Grant Fund, in the latter instance swift impacts could not have been achieved at a local level without this partnership effort. What has been observed from central government is the ability to, where the politics are aligned, push things through at dramatic pace and scale.

Yet, the response has also highlighted the inadequacy of the 'command and control' style of national government that has impeded a coherent and consistent response at place level. The furlough scheme, with its nationwide remit and universal principles, contrasts with the locally-nuanced task of testing, tracing and isolating to control the virus. Where the centrally contracted, outsourced system of test and trace has come under fire for repeated failure and failed to convince the public<sup>15</sup> of its efficacy, local government has repeatedly had to step in to carry out the policy<sup>16</sup>. In many other nations, the state-funded local capacity to recruit volunteers and deploy test-and-trace systems, the UK opted for a heavily-centralised approach. Volunteer recruitment, test and tracing were all handled centrally at first, often continuing in this manner for some time until local officials were allowed to step in. The distribution of PPE is another example. In Staffordshire, the central drops of PPE to the Local Resilience Forum (LRF) constituted only about 4% of the county requirements. Clearer delineations of responsibility and greater respect for the knowledge of local government could have saved a great deal of time, money and human endeavour in the crucial first months of the pandemic.

There is a real risk that the lessons of this crisis with regard to local expertise are ignored, with council leaders and even elected mayors uninformed of imminent local lockdowns in their areas until the last minute. The pandemic ought to have brought home the fundamental idea that, in public health and beyond, a trust-based partnership between national and local government with a place-based way of working, considerate of local factors, can lead to a more effective delivery of strategy.

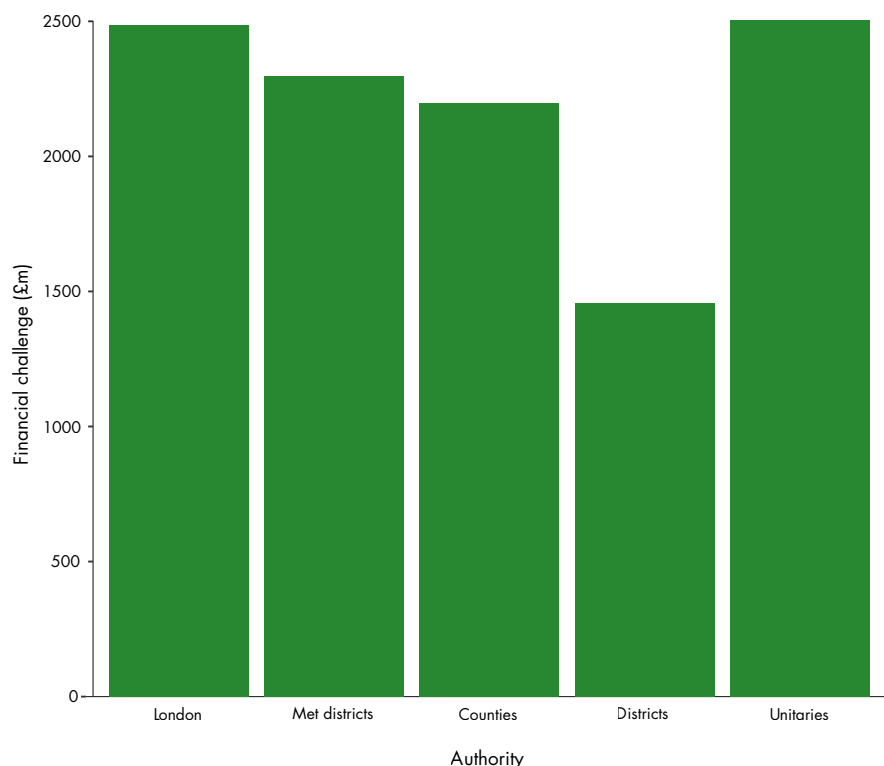
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15 Huffington Post (2020) – Exclusive: Public want test and trace taken off private firm

16 The Guardian (2020) – Local authority sets up test-and-trace system to plug gaps in English scheme

**Figure 2:** Total financial challenge from COVID-19

2020/21, before grants, by authority type



Source: MHCLG

## Business support

### Small business grants

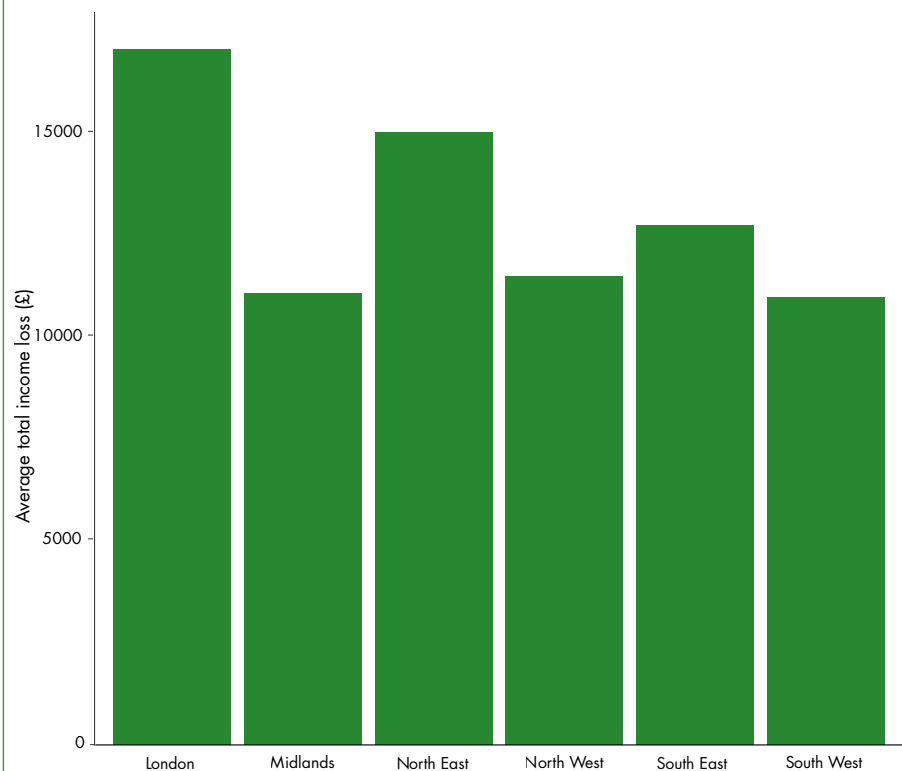
The community and partnership effort is exemplified in the area of business support. The importance of business support grants made available by central government for SME businesses cannot be overstated. While local government were responsible for the administration of this money, they also delivered 'on the ground' support for local enterprise. In Middlesbrough, the council coordinated with Middlesbrough Community Learning in reaching out to local businesses across the Tees Valley to offer support and guidance<sup>17</sup>. Tailored resources with access to online support are provided through, amongst many others, ESOL (English for speakers of other languages), stress management, first aid, risk assessment, and apprenticeships for new or current staff including those furloughed. The Stoke-on-Trent and Staffordshire LEP set up a Redundancy and Recruitment Triage Service, delivered by the National Careers Service provider Prospects. The service offers redundancy and recruitment support, helping those made redundant get back into employment by matching them with new work in sectors currently experiencing growth or a deficit of workers. These are just a few of many examples of how councils across England have risen to the challenge of giving community-based support to SME businesses that extends beyond the financial.

<sup>17</sup> Middlesbrough Council (2020) – Coronavirus: business support

### The importance of small businesses to growth

The May 2020 Bank of England monetary policy report shows that small businesses make up 25 percent of turnover and almost 50 percent of employment. This suggests that small businesses could be a way of accelerating the economy at a greater pace than bigger businesses could achieve: there should be a greater multiplier effect because of the wider diffusion of money. It also suggests that inroads to solving the much-discussed problem of UK productivity can also be made at the small business level. Financial support to this end can be found via the British Business Bank, which is a government-owned independently run development bank that works to increase the supply of finance available to growing SMEs. The Government also provides tax relief for individuals who invest in start-ups that are not listed on any stock exchange through three main venture capital schemes<sup>18</sup>.

**Figure 3.** Average loss of income from the pandemic, small business owners



Source: Survey by Simply Business: The Impact of Covid-19 on UK Small Business (September 2020)

The Small Business Grant Fund has had interesting and unforeseen effects. It has brought thousands of businesses into contact with councils, bridging a consistently problematic gap, with the local state struggling to properly connect with the small business community. The crisis support systems have opened this avenue up, and it would be beneficial to see this dialogue continue even as the nature of support needed changes. In the early stages of the crisis the immediate

<sup>18</sup> HMRC (2019) – Tax relief for investors using venture capital schemes



business need was for hard cash, which the grant and furlough systems helped towards. But as we look towards the recovery phase, there might be a greater need for more diverse and practical support. This might be particularly relevant regarding measures to get businesses fully up and running, which could be money or support-led. There is an unprecedented opportunity to identify the businesses that are most in need of help and try and put some mechanisms in place to address that. The question for many councils is: how do we target those small businesses where we can make that crucial difference? As we move on into the second calendar year of the pandemic, the small firms which would benefit from demand-led stimulus rather than funding-led help need to be targeted.

Support for businesses does not need to only come in the form of grants. Camden Council invested £23,500 in a PopUp Business School to run a business resilience course for local businesses which have been affected by the pandemic<sup>19</sup>. Key aspects of the course include social media, networking, tax and accountancy, and securing return customers. Initiatives like this go hand in hand with grants, particularly in the face of widespread economic dislocation in the local population. The need for imaginative and multifaceted stimulus packages will undoubtedly increase as we move into the winter of the new calendar year.

### Adapting high streets and supporting local enterprises

Supporting local businesses in the midst of the pandemic and as lockdown measures continue to ease is a key aspect of local government's response. Support should give confidence that community wellbeing has been a priority as we move to open things up again and get our local and national economies moving. Doing so requires a mixed approach of national policies, such as the 'Eat Out to Help Out' scheme, those that support parts of the night economy, along with local policies that consider the characteristics of the community in supporting local businesses to re-open safely. This will often require new ways of thinking about how to support high streets and town centres in their recovery. Westminster Council created space for outdoor eating and drinking in a car-free environment to support the hospitality sector through social distancing measures<sup>20</sup>. They form part of the council's wider safety-focused changes to local streets. In line with an expected rise in pedestrian footfall and cycling, Camden Council, amongst others, is also investing in pop-up cycle lanes, cycle storage facilities, and signalised pedestrian crossings across the borough<sup>21</sup>. In more rural areas like Somerset, Active Travel networks have been quickly put in place and promoted<sup>22</sup>. Strategies such as these will allow for greater connectivity to local high streets and allow businesses to cater to the changing needs of their community.

