

# Insight focus

JULY 2020

## Planning for COVID-19 economic recovery How are local areas responding?



In the wake of recent government policy and funding announcements designed to fuel economic recovery across the UK, we take the opportunity to examine how local places are developing their own plans to mitigate the short term implications and guide longer term economic restoration.

Lichfields carried out a survey of local authorities and Local Enterprise Partnerships (LEPs) across the country in June to explore how different areas are responding to the economic impacts of COVID-19 and to gather local views on prospects and priorities for economic recovery over the coming months. Key findings from our research are summarised in this Insight Focus.

intelligence and evidence that has been gathered, although some respondents based this on perception and anecdotal feedback.

At the UK level, we have seen COVID-19 economic impacts play out very unevenly across different sectors of the economy, reflecting their relative exposure to the pandemic disruption and associated lockdown restrictions. Hospitality, recreation and education are amongst those industries facing a particularly challenging short-medium term economic outlook having suffered a major impact. Our survey suggests this picture is broadly replicated across local economies, with retail, healthcare, real estate and manufacturing

also bearing the brunt of initial economic impacts (Figure 1).

By comparison, respondents perceived the impact on broader service-based sectors such as ICT, professional services and business admin to be less severe so far. Our survey results also suggest that local partners have limited access to sector specific intelligence at this stage for some key industries such as utilities.

### How is COVID-19 impacting on local economies?

The COVID-19 pandemic is causing unprecedented disruption to the UK's economy, with April 2020 recording the sharpest monthly GDP decline on record. Unsurprisingly, the severity of the unfolding economic crisis was echoed strongly amongst survey respondents, with

over three quarters describing COVID-19 and associated lockdown as having a 'major impact' on their local economy so far. In most cases, this view is informed by local

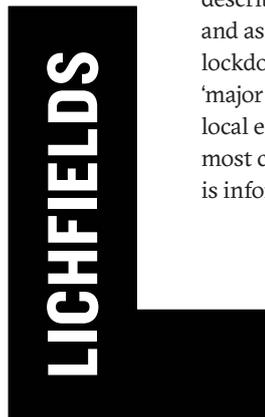
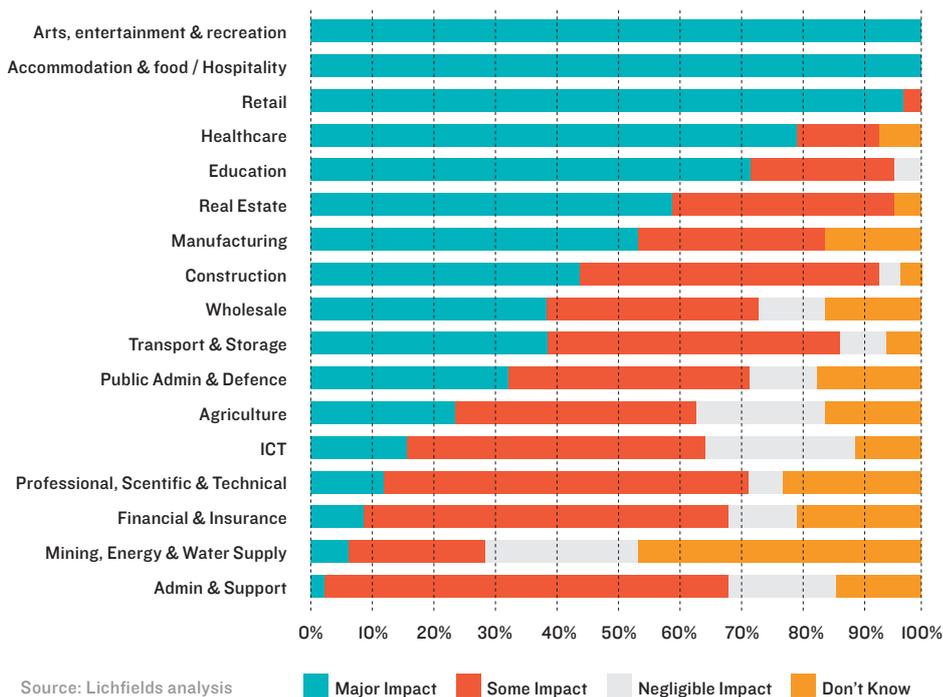


Figure 1: How would you describe the relative impact by sector in your local area?



Source: Lichfields analysis

Major Impact Some Impact Negligible Impact Don't Know

85%

of survey respondents consider prospects for local economic recovery over the next 6 months to be 'weak' or 'very weak'

## Prospects and priorities for economic recovery

Reflecting the severity of initial impact from COVID-19, most respondents were understandably cautious about prospects for local economic recovery over the next six months, with 85% citing 'weak' or 'very weak' prospects. Looking slightly further ahead, prospects gradually improve, with survey respondents citing a considerably more positive outlook for 2021 and beyond (Figure 2).

