

# Post-COVID-19 recovery strategies that will contribute to a fairer, cleaner, and more sustainable economy

## House of Lords

Thursday 11 June 2020



### Key messages:

- It is essential that as a nation we tackle climate change and protect our natural environment. We need to continue to improve air quality, protect against flooding, and ensure our transport, planning, waste and energy policies are sustainable. The LGA is committed to supporting local government to continue on this journey, particularly as we begin the economic recovery from the COVID-19 pandemic.
- The response to COVID-19 has shown how vital councils are in leading the response to a national emergency. Councils have worked tirelessly to protect lives, livelihoods and the most vulnerable in our communities. They have ensured that our most important public services keep running successfully.
- National government has rightly recognised this work and it is vital that councils continue to get further support from the Treasury and adequate funding to ensure their financial position remains viable. Without stable finances for local government, national recovery is not possible.
- The recovery will look different in different areas of the country and only a locally coordinated response will be effective. The effective delivery of the next phase will depend on all agencies working in partnership at the local level and councils are best placed to convene this work.
- Around 230 councils have declared a climate emergency, whilst nearly two-thirds of councils in England are aiming to be carbon neutral by 2030, making local government well placed to support the transition to a low-carbon economy.
- A key component of clean growth is the creation of green jobs. Research from the LGA estimates that 693,628 low-carbon jobs could be created in England by 2030<sup>1</sup>. Localising and devolving skills investment, back to work support and a job guarantee will be critical to ensuring everyone benefits from these new local jobs.
- Public Transport will be critical to a climate friendly economic recovery. As a sector, transport contributes 33 per cent of UK CO2 emissions and we therefore need to reduce emissions from this sector.<sup>2</sup> Recovery plans should seek to build upon the increased use of forms of active travel during the COVID-19 pandemic, such as walking and cycling.
- Councils will need flexibility in the use of a range of levers to support the economic recovery. Government can support this by bringing forward:
  - Proposals and consultation for the UK Shared Prosperity Fund (UKSPF)
  - An English Devolution White Paper that recognises the place leadership of councils and provides them with the powers and resources to drive recovery at the local level; and
  - Proposals to move towards aligning a range of funding streams towards a single funding pot.

# Briefing

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## Further information:

### Achieving net zero carbon

- Councils are best placed to understand the needs and opportunities in their local area and deliver local solutions. This means bringing partners together to work on place-based approaches drawn from evidence based best practice. Councils are at the forefront of mitigating climate risks and supporting their communities to adapt to future changes.
- Councils are leading the way towards achieving net zero carbon, increasingly with ambitious plans to achieve this before the government's 2050 target. Nottingham City Council, for example, has committed to becoming the first carbon neutral city in the UK by 2028. Nottingham's Charter sets out a vision for sustainable carbon neutrality on behalf of the Council and the city's Green Partnership, a collaboration with local, national, and international partners. In 2017 results showed a CO2 reduction of 41 per cent for the city and 49 per cent per person since 2005.<sup>3</sup>
- The LGA is committed to playing its part in enabling local government to contribute to the United Nations Sustainable Development Goals (SDGs). The SDGs provide an overarching framework to measure progress towards environmental, social and economic sustainability, and could therefore provide a useful framing tool to support recovery planning.
- The LGA's [climate change hub](#) brings together an overview of our sector-led improvement offer of support to help councils continue to provide strong local leadership on this important issue. Our hub also includes information on upcoming events as well as relevant publications and best practice case studies.<sup>4</sup>

### Restart and recovery

- The social, economic and environmental task ahead is great. Councils are ready to support their communities and businesses as we begin the process of recovery and will flex local services accordingly. This means working in partnership with national government to collectively develop service provision to meet the needs of local communities. As we have co-designed the emergency response, we will need to co-design the 'new normal' and the support our communities will need to move towards reopening society and towards economic recovery.
- The reopening of society and return to normal for councils requires a careful balancing of workforce resources as many staff are currently redeployed to provide the COVID response and cannot return to their original roles until it is clear which elements of COVID response are stopping. Similarly, there are some areas where additional demands (for example on tracing) are being put on a relatively small workforce of environmental health officers. This is indicative of a medium-term risk to workforce capacity in some areas.
- Councils will need flexibility in the use of a range of levers to support the economic recovery as the emergency measures are lifted. The policy levers include:
  - **UK Shared Prosperity Fund (UKSPF):** Proposals for the UKSPF need to be brought forward at pace and underpin local efforts to drive economic recovery in the medium-long term. Councils and combined authorities should be responsible for the design, prioritisation, commissioning and oversight of the UKSPF, which should be allocated in line with local need and support the move towards a single pot for growth funding.