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19 Camden Newsroom (2020) – Free business courses for residents

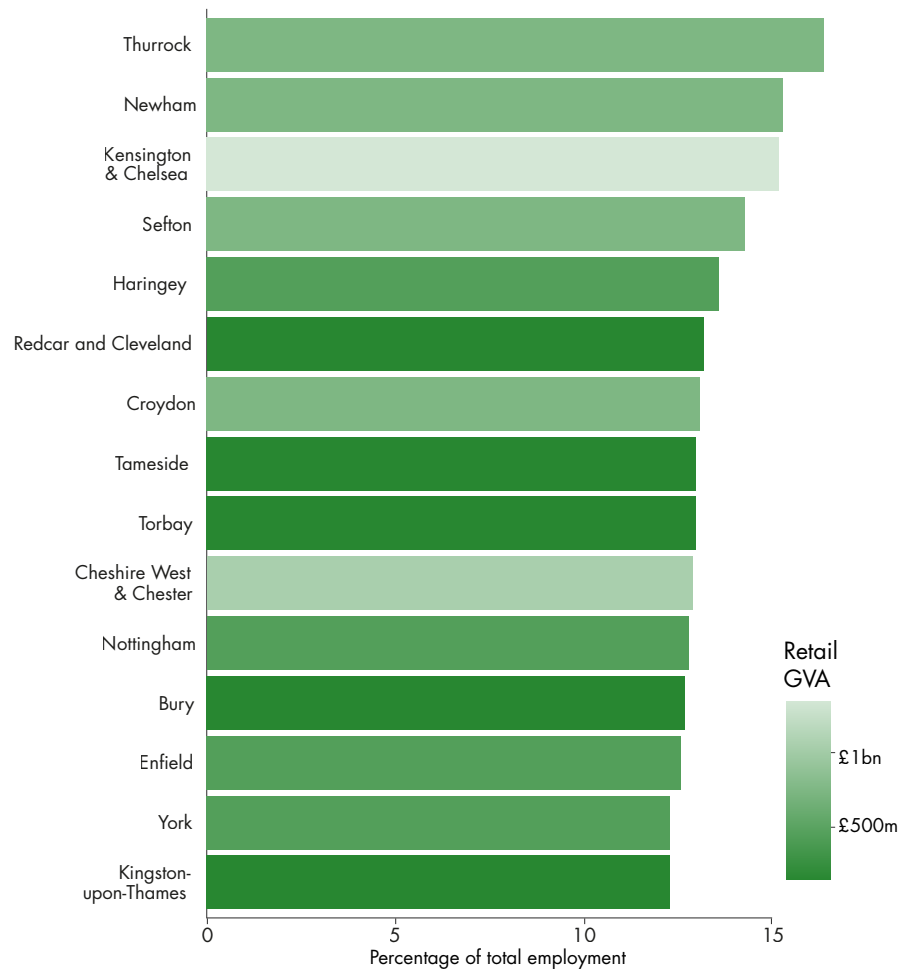
20 Fitzrovia News (2020) – Westminster council sets out its table on outdoor dining, drinking and toilets

21 Camden Council (2020) – Making travel safer in Camden

22 Somerset County Council (2020) – Somerset Covid-19 Active Travel Map

**Figure 4. Percentage of employment in retail**

Top 10% of upper-tier authorities

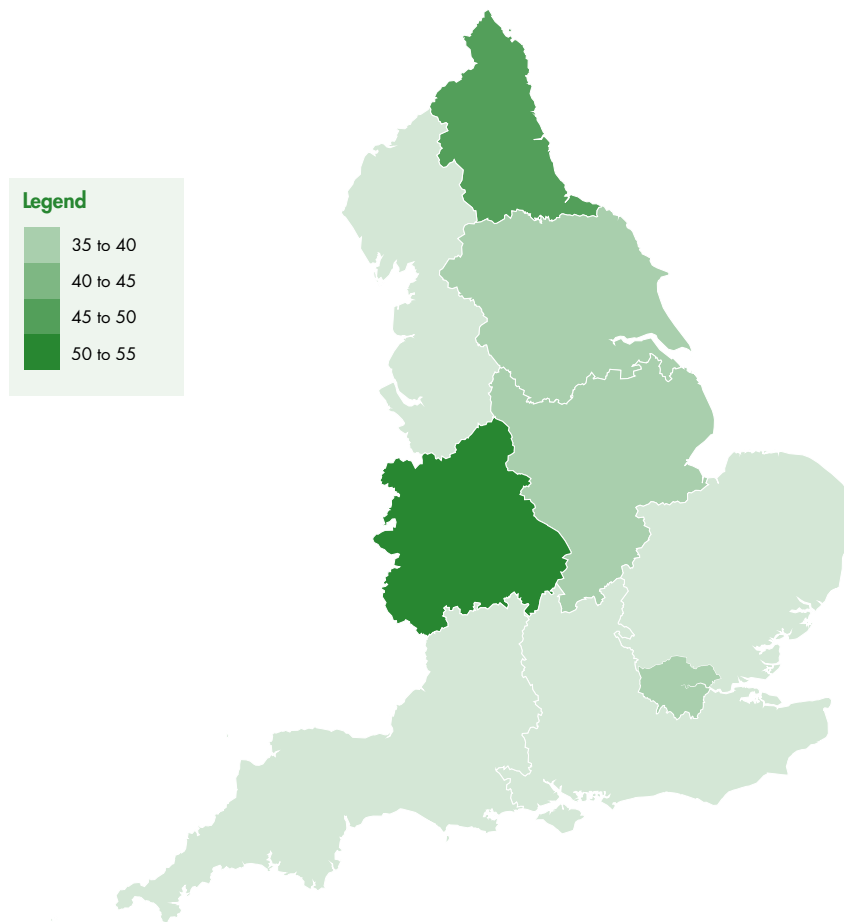


## Manufacturing

The initial impact of the pandemic on manufacturing was severe, particularly in the West Midlands. The region ranks as the highest in England, second in the UK overall, for percentages of companies seeing a decline in orders to MAKE UK. For the first time in modern manufacturing history, demand, supply and workforce availability are affected globally at the same time. In the first few months of the pandemic, 9 out of 10 manufacturers continued to operate, despite almost a third of companies seeing their orders decline by up to 50 percent. It remains unclear when production will properly resume, or when demand will increase. But the current government, given the circumstances and the broader 'levelling up' mandate of 2019, might be more willing to consider taking a strategic role in industry than has been the case for many years. It is vital to understand how we carry on exporting goods, not just services, both nationally and at the local level somewhere, and how we then build up our manufacturing base to perpetuate that activity without being in conflict with decarbonisation goals.

Supply chain disruption has been an issue during the pandemic, with goods being stranded at ports and airports, or not even getting that far, due to lockdown restrictions in the country of origin. Britain's manufacturers are calling for a national recovery plan which includes an immediate stimulus package to help supply chains, among other things. With Covid-19 causing instability in global supply chains and uncertainty around future trading relationships, the Government may need to step up support for manufacturers and their supply chains. This includes ensuring timely and equitable payment.

**Figure 5.** Furlough Rate, Manufacturing Sector, August 2020



## Building back better

The pandemic brought our everyday way of life to a standstill. Once the country went into lockdown, we started to see the deep-seated socio-economic and health inequalities in our communities, as well as weaknesses in the way our economy is structured. People began to see the benefits of less travel, less congestion on our streets resulting in cleaner air, and the value of having strong community bonds. Rather than going 'back to normal' there was an impetus to use this moment to define a 'new normal', one which encapsulates the benefits we have seen through the new arrangement to our lives. This has given rise to the campaign

to 'Build Back Better'<sup>23</sup>, which the Government has taken on board. The guiding principles of the campaign are underpinned by five objectives; to secure the health and needs of everyone in the UK, protect and invest in our public services, rebuild society with a transformative Green New Deal, invest in people, and to build solidarity and community across borders. How we go on to Build Back Better is in our hands, and this is seen as a once in a lifetime opportunity to define the future of our society.

### Building back green

During the pandemic, there have been calls for the economic downturn and lockdown to be taken as an opportunity to catalyse change and to herald cleaner, greener models of growth. However, evidence from the financial crisis suggests that the short-term environmental gains will be reversed as the economy becomes the focus of attention.<sup>24</sup> The pandemic has had a disproportionate effect on the job market, with many people furloughed or made redundant. As the UK enters recession for the first time in 11 years<sup>25</sup>, now is the time to implement green stimulus policies with a focus on green job creation. Given the unprecedented levels of government borrowing at a time when growth in the UK has been slow for over a decade, policymaking will have to put growth front and centre moving forward. A prominent development in the past year has been the increasing acknowledgement that delivering net zero will depend on the ability of regional decision-makers to act with autonomy in devising decarbonisation pathways to fit with and effectively utilise their local resources and economic composition. These take the form of strategic plans, for which local governments are responsible, and highlights the value of greater devolved powers in this space.

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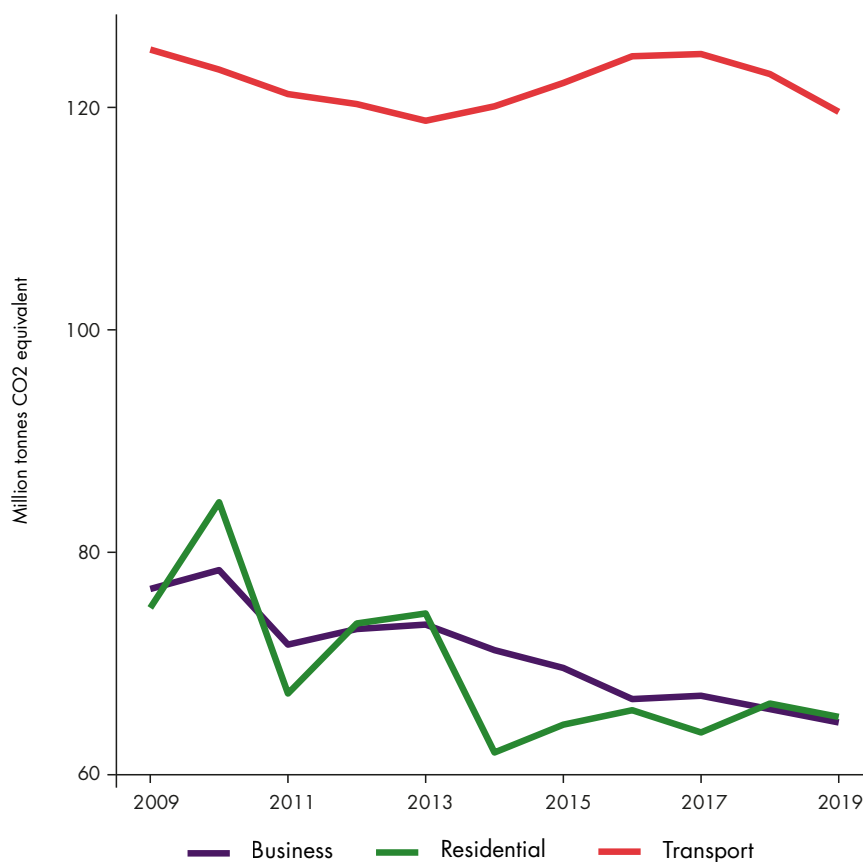
23 Build Back Better Campaign

24 Harvey (2020) - We now have the proof: greening the economy doesn't come at the price of prosperity

25 BBC News (2020) – UK officially in recession for first time in 11 years

**Figure 6.** Carbon dioxide emissions in the UK, 2009-2019

Business, residential and transport



Source: BEIS

The need for accelerated economic growth to under-write pandemic spending should turbo-charge the clean growth agenda. There are a multitude of job-producing, 'shovel-ready' stimulus opportunities to create assets and unlock long-term value. Some of these are of national significance, but there are many at the sub-regional level. Staffordshire's Strategic Infrastructure Plan<sup>26</sup>, for example, identifies a gap of over £400m in funding for green infrastructure projects. Domestic retrofit is also an opportunity to provide major jobs stimulus and long-term cost-effectiveness – the Staffordshire & Stoke-on-Trent LEP has been active in this space for some time. 'Levelling up' retrofit efforts and funding green infrastructure projects can help stimulate growth, increase good quality employment and create assets in terms of finance, health and natural capital.