Notwithstanding some longer-term optimism, this suggests that over half of local areas surveyed expect to see significant challenges and barriers to local economic recovery for the next 12 months at least. We summarise some of the particular concerns expressed by respondents regarding the ability of their local economy to recover below.

Whilst resources and capacity within local authorities and LEPs were initially prioritised on emergency business and community support responses following the outbreak of the pandemic, the majority (88%) of organisations surveyed have now developed, or started to develop, a dedicated response, strategy or plan to guide economic recovery within their local area.

In most cases this considers emerging impacts of COVID-19 across the local economy (as far as these are known) and begins to identify key interventions or actions to address these impacts over the short term. Respondents' priorities for guiding local economic recovery over the next 12 months tend to focus on continued business support, responsive skills provision, and enhancing critical infrastructure

to enable local economic resilience (such as digital connectivity) (see Figure 3 overleaf). There was also a strong focus on maximising localised approaches to recovery, for instance by strengthening local supply chains as well as locally-focused public sector procurement.

Figure 2: How would you describe the prospects for your local economy to recover from the economic impacts of COVID-19?



Source: Lichfields analysis

### Key challenges to local economic recovery

"Strong local reliance on sectors and supply chains severely disrupted by COVID-19 and associated lockdown (inc tourism/hospitality, aviation, higher education, manufacturing)."

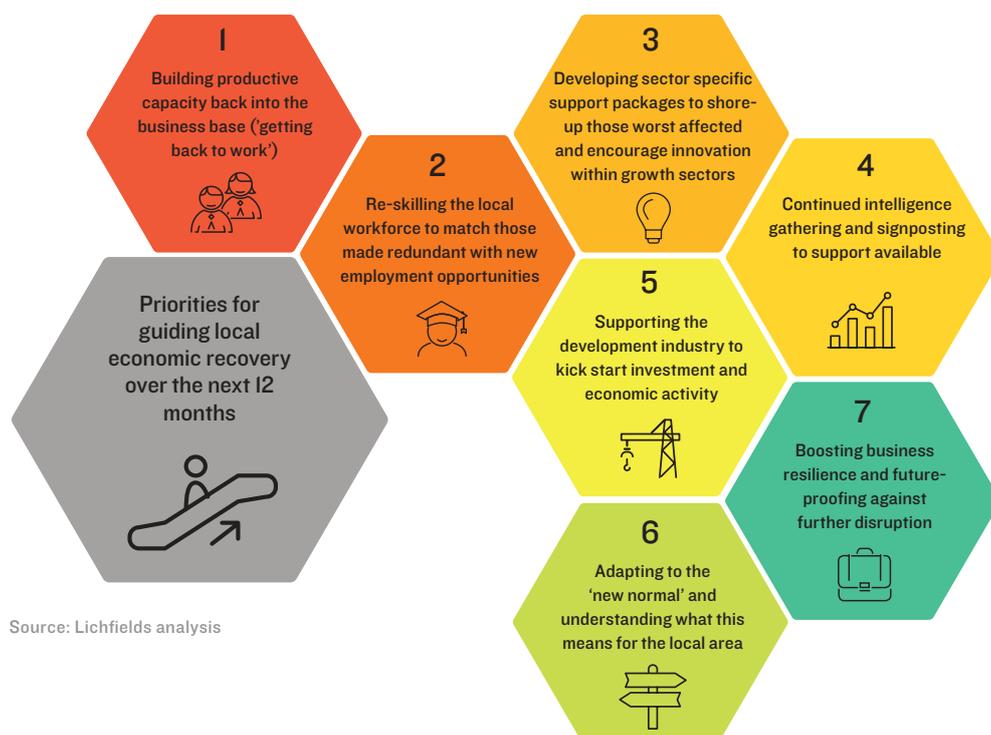
"Risk of significant longer-term unemployment as government subsidies (such as the Job Retention Scheme) are withdrawn, potentially worsening existing socio-economic inequalities."

"Ability of local business base to 'restart' and trade viably with social distancing restrictions in place."

"Sharp decline in demand for commercial premises, leaving many local business units (especially in already struggling high streets) vacant."

"Reduced income from public assets to be able to fund public services and local recovery responses."

Figure 3: What are your priorities for guiding local economic recovery over the next 12 months?



Source: Lichfields analysis



The costs of COVID-19 are a significant threat to all local authorities, with a loss of income from commercial investments and increased costs to respond to the pandemic.