- **English Devolution:** the English Devolution White Paper will need to respond to the realities of local recovery. This means going beyond the policy preferences of Westminster and giving local leaders the ability to bring government departments and agencies together to deliver locally determined and accountable outcomes across a range of economic, environmental and social priorities.
- **Skills:** a multi-agency approach is required, led by combined authorities and councils. This should be based on Local Labour Market Agreements / Work Local model. Significant national investment will be needed in all training and back to work support. Local Labour Market Intelligence based careers advice and guidance will help prioritise increased levels of funding. Targeted support for specific groups vulnerable to COVID related job loss but also those low skilled / unemployed even before COVID.
- **Inclusive recovery:** Government must place inclusiveness at the core of its recovery strategy. Councils should be given the powers and resources to shape more inclusive local economies and create and maintain wealth within local areas through public sector procurement, supporting social enterprises, community asset transfers and providing more affordable transport, housing and improved connectivity.
- **Sector Led Improvement:** the LGA will develop a support offer in relation to supporting councils on local economic recovery and we will continue to engage with councils to ensure that this support reflects the challenges that councils face in that phase.
- **European Structural Investment Funds (ESIF):** involve councils in the review of the current project pipeline so programmes can concentrate on COVID-19 issues and be assured that their running costs will be continued to be met, as far as possible. Remaining funds should support those businesses / residents most in need within the ESIF framework.
- **State Aid:** Government should explore how the new regime could provide councils with greater flexibilities to support non-profit-making activities or local social enterprises who reinvest surplus back into the local community.
- The Government has agreed to establish a Task Force between the LGA and MHCLG ministers to address economic recovery. The Task Force brings together economic and social partners to ensure a common purpose in driving and coordinating recovery at both a national and local level. It will be important for the Economic Recovery Task Force to influence the direction of national fiscal policy in the recovery period as well as the practical measures that can be put in place at the national, regional and local level.

### **Green jobs and skills**

- The Government has committed to deliver opportunity and growth to people and places across the country. Alongside this is a commitment to clean growth prioritised as one of four UK Industrial Strategy 'grand challenges' to increase productivity, create good jobs and boost earning power whilst protecting the climate and environment. It is estimated that the UK's clean economy could grow at four times the rate of GDP.<sup>5</sup>
- A key component of clean growth is the creation of green jobs. Currently it is estimated that there are 400,000 green jobs in the UK. The 2019 Conservative manifesto committed to work with the market to deliver two million new high-quality jobs in clean

growth in the next decade.<sup>6</sup>

- LGA-Commissioned research has shown that nearly 700,000 direct jobs could be created in England's low-carbon and renewable energy economy by 2030, rising to more than 1.18 million by 2050. Nearly half (46 per cent) of an estimated 693,628 total low-carbon jobs by 2030 will be in clean electricity generation and providing low-carbon heat for homes and businesses. Around a fifth (21 per cent) of jobs will be involved in installing energy efficiency products, such as insulation, lighting and control systems, while a further 19 per cent will be based on providing low-carbon services (financial, legal and IT) and producing alternative fuels, such as bioenergy and hydrogen.<sup>7</sup>
- As demand for green jobs increases it will require a diverse range of skills and expertise to roll-out clean technologies. However, for too long employment and skills support has been centrally driven, meaning it often fails to meet, and respond to, local need. Increased and better-targeted skills investment channelled through councils and combined authorities, working in tandem with businesses and education providers, is needed to train and retrain young people and older workers so they can benefit from these new local opportunities.
- Our Work Local campaign set out our proposals for a more coordinated and place-based employment and skills system which can be achieved by devolution and integration led by combined authorities and groups of councils.<sup>8</sup> National interventions like the National Retraining Scheme, National Skills Fund, Apprenticeships Levy, non-levy funding, technical levels, and the UK Shared Prosperity Fund, could be far more effective if they joined up and focused around 'place'.