Retrofit, domestic and commercial, could help boost the construction industry and line up with the government's 'Build, Build, Build' approach. In some industries, however, clean growth means making major efficiency gains. More than eight million people are employed in the engineering and manufacturing industries, making the UK the seventh largest manufacturing nation in the world. At the same time, the UK has placed itself on a transition pathway towards a low carbon economy and society. Reducing industrial energy demand could make a substantial contribution towards this decarbonisation goal, while simultaneously

<sup>26</sup> Staffordshire & Stoke-on-Trent Strategic Infrastructure Plan

improving productivity and creating employment opportunities. The industrial sector in the UK accounts for 21% of total delivered energy and 29% of CO<sub>2</sub> emissions<sup>27</sup>. Energy is required at each stage in the manufacture of a product and efficiency gains can be made - including those associated with the use of heat and with improvements in processing. The route to clean growth will involve close collaboration at the local level between councils, industry, skills providers and communities. This was true of achieving a 'just transition' before the pandemic and its importance has greatly increased since the added global economic disruption of lockdown.

Councils have been featuring decarbonisation in their local strategic plans – whether it is investing their own funds in energy projects, setting high standards of energy efficiency in new housing schemes or approving planning permission for EV chargers. On the route to net zero, councils have a leadership role within strategic planning that no other organisation has. The Greater Manchester Combined Authority (GMCA)<sup>28</sup> created a spatial framework plan for homes, jobs and the environment in 2019 which was rewritten in 2020 to have a greater environmental focus, specifically on the green belt. If successful, the plan will enable GMCA to retain control over the future shape of Greater Manchester and steer development in a way that works for them - delivering the coordinated, strategic improvements needed in the city region. Moreover, the success of local authorities such as Nottingham, Glasgow, Swindon, Wrexham and Warrington shows that green technology and infrastructure works and that there is a solid financial case for investment.

### Reshaping town centres

Looking towards a more decentralized economy that works for each community across the country, places will have to start thinking about how they can strengthen their offer. Therefore, key to the 'Build Back Better' agenda should be the need for having functional high streets that are embedded within a community and exemplify a place's offer. Doing this will require consideration of how we reshape our town centres in line with the vast changes they have gone through before and during the pandemic.

It is no secret that our nation's high streets have been facing turmoil for some time, driven by a switch to online shopping with more people opting for the convenience of home delivery. This has resulted in dwindling footfall and the closure of major high street retailers. In its place, we are seeing ever increasing amounts of empty lots, betting shops, and fast food chains take their places. The pandemic has put into sharp perspective the imminent need to reshape our high streets and town centres around community, make them a place that is relevant again for civic life while giving the community a greater sense of ownership and pride in their place.

Although the retail sector has begun to see a bounce back in economic activity over the recent months, mostly off the back of a boost in online retail sales, the already struggling high streets of the UK have seen irreversible effects. Lost sales in 2020 will amount to -£17.3bn and the annual sales total of retail is predicted to fall by -4.6% in 2020. Furthermore, over 20,000 stores will close with job losses exceeding 230,000, against 143,000 last year. Before the pandemic hit, retailers were already facing critical issues including high running costs for

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<sup>27</sup> Griffin, Hammond & Norman (2016) – Industrial energy use and carbon emissions reduction: a UK perspective

<sup>28</sup> Greater Manchester Combined Authority – Greater Manchester Spatial Framework 2020 Draft

outlets, including business rates, labour costs, and rent. The sector was already suffering from low profitability, compounded by slow growth, increasingly tight profit margins and difficult price competition. Competition with the rapid growth of online retailing year by year, has seen physical retailers suffer at the hands of an increasingly dominant online retail sector. Moreover, there is an overarching lack of preparation from the UK's retailers, with low investment in stores on the ground, and tepid forward planning to meet the challenges of modern retailing as they occur<sup>29</sup>.

For physical retail to be closed for three months has deprived non-food businesses of 66% of their income at what is usually the most successful time of year<sup>30</sup> – this financial hit is made worse by the obligation of fixed costs, such as rent, still needing to be paid. Online retailers have seen their sales and economic activity rocket to new heights, resulting in a perfect storm during lockdown, where this boom occurred at the expense of physical retailers having to shut up shop for months, and experiencing further ongoing disruptions ever since. Various measures and effects, such as social distancing, longer queues and prompts to frequently use hand sanitiser and to 'not touch' products unless buying has robbed physical retailers of a sense of pleasure when shopping, and has instead rendered it something of a danger or risk – putting many off to the experience. Even acts of leisure such as grabbing a coffee or going out for a meal, very important to the viability of the leisure and service economies, are now dowsed in risk and pandemic secure measures – not to mention the depression those industries, particularly in urban centres, have experienced from a large portion of their customer base now working from home.

Food stores, pharmacies and supermarkets, despite seeing sustained business even through lockdown, have had their profits depressed quite considerably by various pandemic measures and the risk dynamic. A number of the UK's key retailers have already gone bust, with many more expected to over the coming months and years, making 2020 already the worst year for the sector since 2008/9<sup>31</sup>. With the pandemic accelerating and compounding an already struggling retail industry, recovery must include a package of interventions and modernisations for physical retail and the high street, because as it stands the sector is on its knees, and the economy overall will falter if it is left unattended – not to mention, the importance of physical retail spaces in facilitating community activity and a sense of identity in place.

With the centralisation of the UK's economy, and how robust London's economy has been previously in the face of economic crisis, the fact that these effects have hit the capital's economy should be cause for alarm. Generally, recruitment in London's job market has experienced a deep depression that is ongoing – with food preparation and hospitality particularly affected. In terms of economic activity, spending experienced a steep drop in central London during the pandemic's first wave; by mid-July, transactions for apparel and food stores were down 60% compared to January, for restaurants it was 80%<sup>32</sup>. The now accelerated shift toward online retail, and the capital having experienced one of the country's sharpest rises in unemployment, will have further irreversible effects on the city's retail sector. Despite this, footfall and vehicle use into the capital

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29 Centre for Retail Research (2020) – The Crisis in Retailing: Closures and Job Losses

30 ONS (2020) - Coronavirus and the economic impacts on the UK: 8 October 2020

31 Ibid

32 Centre for London (2020) – The London Intelligence - London Economic Tracker - August 2020

has risen recently<sup>33</sup>, and more importantly, there seems to be somewhat of a 'suburban boost' dynamic occurring. Where Londoners spend their time, effort and money has relocated away from busy Central London retail towards more immediate local high streets and boroughs. As a part of recovery, this stimulation of localised economies and retailers must be captured, as much as the adverse economic effects on the centre of the capital must be monitored and carefully handled.

How well places 'Build Back Better' in this manner will directly impact their fortunes later on. An example of where this is relevant is with the long-standing issue of graduate retention. Recent studies have shown that 58% of graduates leave their university town, with a third opting to return to their hometown<sup>34</sup>. Unsurprisingly, London was quoted as the top destination for graduates in finding employment. If these areas had a vibrant and multifaceted place offer, we would see more retention, and ultimately a rise in local productivity. The attractiveness of a place determines its future and fortunes. This presents an unprecedented opportunity to revitalise places. In *'The Delivery of an Industrial Strategy'*<sup>35</sup> Localis argued that places, informed by local economic intelligence and the potential of the local state, should identify what a successful local industrial strategy should look like for their area. Crucially, this should prioritise the impact it will have on local citizens and aim to raise productivity and living standards. Through applying this approach to the Build Back Better agenda, we can properly diversify, level up, and broaden the horizons of every corner of the country.

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33 Office for National Statistics (2020) – Coronavirus and the latest indicators for the UK economy and society: 20 August 2020

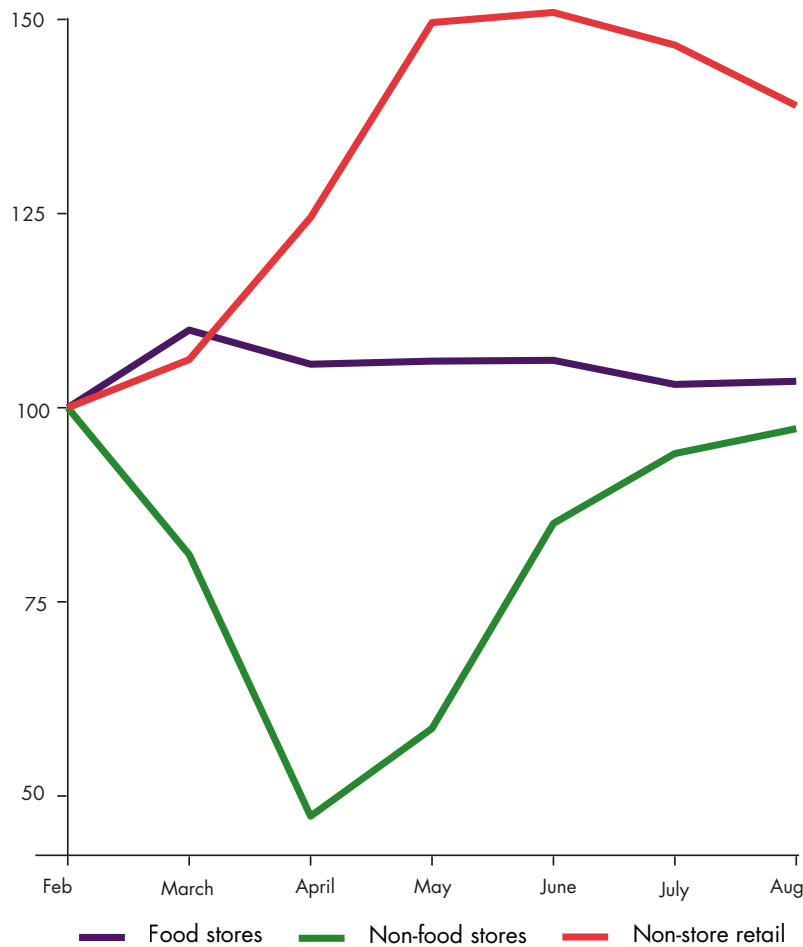
34 FE News (2019) – 'Brain drain' evident in the UK cities as 58% of students relocate after graduation

35 Localis (2018) – The Delivery of an Industrial Strategy



**Figure 7.** Retail sales index in the first 6 months of the pandemic

100=February



Source: ONS

Many of these issues have been addressed in The Grimsey Review 'Build Back Better, Covid-19 Supplement for town centres'<sup>36</sup>, a report which also contained the recommendation that Localis's model of Community Value Charters<sup>37</sup> should be adopted by all local authorities to ensure communities have a greater say in the benefits received in the commissioning of local services from commercial suppliers when improving high streets. In this context, strengthening social infrastructure as a means of empowering communities is vital to building back better and levelling up the land through recovery. This requires more consistency across all tiers of government in recognising how important local social infrastructure can be. Local authorities can also play a critical role in facilitating the dynamic activity that fuels the social infrastructure of a place by fostering a network of community groups, hubs and organisations where experiences, resources and knowledge can be shared locally.