Survey respondent

## Strategy and resources

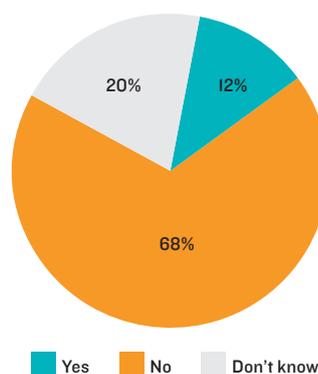
Whilst it is likely to take some time for the full effects of COVID-19 to work their way through the economy, our survey shows that many local authorities and LEPs have used their initial recovery response as an opportunity to reset longer term strategy, for instance to build future resilience within the local business base and responding to wider structural shifts brought about by the pandemic. Nearly three quarters (71%) of respondents said they plan to revisit and update their current economic development/growth strategy to reflect COVID-19 challenges and opportunities and to ensure that locally-driven growth initiatives and objectives are 'fit-for-purpose' in a rapidly-changing economic environment.

However, the ability of local areas to deliver on these objectives could be severely constrained; nearly 70% of respondents to our survey were of the view that their local authority/LEP does not have sufficient resources to effectively respond to the economic impacts of COVID-19 in their local area (Figure 4). Key challenges relate to staff shortages, budget cuts and availability of funding to deliver key projects and recovery initiatives; all common issues pre-COVID-19 following earlier cuts, but now set to be exacerbated by increased demand for economic development services in response to the pandemic.

More positively, the scale of the economic crisis and the wide-reaching nature of its effects has prompted strong partnership working within,

across and between local areas as policy makers and practitioners come together to respond to these unprecedented economic impacts and challenges. The majority (82%) of organisations surveyed have been working in partnership with others (such as local authorities, LEPs, Combined Authorities, Government etc) to plan for longer-term recovery from COVID-19. Typically this has involved co-ordinating resources for intelligence gathering, sharing good practice, and jointly developing COVID-19 recovery plans that straddle administrative boundaries and are aligned with overarching prosperity objectives developed through sub-regional strategies such as Local Industrial Strategies.

Figure 4: Do you believe your authority/LEP has sufficient resources to effectively respond to the economic impacts of COVID-19 in your local area?



Source: Lichfields analysis

As we look ahead to the next phase of economic recovery from COVID-19, it is clear that considerable work is underway up and down the country to understand the evolving implications for local areas and how different places can draw upon their unique economic credentials to most effectively respond.

Drawing on the survey feedback and our experience of developing COVID-19 economic recovery plans across the country, we set out below some practical pointers and factors for local areas to consider as they work through the initial economic response and begin to lay the foundations for longer term recovery.

## ABOUT US

Lichfields is the pre-eminent planning and economics consultancy in the UK with market leading skills in analysing complex economic intelligence and trends to help our clients develop robust, evidence-driven action plans and strategy.

We regularly work with the UK's leading economic forecasting houses to develop economic scenarios for local areas and are actively engaging with locations across the country to share our insight and analysis on implications and local responses to COVID-19.

Please get in touch via the contact details below to find out how we can help.

## Practical Pointers

- ✓ The 'real time' nature of the evolving economic situation emphasises the need to keep on top of data and intelligence as it emerges, through a local dashboard or tracker to monitor impacts as they unfold, and use this to review the strategy response on a timely basis.
- ✓ Whilst economic scenarios continue to emerge to consider the potential short and longer term impacts of COVID-19, the significant uncertainty underlines the benefit of 'stress testing' these with locally relevant risk factors and outcomes, for instance to examine implications of local lockdowns or the performance of key industry clusters.
- ✓ Think carefully about the sequencing of recovery interventions, to strike the right balance between immediate support for those sectors/clusters/population groups facing the most acute challenges and those less critical economic receptors, particularly as delivery resources come under increasing pressure.
- ✓ When compiling action plans, distinguish between existing interventions (already in the pipeline) that can be accelerated to support the recovery response Vs bespoke interventions to tackle COVID-19 circumstances. Is there scope to fast track existing projects to 'shovel ready' status to take advantage of current government funding opportunities?
- ✓ Whilst Local Planning Authorities are encouraged to continue progressing new Local Plans, they will need to demonstrate that their accompanying evidence base has given due consideration to COVID-19 and the short, medium and longer term implications this could have on local economic growth prospects. Government will also be keen to see how local planning policy is being used to encourage economic recovery, through for example enhanced land use flexibilities and developer incentives.
- ✓ Remember not to lose sight of the longer term economic goal as short term recovery responses are prepared and implemented. Whilst some existing strategic commitments will inevitably need to be re-prioritised in light of COVID-19 to reflect short term challenges, others will still remain relevant albeit may need to be adjusted to reflect a 'new normal'.
- ✓ "In the midst of every crisis, lies great opportunity" and we have seen a range of growth and innovation opportunities emerging from the pandemic and the behavioural changes this has induced. For instance, how can local areas capitalise upon opportunities around digital transformation and responsive logistics or leverage existing assets to contribute to the government's green recovery agenda?

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