## **Transport**

- Public Transport will be critical to a climate smart economic recovery. In the immediate term, the need for social distancing and the corresponding reduction in capacity has meant that public transport is now supported entirely by public funding. However, the links between payments to bus operators and the services being provided is no longer there. It is unclear when, if ever, we can return to the models of commercial operation that we saw before the crisis hit. Currently the only viable model is for the Department for Transport to direct its funding of the sector through councils, who will be able to commission a network of services according to local circumstances. In areas with other modes like light rail it will allow bus, tram and light rail to be properly integrated with bus services.
- In the longer term, any future funding mechanism to support public transport should be directed through councils so that they can commission transport networks that reflect the wider social, economic and environmental aspirations of local people and businesses.
- Decarbonising transport is a major challenge that councils need to embrace, to design places that encourage active travel and see a large-scale electrification of the vehicle fleet. It can only be achieved with long-term guaranteed infrastructure funding.<sup>9</sup> We recommend the Government immediately enact the recommendation of the National Infrastructure Assessment that councils have five-year guaranteed funding plans.<sup>10</sup>

## **Finance**

- For councils to play their full role in a fairer, cleaner and more sustainable economic recovery, cost pressures, the loss of income, and liquidity issues that all councils are experiencing need monitoring and addressing as they arise.

- The LGA is working with the Government to ensure that councils have the funding they need to do whatever it takes to keep supporting communities, local economies, the care sector and health service during the COVID-19 crisis. In order to provide the most robust evidence to government on the financial challenges they face, councils have been completing detailed monthly returns to the Ministry of Housing, Communities and Local Government.

LGA analysis of May's returns shows that:

- Extra COVID-19 costs and losses of income incurred by councils in March, April and May, amounted to £3.2 billion. This has been met in full by the two tranches of emergency funding provided by government to councils so far.
- Councils could need as much as £6 billion more in addition to Government funding to date to cover the costs and income losses related to coping with the coronavirus pandemic during this financial year. This figure will need to be kept under review. The MHCLG survey assumes things return to normal from the end of July. If councils have used this assumption in their returns then this figure could rise.
- Based on LGA analysis of the latest returns, almost two thirds of further funding needed would be to cover lost tax income (council tax and business rates) and non-tax income (mostly sales, fees and charges). The rest would be needed to cover extra cost pressures as a result of the pandemic.
- The loss of business rates (£470 million) and council tax income (£506 million) combined in the past three months accounts for more than half of all income losses for councils over the same period. This highlights the impact of the virus on local economies as some businesses close or people who are struggling to pay bills as a result of loss of earnings.
- Councils need an assurance that all additional costs and losses incurred as a direct result of COVID-19 will be funded by government. Without certainty of further funding and flexibility around budget setting, many councils will have to take measures in anticipation of future funding shortfalls. This could mean in-year cuts to vital local services that are supporting communities through this crisis and the national effort to beat this deadly disease.
- A package of measures must be put in place to address funding pressures and provide the certainty councils need to keep responding fully to the COVID-19 emergency and help prepare for the recovery. The Government needs to work with the sector to look ahead to the impact of the crisis to the end of this year, into next and beyond as the loss of income and additional costs of the immediate crisis taper and new challenges emerge. This will include support with rising demand for some services as lockdown ends and to reshape services and invest in infrastructure, housing and communities to aid regeneration and recovery.

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<sup>1</sup> 'Local green jobs – accelerating a sustainable economic recovery', LGA, published on Thursday 11<sup>th</sup> June

<sup>2</sup> 'Local green jobs – accelerating a sustainable economic recovery', LGA, published on Thursday 11<sup>th</sup> June

<sup>3</sup> Nottingham City Council, Nottingham 2028 <https://www.nottinghamcity.gov.uk/cn2028>

<sup>4</sup> <https://www.local.gov.uk/our-support/climate-change>

<sup>5</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/700496/clean-growth-strategy-correction-april-2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf)

<sup>6</sup> <https://vote.conservatives.com/our-plan>

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<sup>7</sup> 'Local green jobs – accelerating a sustainable economic recovery', LGA, published on Thursday 11<sup>th</sup> June

<sup>8</sup> <https://www.local.gov.uk/work-local-making-our-vision-reality>

<sup>9</sup> It is important to acknowledge that there is embedded carbon in the manufacture of these vehicles, and this must be considered as part of our carbon budgets.

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<sup>10</sup> [https://www.nic.org.uk/wp-content/uploads/CCS001\\_CCS0618917350-001\\_NIC-NIA\\_Accessible.pdf](https://www.nic.org.uk/wp-content/uploads/CCS001_CCS0618917350-001_NIC-NIA_Accessible.pdf)