<sup>36</sup> Grimsey Review (2020) – Build Back Better: Covid-19 Supplement for town centres

<sup>37</sup> Localis (2020) – Brighten All Corners

A recent report from Danny Kruger MP<sup>38</sup>, commissioned by the Prime Minister, outlines a vision of a 'new social covenant' where communities can be facilitated in building autonomy over and participate in local decision-making. As a means of sustaining the uptick in community spirit the country experienced during lockdown, the report comes with a broad package of policy suggestions. For example, the provision of community improvement districts, or 'pop-up parishes', hyperlocal spaces of governance with temporary powers and the freedom to innovate at the neighbourhood level. The report also suggests a £2bn 'Levelling Up Communities Fund' to be invested in community-led, sustainable transformation – aimed particularly at so-called 'left-behind' areas. Involving communities by facilitating them with support and resources will be critical for recovery – as it is at the neighbourhood level, particularly those that are fundamentally 'left-behind', that the fallout of the ongoing crisis will be most acutely felt.

To this end, the digital inclusion agenda must also be considered in reshaping places after the pandemic. Primarily, digital further education can be used to help accelerate learning in harder-to-reach communities. Infrastructure updates will be needed to combat the quite significant instances of rural digital poverty. Full fibre deployments have been increasing in recent years, but the UK as a whole remains weak in the availability of gigabit-capable broadband networks. The Government has announced a public investment of £5bn which aims to help spread gigabit-capable broadband networks across the UK by the end of 2025, with funding focused on harder-to-reach locations. But this will not come into effect for at least another year. To properly achieve this, infrastructure roll-out, particularly relating to 5G broadband, must be looked at as part of a holistic digital access analysis which also includes issues in other silos of local action such as the move to online training provision.

### The labour market after Covid-19

An immediate consequence of the lockdown measures was the shutting down of many sectors of the economy. While some of these were temporary, others have lasted until late in the summer, and could take a lot longer to recover. Early intervention meant that many employees affected by this shut down could be furloughed with 80% of their pay covered by the Government through the Coronavirus Job Retention Scheme. This saw the Government paying the wages of almost 10 million workers at one point or another during the peak of the pandemic<sup>39</sup>. Measures to support the British workforce like this are unprecedented. However, as the economy starts to recover, it is important to bear in mind those working in sectors like arts and culture who will start to face the real prospective of redundancy.

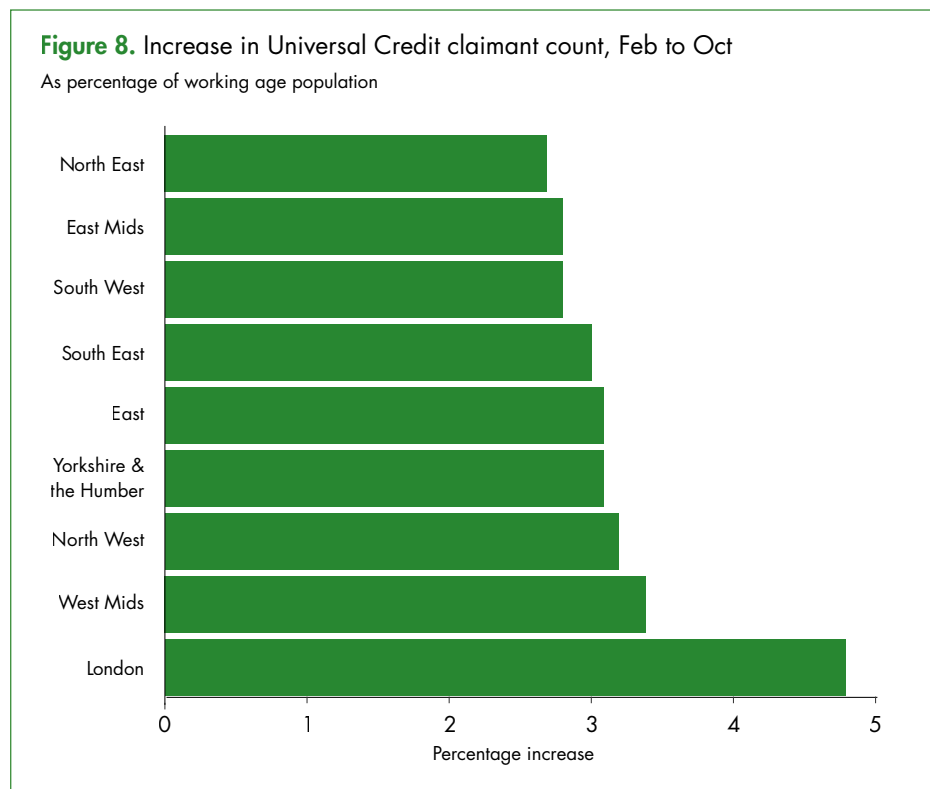
Two groups of people requiring significant support are the long-term unemployed and young people. Long-term unemployment tends to rise after a recession and has significant 'scarring' effects on individuals and the health of the labour market. For young people, it is disastrous and demoralising to be out of work - and it is estimated that at least 500,000 people aged 16-24 will enter long-term claimant unemployment. For the latter, The Learning and Work Institute recommends a 'Youth Guarantee' aimed at avoiding a spike in young people not in education, employment, or training in September. This would

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38 Danny Kruger MP – Levelling up our communities: proposals for a new social covenant

39 BBC News (2020) – Job Support Scheme: What will I be paid after furlough?

include “maintenance support to help 18-year-olds to stay on in education; an Opportunity Fund to create ring-fenced temporary jobs for young people; and reforms to the apprenticeship system to re-focus funding on young people”. Steps in this direction have been made in the Chancellor’s Plan for Jobs, with a further £3.7bn allocated to “build on the commitments” made in the plan at the 2020 Spending Review.



Source: DWP

Before being converted into a more short-term spending round, the planned Comprehensive Spending Review became a focal point for the increasingly fractious local government sector to rally around, on the issue of the local state and its role in the labour market. The LGA has called for government to “co-design a plan to support the long term unemployed and increase and re-purpose skills investment to retrain people into local in-demand jobs” along the lines of their Work Local model<sup>40</sup>. In their submission<sup>41</sup>, the LEP Network highlight the presence of Higher and Further Education representation alongside business on local Skills Advisory Panels – the expansion of which was recommended in Localis’ 2019 report Hitting Reset – and called for fast-tracked capital investment coordinated at the local level. What both submissions illustrate is the existing framework within the local state to take an active and cross-cutting approach to reorient local labour markets to face the new reality.

Within discussions of a ‘new normal’ lurks a question about which businesses, sectors and jobs have been kept afloat by the very necessary short-term response by the Government. The Treasury has spent a significant amount of money on support and job retention, a large proportion of which is being directed to industries, businesses and sectors that won’t survive in the long run. At a certain point, the Government could begin to redirect this funding into trying to invest

<sup>40</sup> Local Government Association ‘Work Local’ Campaign

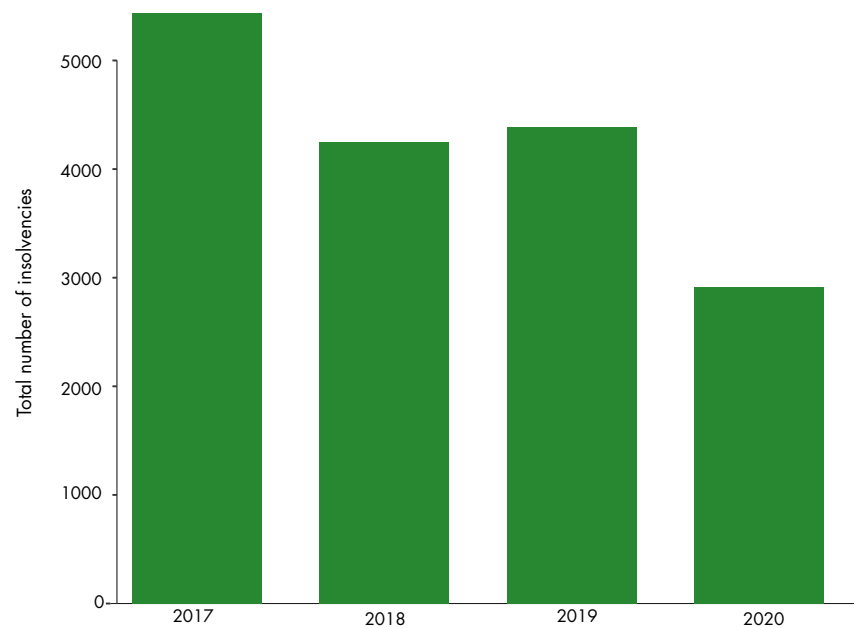
<sup>41</sup> LEP Network - Comprehensive Spending Review

in the productivity and businesses that we do want to keep: this would be an investment the likes of which has not been seen since the Marshall Plan. There is a major national policy discussion to be had here regarding the point at which it is responsible for the state to stop supporting certain sectors and begin to plan a phased transition, whilst still allowing for creative disruption in the economy.

### Preparing for the end of furlough

The coordinating role of the local state, particularly with regards to the type of labour market interventions laid out by the LGA and the LEP Network, requires capacity funding. In the context of the end of the furlough scheme, time is running out for proper preparations against the labour market shock that the scheme winding down will incur. The graph below shows company insolvencies in the third quarter of the year, for the years from 2017 to 2020. The significant drop in insolvencies in the third quarter of 2020 indicates that there is a proportion of the economy being kept afloat by the scheme, firms which would normally have failed are still currently employers. Many councils, LEPs and Chambers of Commerce are already coordinating with employers and attempting to smooth the transition, however the problem of capacity and funding constrains action in many areas.

**Figure 9.** Company insolvencies in the third quarter



Source: ONS

### 3. Regional inequality and levelling up

#### The regional gap

Gaps in economic productivity between London and other regions of the UK are as wide as they were in 1901, and there is still a clear North-South divide. Boris Johnson promised to 'level up' parts of the UK where growth has lagged. According to a report by the Government's Industrial Strategy Council, with the focus on average wages, regional differences remain as wide as they were a century ago. The gap in output per hour between Britain's most and least productive regions is also wider than in all the large EU countries, such as Germany and France. The explanation lies in a blend of factors, including historically low levels of capital investment in plant and machinery and public infrastructure, insufficient spending on research and development and a dearth of higher-level skills across the workforce. The West Midlands has not been immune to the productivity gap. The total output gap is some £14bn which translates to an output of £19,423 per head, some £3,427 lower than the national average<sup>42</sup>.

The UK is a uniquely centralised country with both political and economic power accumulating in London to a disproportionate extent. IPPR analysis shows that centralisation of spending has increased in the last five years, with local government in England forced to cut spending by £9.5bn since 2014/15. So far, levelling up has been largely taken to mean increased central spending on regional infrastructure. But for the agenda to be fully effective, power must also shift from Whitehall to the regions. There is a danger of recovery and renewal being London-led and commanded: there is already anecdotal evidence of talk among MPs and stakeholders that they see this as the role of London. The levelling up agenda is a chance to challenge the emergence of an entirely Whitehall-led recovery and argue for decision-making by those with more expertise in local economic dynamics.

The disproportionate centralisation of political and economic power in London has choked off investment to the other regions of the country. A side effect of this is the problem of innovation retention. For example, a good deal of high-tech manufacturing takes place in the Midlands, linked in a number of ways to the region's multiple higher education institutions. This generates valuable innovation which the region struggles to capture, as it is the highest net exporter of graduates to London in the country. Therefore, the problem of innovation retention goes hand in hand with the problem of graduate retention that, as has been touched on earlier, is experienced nationwide. In South Yorkshire, graduate retention from Sheffield's universities is amongst the lowest in the UK<sup>43</sup>.

Investment in placemaking is one way to prevent this brain drain: empowering the local state to drive a holistic set of interventions to create an environment conducive for business to grow, and for innovation to be harnessed. This also ties into the reshaping town centres argument made earlier, and investment to this end can range from explicit business-incentivising policy to the broader issue of

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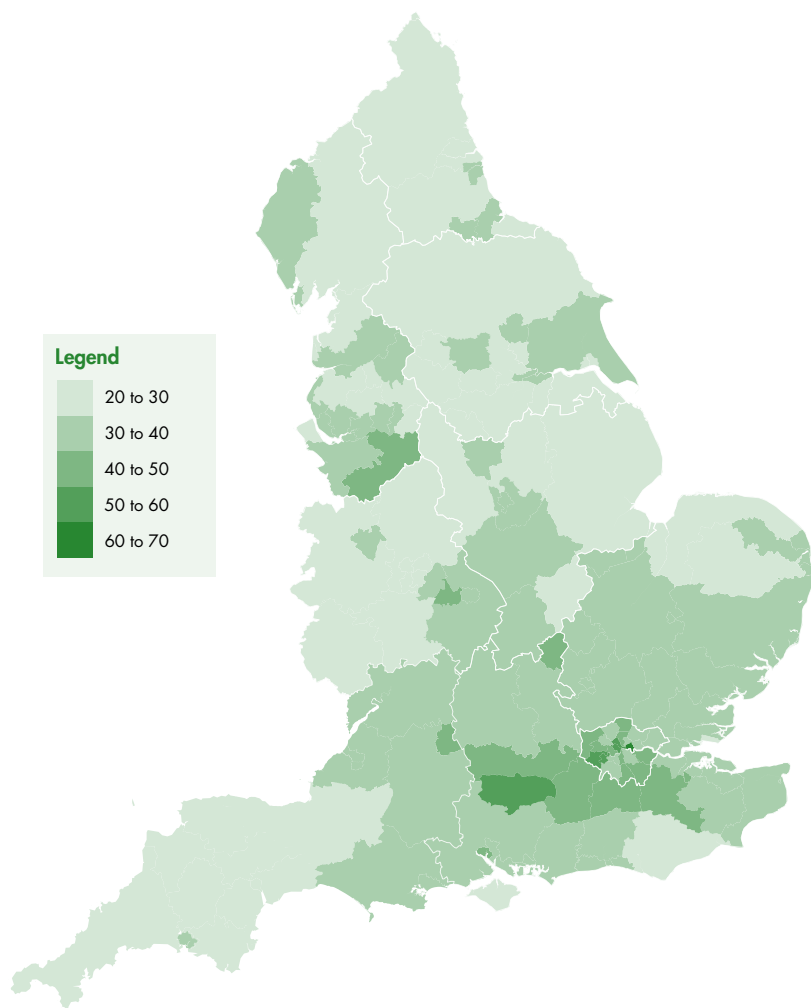
<sup>42</sup> West Midlands Combined Authority – Productivity and Skills Commission: Draft terms of reference

<sup>43</sup> Universities UK (2017) – Graduate retention: meeting local skills needs

quality of life and environment that encourages people to stay where they studied to earn a living.

There is no simple or single reason for widening regional gaps. Low productivity is a result of several factors – from the skills and health of the workforce to the quality of local institutions and infrastructures. Infrastructure in the regions outside of London and the South East as a whole has historically been subject to underinvestment. In some cases access to major government funds would be required to bridge the gap in terms of physical and digital connective infrastructure. However, there is also room for more autonomy at the local level; for the local state to promote, foster and direct investment into the area. Without some decentralisation of decision-making, there is a risk that growth strategies requiring quick and effective investment will wither on the vine of time-consuming and opaque national funding competitions. The tendency for rules on government investment to favour the South East and disadvantage the Midlands and the North, in particular, has been explicitly linked to the Levelling Up agenda via HM Treasury's Green Book Review exercise.

**Figure 10.** Productivity in England, GVA per hour (£)



Source: ONS subregional productivity data

## From industrial strategy to levelling up

The regional gap in productivity has increased since the abolition of the Regional Development Agencies (RDAs) in 2012. RDAs were non-departmental public bodies tasked with driving economic development and business efficiency in their respective region. There were nine overall, one for each region of England, whose primary duty was to oversee the implementation of their areas' Regional Economic Strategy<sup>44</sup>. Without arguing for a return to the past, there is a case to be made for spatial planning and coordinating powers at the sub-national level to boost productivity. Particularly in the former 'red wall' parts of the country, this is a major part of the governing mandate delivered at the 2019 general election. Furthermore, given the plethora of small-scale infrastructure projects announced by the prime minister as part of the rebuilding effort, there is a clear role for the local state in marshalling resources and managing the delivery-end of regional and sub-regional infrastructure. On the other side of the 'deal', there remains a need to enable autonomy at the local level and demonstrate flexibility and creativity in governance.

Local Enterprise Partnerships (LEPs) were set up by the coalition government in 2010 to replace RDAs carrying out much of the same purpose as their predecessor in leading local economic growth. They are comprised of voluntary partnerships between local authorities and local businesses, and currently, there are 38 active LEPs across England<sup>45</sup>. A central part of the Government's Industrial Strategy in 2017 was also the creation of Local Industrial Strategies (LIS) that can deliver economic prosperity for each part of the country<sup>46</sup>. This came off the back of Localis' *'The Making of an Industrial Strategy'*<sup>47</sup>, where it was argued that places and their leaders should be provided with the space and powers by government to lead from the front if the wider Industrial Strategy is to result in local economic renewal. LIS for different parts of the country are to be led by Mayoral Combined Authorities or LEPs and rolled out in three waves, with eight trailblazer strategies announced in 2017<sup>48</sup>.

Overall, there has been progress in certain areas of the Industrial Strategy. However, the country's focus on Brexit, Theresa May stepping down for Boris Johnson, the subsequent general election, and now the global pandemic, have all resulted in the Industrial Strategy and LIS dropping from the current government's list of priorities. This was noted in February of this year, when the Industrial Strategy Council called for the Industrial Strategy to be reprioritised in order to meet its objectives, as well as accomplishing Boris Johnson's goal of levelling up and rebalancing the UK economy<sup>49</sup>. The Council also noted that the policy to earmark government support for key sectors of the economy had made little progress over the last three years. More recently, the Council urged the Government to place LIS at the heart of the economic recovery from the pandemic<sup>50</sup>. And in July 2020, MPs on the BEIS Committee launched an enquiry on whether major updates are now required to the Strategy in light of the

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44 Politics.co.uk – Regional Development Agencies

45 LEP Network – The 38 LEPs

46 HM Government (2017) – Industrial Strategy: Building a Britain fit for the future

47 Localis (2017) – The Making of an Industrial Strategy

48 LEP Network - Local Industrial Strategies

49 The Guardian (2020) – Watchdog attacks Tories for 'neglecting industrial strategy'

50 Municipal Journal (2020) – Government told to recommit to local industrial strategies

pandemic and 2050 net-zero target<sup>51</sup>.

In September 2019, Sajid Javid announced a white paper on English devolution. The Conservative Party's manifesto for the 2019 general election outlined ambitions for full devolution across England. As of March 2020, twelve devolution deals have been agreed – three subsequently collapsed of which two were partially revived. The persistent focus on Brexit left Parliament with minimal time and energy to bring left behind places forward and give back control to regions, towns and cities across England. Now, coupled with the Covid-19 crisis, the risk is that long-term economic and social policy measures needed to address regional inequalities will continue to be demoted without strong advocacy action for the transfer of powers over delivery to the sub-national level.

In the months following the lockdown announcement on March 16th, the initial rush to rescue local economies – particularly to aid those businesses not covered by the central government support package – was the immediate focus and priority of councils in their economic development capacity. Alongside this, however, councils across the country have been developing strategies for recovery and putting forward visions for their place in the 'new normal'. This illustrates the twin tracks of the economic role of local councils: dealing with the local economy as it is on the one hand and building a vision of what it could be on the other. The latter function is the essence of 'placemaking' and a key part of the strategic side of local governance. The extent to which local government can exercise these powers, and under what form, will be central to the forthcoming Local Recovery and Devolution White Paper. It is worth noting, however, the strategic powers that are already vested in upper-tier authorities in England.

Many economic commentators have warned of the potentially disastrous consequences of an austere Treasury response to the crisis. For its part, the Government is showing no sign of abandoning the levelling up agenda. Looking ahead to transitioning out of immediate recovery and into restructuring for long-term resilience, some commentators have called for an approach similar to that employed by the 'New Deal' era officials who produced the Marshall Plan for sparking Europe's post-war recovery. This is particularly apt given the strength of the evidence that materially-deprived areas have been under greater risk throughout this crisis. The two metro-mayors in England's North West have outlined an interlinked strategy in a manner which mirrors regional cooperation in the USA. Nevertheless, most of the policy action will emanate from the centre, as the example of contact tracing has shown.

Moving forward, the roles and responsibilities of local institutions must be defined and made substantive. Mark Sandford, senior research analyst in the House of Commons library, comments: "Large-scale financial support for business and individuals is never likely to fall to local leaders, but they can play a critical role in early warning of difficulties, advising on implementation, and pursuing local efforts to rebuild – which the Government is likely to have limited time to manage directly." The interaction of local and central government during the response to the pandemic may have a strong influence on future policy and allocation of funding. This could result in a greater opportunity for a change in central-local relations than has existed in the UK for some time, strengthening the case for devolution.

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51 Edie (2020) – MPs question whether the UK's Industrial Strategy is fit-for-purpose



## Local Industrial Strategies in 2020

It is now coming up to three years since the announcement of the Local Industrial Strategies, and while the Government had the target for every MCA and LEP to publish their strategy by early 2020, attention has understandably shifted to dealing with the pandemic. As of February 2020, seven of the 36 expected LIS had been published<sup>52</sup>. It has been noted that there remains a lack of clarity as to how the strategies will be taken together and brought forward, in part owing to the state of flux that UK regional policy has faced over the last few decades<sup>53</sup>. The role of LEPs in leading their LIS also creates varying pressures for them around the availability and sufficiency of central government funding to actually implement the strategies<sup>54</sup>. This is particularly true for more rural LEPs that are competing against urban areas for the same funding and is a result of the limited economic decision-making capabilities experienced by the local state. No doubt this will affect the scope of different sub-regional strategies and the capability to actually deliver them on the ground. The resultant disparities will lead to at best a mixed picture for local growth, where certain strategies will be higher-powered and prove far better at improving productivity and rebalancing the local economy than others.

A successful LIS needs to be based on a robust evidence base. They have been seen as a way of managing stakeholder expectation and ensuring the views of all parties are equally represented. Yet the quality of local economic data remains an obstacle for LEPs seeking to attain their goals<sup>55</sup>. Ultimately, while there has been progress towards the development of strong Local Industrial Strategies that reflect the priorities of areas in boosting growth, it should also be recognised that they have been constrained by obstacles and that they are not perfect master documents for growth.

## Central-local partnerships

Despite national and international data showing that decentralisation - particularly fiscal - has the potential to bring about both stronger growth<sup>56</sup> and better public services<sup>57</sup>, as a factor empowering nimble local reaction, there is a fear that the Government will resort to its default position of centralisation after the pandemic. The case for greater autonomy is strengthened not only by the well-rehearsed nature of the Conservative victory in 2019 and its associated implications for 'levelling up' and reducing regional inequality, but also by the 'take back control' mandate of the Brexit vote. With the UK now outside of the European Union, the mantra that 'nobody voted to swap Brussels for Whitehall' will become ever more important to advocates of local self-government, depending particularly on how the Local Recovery and English Devolution White Paper is judged. When considering this political argument for decentralisation, it is also important to consider, to use the 'deal' parlance of recent devolution

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52 These include West Midlands, Greater Manchester, West of England, Buckinghamshire, Cambridgeshire & Peterborough, Oxfordshire and South East Midlands

53 Industrial Strategy Council (2020) – Annual report

54 Smart Specialisation Hub (2019) – The realities challenges, and strengths of the external funding environment at LEP level

55 Interview response

56 Blöchliger (2013) - Decentralisation and Economic Growth - Part 2: The Impact on Economic Activity, Productivity and Investment

57 Serrano (2019) - Decentralization and the quality of public services: Cross-country evidence from educational data

debates, what local government can do in turn to support the government agenda for growth and renewal.

With the twin drivers of pandemic response and the levelling up agenda, policy energy in Whitehall is likely to be directed towards the macroeconomic; from controlling inflation and protecting the bond market on the one hand to major, national infrastructure schemes on the other. In securing finance and investment at the local level, the challenge is how to articulate to government clearly what would constitute the sub-regional elements of a recovery plan in terms of infrastructure, and how government can then inject proper support funding to ensure those schemes do come to fruition to give business the confidence it needs. The crisis and recovery are a chance to reformulate the way central and local government work together in delivering investment at pace. It is a chance to demonstrate that local government does more than just administrate, pushing back on a view fostered by many years of over-centralisation, and show that local leadership can deliver a more diverse, dynamic national economy. There has long been a perception that local government innovation is discouraged by central government. There has also historically been a reluctance to allow local government to try and capture and make productive use of money which is available locally but lost in the system. This is a mindset restraint on local governance going beyond the lack of funding, which could hamper the pace and efficacy of the national response.

Unfortunately, after an initial pulling-together, relationships between all tiers of governance in England have frayed during the pandemic. On the one hand, the 'command and control' style from Westminster, often continually pressed ahead with in the face of on-the-ground evidence, has led to resentment from council leaders, particularly in areas that have seen local lockdowns<sup>58</sup>. At the same time, confusion around the Local Recovery and Devolution White Paper has led to infighting and wasted energy in the local government sector. In particular, rumours of unitarisation were alternately stoked and quelled by ministerial comments throughout the summer, giving the impression to some of a radical restructure in the autumn<sup>59</sup>. This led to multiple campaigns within the sector, from multilateral unitarisation<sup>60</sup> to directly oppositional approaches taken by two tiers of government within the same area<sup>61</sup>, all of which created a rising tide of discord and discontent at a time when national unity is paramount. By the time it finally became common knowledge that there would be no White Paper this year, and that the document itself is likely to be much more restrained than originally laid out, incalculable capital – financial and political – had been squandered on a battle of, at best, ancillary importance to the average English citizen.

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58 Manchester Evening News (2020) – Boris Johnson dismisses Bolton Council leader's criticism of government's handling of lockdown restrictions

59 LGIU (2020) – Does the government want to divide and rule?

60 Local Government Chronicle (2020) – Fears devo white paper will be watered down and further delayed

61 Surrey Live (2020) – Elmbridge councillors battle over unitarisation as discussions continue over proposal

## 4. Recent trends

### The push to Net Zero

Since the landmark Paris Agreement on climate change adopted in 2015, global momentum to tackle the climate emergency has been building. In the UK, public demand for climate change action remains high, with continued cross-party attention paid in Parliament. In June 2019, following Parliament's declaration of a 'climate emergency', legislation was passed requiring the government to reduce the UK's net emissions of greenhouse gases by 100 percent relative to 1990 levels by 2050<sup>62</sup>. Doing so would make the UK a 'net zero' emitter. Prior to this, the Climate Change Act committed the UK to reduce net greenhouse gas emissions by at least 80% of their 1990 levels, also by 2050<sup>63</sup>.

Progress has been made on many fronts. Since 1990, the UK has achieved high emissions reductions in the energy supply sector, historically the worst offender, particularly in the last eight years as a result of phasing out coal and increasing the use of renewables, such as wind and solar. But in other areas decarbonisation will be more difficult. In sectors such as transport, homes and agriculture, emissions remain largely unchanged. However, we are gradually creeping towards a decarbonised future. Overall, the UK saw a fall in territorial emissions by 28 percent between 2008 and 2018, achieved alongside a GDP growth of approximately 14 percent over the same period. The UK has reduced its greenhouse gas emissions faster than any other G20 economy over this time<sup>64</sup>.

The critical challenge is to deliver on increased ambitions to match the Net Zero target, applying positive lessons learnt so far with the power sector to other emitting sectors. As the imperative for Net Zero emissions rises, measures enabling the transition towards decarbonisation are coming to the fore: the Road to Net Zero strategy for road transport; the imminent Buildings and Heat Strategy; the Green Investment Bank; the increasing prevalence and political importance of creating green jobs.

Along with a national climate emergency being declared, the political mandate is strengthening, with more and more local declarations of climate emergency. The majority of councils have now declared a climate emergency<sup>65</sup>. This will enable local authorities to be more ambitious, particularly on those areas linked to greater emissions, such as housing and transport. Judging by the evidence coming from national and local citizens' assemblies, local areas will have a mandate for action<sup>66</sup>.

In July 2019, Staffordshire County Council declared a climate emergency. This followed the West Midlands Combined Authority (WMCA) Board, including councillors from across the wider West Midlands region, declaring a climate emergency which resulted in the creation of #WM2041 – a public document/green report listing several proposals for all core areas to respond to climate change and carbon reduction alongside maintaining economic growth and prosperity. In the first five years of the plan, actions included:

- Promoting green jobs;

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62 The Climate Change Act 2008 (2050 Target Amendment) Order 2019

63 Institute for Government (2020) – UK net zero target

64 Committee on Climate Change – Reducing UK emissions: 2020 Progress Report to Parliament

65 Climate Emergency UK – List of Councils

66 Climate Assembly UK - The Path to Net Zero

- More clean air zones and better public transport;
- Creating a specialist investment fund to support innovation in energy systems;
- Boost for schemes of local energy generation;
- Zero carbon emissions standards for all new build homes;
- Reallocate highway space to walking, cycling and public transport.

Until 2020, according to the UK Clean Growth Strategy report, GDP in the UK was increasing while carbon emissions were falling, aided by the diminishing costs of many low carbon technologies. As a result of this technological innovation, new high-value jobs, industries and companies have been created, driving a low carbon sector of the UK economy. The UK has been able to decarbonise parts of the domestic economy through expertise in technologies such as offshore wind, low carbon vehicles and electric motors, and leadership in green finance. Consequently, there are more than 430,000 jobs in low carbon businesses and their supply chains across the country.

## Labour market trends

Unemployment in the UK has been falling steadily over the last few years until a spike coinciding with the pandemic and lockdown. The UK currently has around 1.7 million working-age adults unemployed<sup>67</sup>, with almost 10 million jobs furloughed since March<sup>68</sup>. With the sharpest ever rise in unemployment in April, 2.1 million people are unemployed and claiming benefits. The claimant count for unemployment benefits increased by 125.9% between March and June 2020<sup>69</sup>. All parts of the country have experienced an increase in the proportion of working-age residents claiming benefits – the claimant count has risen by more than a third in every local authority. At the outset of the pandemic, the Government introduced a range of emergency measures to support businesses, jobs and incomes during the crisis which has successfully prevented an even more devastating economic impact. As we move towards recovery, and the furlough scheme draws to its end, policy must be oriented to deal with an environment where unemployment could rise to four million people<sup>70</sup>, perhaps even higher depending on the next steps of the Government and the legacy of lockdown and social distancing.

The structure and strength of the local labour market will be a key determinant of a place's outlook for recovery. The rapid increase in unemployment, combined with a contraction in demand, will lead to the number of people classed as long-term unemployed rising significantly as the year goes on. Recovery from this spike will be slower in places with weaker labour markets, a longstanding problem in many parts of the UK. Now could be the perfect opportunity to tackle the issue. Along with internationally lagging rates of adults achieving qualifications equivalent to NVQ3 (A-Level) before the crisis, one fifth of adults lacked basic literacy or numeracy skills and around 12 million people lacked basic digital skills<sup>71</sup>. Beneath these national statistics lies significant local variation, with skills a key contributor to the wage disparities seen across regions in England. National and local government is faced with the challenge of attempting to improve these conditions in

67 ONS (2020) - Labour market overview, UK: December 2020

68 HM Revenue & Customs (2020) - HMRC coronavirus (COVID-19) statistics

69 The Guardian (2020) – UK jobcentre claimants rise 126% to 2.8m since start of the lockdown

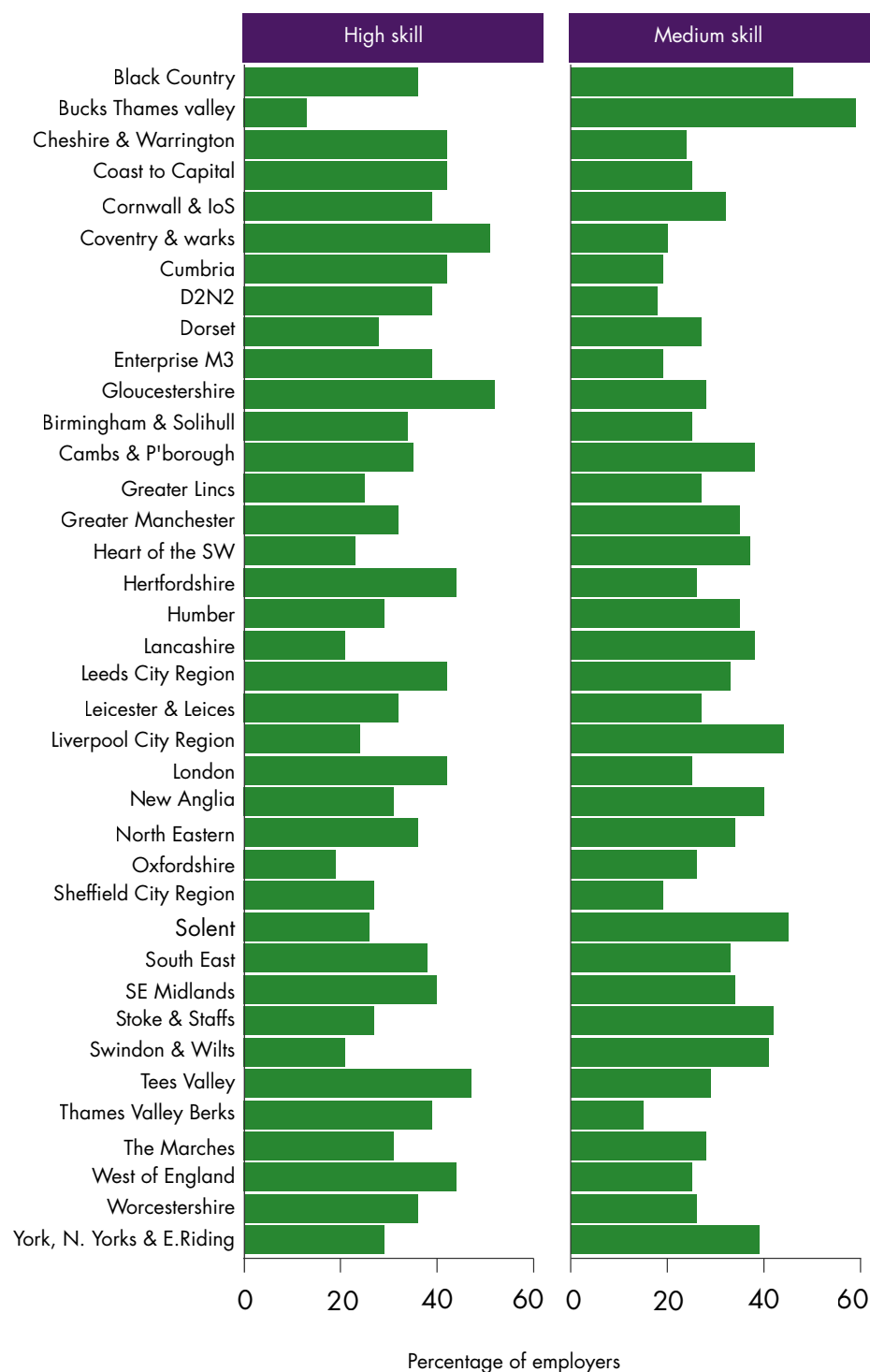
70 Telegraph (2020) – Ministers preparing for four million unemployed because of Covid crisis

71 The Guardian (2016) – More than 12 million UK adults lack basic digital knowhow, MPs say

an environment where significant numbers of people are unemployed, furloughed or concerned about their job.

**Figure 11. Employer Skills Survey**

Percentage with skills shortage vacancies by LEP



Source: Employer Skills Survey 2017/Department for Education

Improving the skills situation at pace and scale is crucial to long-term recovery. The September 2020 review of the Shortage Occupations List by the Migration Advisory Committee<sup>72</sup> found skills gap across the health and care sector. Beyond this, the goals of the levelling up agenda are challenged by the presence on the shortage list of skilled trades from masonry to plumbing to joinery. This is likely to be exacerbated as a significant portion of the workforce approaches retirement<sup>73</sup>. In order to achieve a transformational recovery, a far better alignment of skills supply to demand will be needed. To not just restore but improve the long-term labour market prospects for England, will necessitate the use of a variety of levers applied at local and national level. Further Education will be vital, the route to better collaboration across the sector can be found in Skills Advisory Panels and other, informal networks of the local state as both the demand and nature of adult education change.

Digitisation of online training has understandably seen a rapid increase under lockdown. With 11.9 million people in the UK still without the essential digital skills for life and work<sup>74</sup>, high-quality digital and numeracy courses have the potential to help build up their skills, progress in work and boost their job prospects. As a Community Learning Provider, Staffordshire County Council trains around four and a half thousand people a year, all of which provision is carried out face-to-face. In the first month of lockdown, 94 online courses were added as part of a rapid pivot to digital training. Alongside these kinds of changes from education providers, there must be an investment to 'train the trainers' for those in employment – ensuring employers have the infrastructure available to introduce digital training at sufficient scale. Before the pandemic, studies suggested that the failure of bosses to invest in digital training was costing UK businesses £10bn in lost productivity every year<sup>75</sup>. This is productivity that cannot afford to be lost during or after the crisis and may require digital training of both employees and employers.

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72 Migration Advisory Committee (2020) – Review of the Shortage Occupation List: 2020

73 Construction Manager Magazine (2018) – Revealed: How UK's construction workforce is ageing

74 NHS Digital (2019) - Definition of digital inclusion

75 Digit (2020) – Shortfall in digital skills costs UK £10bn in lost productivity

## 5. An unfrozen moment

### Reorienting local economies

The shape of the economy is unlikely to return to normal for some time. Despite the plunge in GDP, the general uncertainty may be a window for new, more strategic approaches to implementing policy. A step in this direction would be to move away from a project-by-project, central government evaluation-based approach to investment and to make the case for devolving investment and funding as part of the Levelling Up agenda. There is an appetite for this kind of change in the north of the Midlands, where places are bounded by combined authorities seeing faster growth, often drawing in their workforce. In fact, the success of the combined authority model strengthens the argument for more devolution of a similar kind. Despite bespoke deals, the powers at the disposal of the metropolitan combined authorities overlap considerably, with a clear framework discernible. Devolution deals, in these extremely pressing circumstances, do not need to be as complicated or as drawn-out as they have been in the past.

The crisis brought about by the pandemic will exacerbate existing regional inequality for a number of reasons, which will go on to impact the 'levelling up' agenda. The proportion of self-employed people in a region, for example, will make a difference to recovery, as this group are expected to be especially hard hit<sup>76</sup>. Pay disparities will also come into play. While the furlough scheme will have saved many jobs, it will also have meant a reduced income, which is particularly important in places where wages are generally lower than the national average.

### Local strategic response

Despite the uncertain nature of the pandemic, particularly when it comes to shaping local recovery, councils have quickly adapted to the disruption and are strategising accordingly. Recovery and renewal of local economies has been prioritised by the vast majority of councils across the UK, and a number have placed particular emphasis on understanding how the ongoing disruption from the pandemic is likely to play out at the local level. For example, as part of a 5-year business recovery strategy, Staffordshire County Council has set in motion plans to create 21 new units – set up to help local small businesses by offering flexible short-term rental arrangements, meeting room hire, on-site support, and an array of networking opportunities. This has been accompanied by a micro-business grant scheme, open for companies with under ten employees to apply for up to £1,000 – the result of a £500,000 investment from the council. Furthermore, since the beginning of the outbreak, the council has provided a number of support programmes for those looking to start their own business – with an overarching aim to see 200 start-up businesses created and flourishing over three years.

In a similar vein, inspired by the local practices of New Zealand, Newham Council has been commended for using metrics of health, wellbeing and happiness as a means of measuring recovery progress. After estimating a

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76 Prospects (2020) – Self-employment and COVID-19

cost of £61m so far, their strategy places particular focus on regenerating the borough's six town centres and 13 high streets as a means of strengthening social infrastructure and making them places of heightened community activity and long-term prosperity. Providing roadmaps toward economic readjustment and rejuvenation, backed up by investment and support, has become characteristic of UK councils when strategising for post-pandemic recovery. Local authorities are demonstrating that they have an awareness and understanding of the ongoing economic and social disruption of the pandemic – and are using this as an evidence base to recover and build back better.

### High value sectors

Emphasising and expanding on high-value sectors will be a key part of levelling up in the UK as a means of increasing the spread of high-skilled workers, a factor which has in the past been shown to explain up to 90% of wage disparity across the UK. The maps overleaf show the percentage of employment in sectors defined by the ONS as “Medium-High Technology Manufacturing” and “High Technology Manufacturing”. While it remains among the top 10 manufacturing countries in the world in terms of output, the UK has lost around 40% of its share in the world's manufacturing value added over the last 15 years. Even in sectors where the UK remains highly competitive like automotive, domestic supply chains have weakened. There is a need to rebuild the UK ‘industrial commons’ as recognised in the Government's Industrial Strategy. This is tied in with the push to net zero, as achieving innovations in efficiency for the manufacturing sector is crucial to meeting carbon targets<sup>77</sup>. The convening power of the local state has an important role to play in driving such innovation and in fostering collaboration along supply chains<sup>78</sup>.

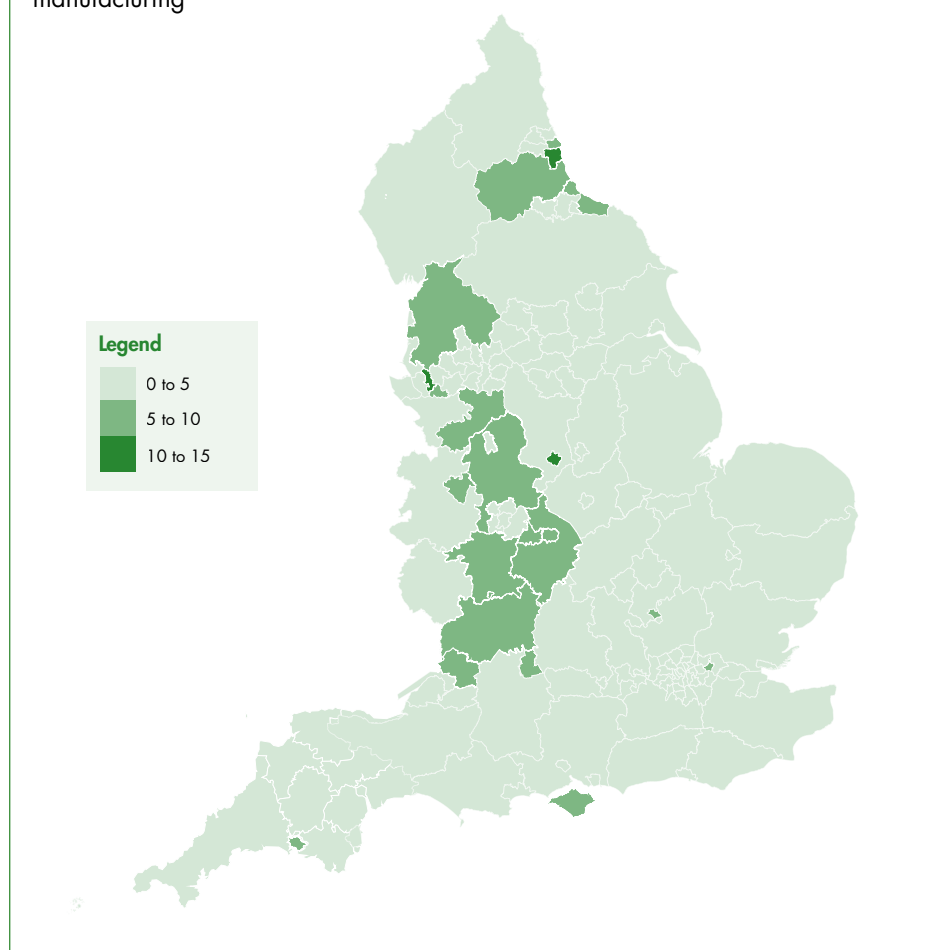
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<sup>77</sup> Make UK (2020) – Towards a net-zero carbon UK manufacturing sector

<sup>78</sup> Localis and Green Alliance (2019) – The route to clean growth



**Figure 12.** Percentage of employment in medium to high tech manufacturing



Source: Business Register and Employment Survey

Before the pandemic hit, LEPs were already playing a role in understanding and investing in people and places at the local level, through a business-led process of collaboration. In July 2020, as the country began to come out of lockdown and the economy was reopening, the LEP network put forward a five point recovery plan which laid out a roadmap for how local economies can recover effectively from the economic impacts of the pandemic. Their recent submission to the 2020 Comprehensive Spending Review (CSR)<sup>79</sup> developed this plan into a complete blueprint with a set of practical deliverables and requirements from central government, providing a localist lens to revitalising the UK's industrial commons. The network calls for LEPs to be given early access to the Energy White Paper to ensure their recovery plans are as adaptable and elastic as possible when powering green innovation. This is further complimented by a cross-industry commitment to sector-based decarbonisation and embedding an understanding of the value of natural capital in their approach to developing industries and raising productivity. A strong recovery will be greatly aided by effective use of the LEPs business-led approach, backed up by robust local networks and evidence bases, than has been previously made by central government in laying out strategy.

<sup>79</sup> LEP Network – LEPs pitch £30bn recovery and rebuild deal to government

## Moving parts in employment

### Home working

The sharp increase in working from home has finally pushed many organisations over the inflexion point of remote working, the continuation of which can contribute to reduced levels of commuting from pre-pandemic times. Additionally, remote working could enable more individuals to work in highly paid roles all over the country without having to go to a big employment centre, which would naturally draw down on transport emissions. It is unlikely, however, that everyone will remain working from home. It would be more realistic to assume that on average, across the whole economy, people will be coming into work for at least two and a half to three days a week. Many consider contact with work colleagues to be essential and many will still be doing hands-on jobs whether they are customer-facing or in skilled/unskilled manual work. However, many people now won't have to commute into major urban centres every day in both directions. People may well be more productive, a lot happier and are likely to stay in the job for longer because of this.

According to the Office for National Statistics, only 5% of the UK labour force worked mainly from home in 2019, but well over 25% had some experience with working from home. In the past, many managers have been resistant to remote working and adopted it with extreme caution. In the West Midlands, 12.9% of the labour force worked mainly from home in 2019, but 21% had experience of working at home. In recent months, that figure has dramatically increased because of lockdown measures implemented to contain the spread of Covid-19. The current situation is a major inflexion point. The technology that most people are using to work from home is not new. What has occurred, therefore, is the behavioural change forcing people to adopt homeworking – with an estimated 48% of people working from home. A recent PropelHub 'Understanding Society Covid-19 Study'<sup>80</sup> found that out of those surveyed nine in ten employees who had been working from home would like to continue doing so in some capacity even after workplaces go back to normal. It also found that reversing the trend of working from home will be difficult because of employee preference and employers finding working from home a viable way to operate with minimal effect on productivity. In fact, those employees who did all their paid work from home found their productivity going up. This suggests that a return to a pre-Covid culture of working is unlikely to happen, especially when considering the benefits felt by this new arrangement by both employer and employee. It is also indicative of what the new normal will look like regarding work, and that while people might start to attend the office again, the 'new normal' will include a lot more homeworking than the past.

Pre-pandemic, town centres have thrived partly because of the commercial office market, which has been a driving force for growth, particularly in the cities. Businesses are, however, asking questions about the extent of their commercial property portfolio as homeworking has been given a trial-by-fire during the lockdown. Many firms are asking if they need to be in a certain location, or can they reduce their overheads through distance working? If the commercial office market declines, because of maintained

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80 Propelhub (2020) – The future of homeworking and its effect on production

levels of homeworking, other patterns around the changing face of the high street and town centres are likely to accelerate. Encouraging the knowledge economy back into town centres, rather than staying at home or at the town periphery in office parks, is a viable route to enabling vibrant places that are sustainable and connected through trade and the digital economy.

### Key workers

Average wages for key workers last year were around 8% lower than for a similar non-key employee. After nearly a decade of wage restraint in sectors such as education and public order, that is nearly twice as large as the 5% gap in 2010<sup>81</sup>. Nationally, 58% of social care workers earn £10 or less an hour<sup>82</sup>. Particularly after the sacrifices made during the pandemic, local authorities should determine to pay all social care workers the Real Living Wage, as a minimum. However, the response to such a suggestion is likely to be met with support in principle but also regret due to the financial constraints being experienced in local authorities. A national agreement needs to be made, committing to spending significant amounts of money on social care for reform, rather than to patch up a failing system. As the custodians of adult social care, local authorities must have a key role in this discussion. There is also work to be done in the private sector, both nationally and locally, to improve the quality of work for key workers.

Pay is not the only factor; working conditions and scope for development should also be improved. Part of this problem can be addressed through communication and knowledge sharing between local authorities. The Better Work Network was established to coordinate the wide range of groups and initiatives which focus on tackling low pay and improving the quality of work across the UK. While working with local authorities on area and sector-specific schemes, it was identified that knowledge was limited to each area. Some combined authority mayors have implemented good work standards and targeted the use of public procurement. When defining key workers and improving their working conditions, cases of best practice need to be identified and made use of to spend money on improved wages and working conditions in a sustainable, structured way.

### Transport and connectivity

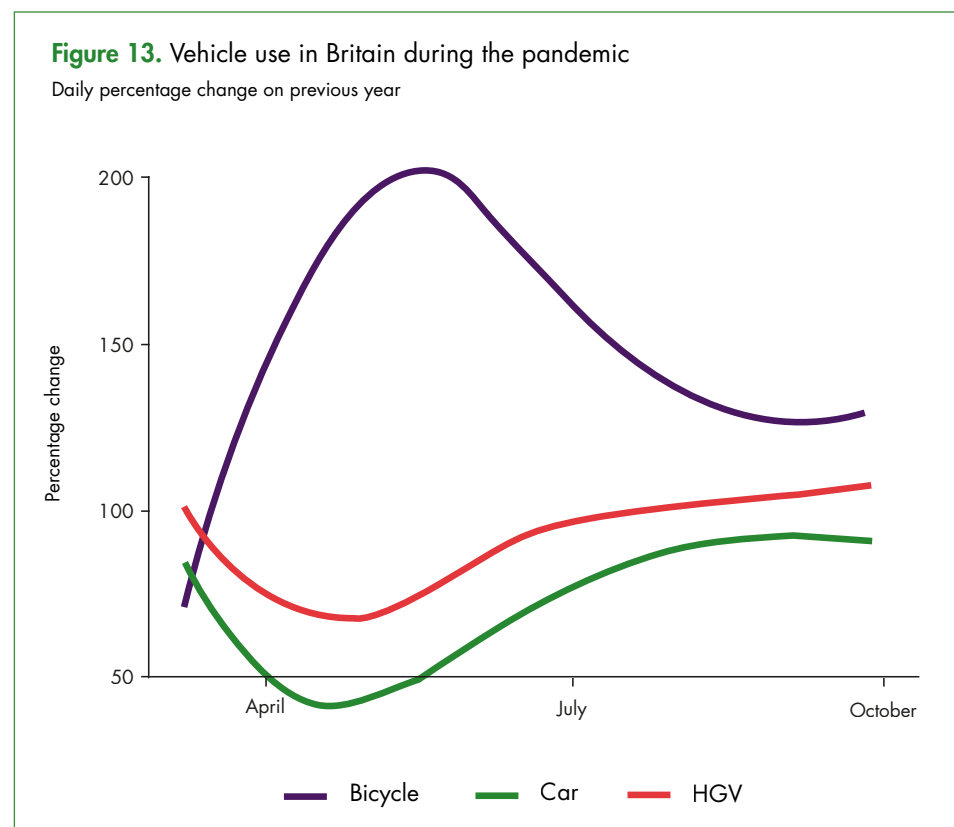
In June 2019, the UK became the first major global economy to pass a law that requires us to reach net zero by 2050. The Transport Decarbonisation Plan, published in March 2020, sets out the policies and plans needed to tackle transport emissions. Transport became the largest emitting sector of greenhouse gas (GHG) emissions in 2016, contributing to over a quarter of UK GHG emissions. Transport emissions have remained relatively consistent while energy emissions have seen large decreases. Road transport is the largest emitter of GHG with cars contributing to 55% of domestic transport emissions. Walking and cycling are the ultimate forms of zero GHG emission transport. The Government published its first statutory Cycling and Walking Investment Strategy (CWIS) in 2017 which set out the national ambition to increase the number of people opting to cycle or walk on a journey.

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81 Institute for Fiscal Studies (2020) – Key workers' hourly wages are 8% lower on average than other employees

82 TUC (2020) – May Day: TUC calls for a pay rise for all key workers

With commuting having seen the biggest decrease during the pandemic, and as the government looks once again to encourage people in England to find a way to go back to their jobs, the seeming mundanity of how people commute has suddenly gained considerable importance. In 2018, roughly 78% of workers in Staffordshire typically travelled to work. Over the last four months, many have learned what it is like to see road traffic drop out of our lives along with the daily commute, to an astonishing degree, in parts of the West Midlands region particularly. The early weeks of the pandemic brought the UK to a near standstill, with road travel plunging by as much as 73% in March this year. The empty streets resulted in drops in air pollution which, if sustained could help combat the climate emergency – the transport sector is the biggest emitter and the only one to have increased its emissions in recent years.



Source: DfT

With the pandemic bringing commuting to a halt and encouraging active travel, there are certain positive implications for reaching net zero targets and achieving key deliverables for decarbonisation. As we begin to recover, the challenge is how to keep on a good epidemiological trajectory without locking ourselves into behaviours which might harm the environment or long-term economic stability. The long road to decarbonisation has been modelled to involve the removal of around 60% of trips in cars. The end of lockdown is likely to push this goal further into the distance. Data from China shows that sales of cars have increased in line with a shift from public to private transport – it is quite possible that this will happen in the UK as well. A particular challenge may emerge for those living on the peripheries of large towns and cities, where the roads have weak and easily congested intersections. These areas are most likely to experience traffic growth and private transportation as more people return to work.

## Learning and acting on the lessons from 2020

The list below highlights some key lessons to be drawn from central and local government pandemic response from March to October 2020, as described in the report, along with recommendations for central government action.

### Bringing it all back home – only greater local autonomy and trust can deliver national strategy

1. The pandemic ought to have entrenched the fundamental idea that, in public health and beyond, a trust-based partnership between national and local government with a place-based way of working, considerate and cognisant of local factors, can lead to a more effective delivery of strategy.
2. Clearer delineations of responsibility and a greater respect for the knowledge of how local government operates could have saved a great deal of time, money and human endeavour in the crucial first months of the pandemic.

**A clear roadmap for devolution, with public health powers enshrined**, should be laid out by government in 2021 both to boost national resilience against future shocks and to better equip local government for a place-based recovery. Now is not a time to waste yet further time by obsessing on new structures and complex governance arrangements.

### Make full use the strategies and evidence bases already in existence and be flexible and place-sensitive about institutional configuration

3. Local authorities are amply and admirably demonstrating that they have an awareness and understanding of the ongoing economic and social disruption of the pandemic – and are using this as an evidence base to recover and build back better.
4. A strong labour market recovery will be greatly aided by effective use of the business-led approach of Local Enterprise Partnerships and Chambers of Commerce, backed up by robust local networks and evidence bases, than has been previously made by central government in pandemic response.
5. **Local growth vehicles for delivery of local growth.** In defining the actors and institutions able to access the Levelling Up and Shared Prosperity funds to stimulate economic recovery, **the government should be flexible on delivery vehicles for sub-regional infrastructure projects, providing they are anchored in a democratically-elected and accountable local authority.**

### Community hubs and other 'social infrastructure' are vital to national resilience

6. Local authorities can play a critical role in facilitating the dynamic activity that nourishes the social infrastructure of a place by fostering a network of community groups, hubs and organisations where experiences, resources and knowledge can be shared locally.
7. Government should create clear, statutory pathways to community ownership of these assets and protect social infrastructure through statute by extending and expanding the Community Assets provisions of the Localism Act.





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