

# BRITAIN'S LEADING EDGE SUBMISSION ON POST-PANDEMIC ECONOMIC GROWTH

14 JULY 2020

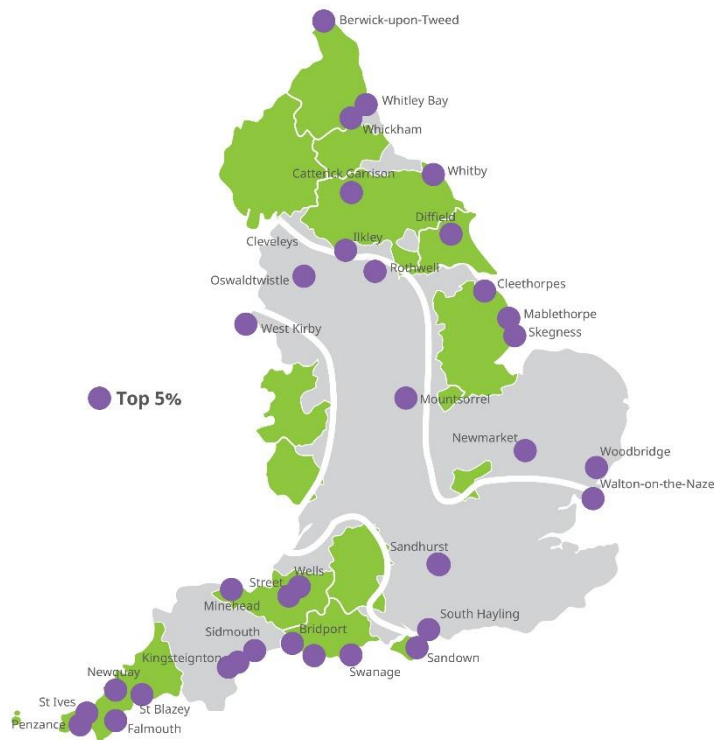
- **About Britain's Leading Edge**

1. Britain's Leading Edge is a collaboration of 12 upper tier rural authorities without major cities: Cornwall Council, Cumbria County Council, Dorset Council, Durham County Council, East Riding of Yorkshire Council, Herefordshire Council, Isle of Wight Council, Council of the Isles of Scilly, Lincolnshire County Council, North Yorkshire County Council, Rutland County Council, and Shropshire Council. Together we represent 11% of England's total population and account for 8% of England's GVA.
2. Britain's Leading Edge was launched in July 2019 to provide a fresh voice in Westminster for rural areas without a major city. We want to work with government to unlock the power of our rural economies and truly "level up" opportunities across the whole of the United Kingdom.
  - **What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?**
  - **How should regional and local government in England, (including the role of powerhouses, LEPs and growth hubs, mayoralities, and councils) be reformed and better equipped to deliver growth locally?**
3. To Britain's Leading Edge, the principle of **locally led, place-based support and investment** is critical. Different places have experienced economic growth, change, and inequalities in strikingly different ways. Local economies across England are very diverse, ranging from metropolitan city-regions whose economies include extensive knowledge intensive business services, to coastal communities with strong hospitality sectors, and towns with older demographics and historical dependence on declining industries. Centralisation within England has meant that variation in productivity, income, health and employment are higher than in almost any other developed country.
4. As regions across the UK are so diverse – with different areas facing different challenges and opportunities in post-pandemic economic recovery – a one-size-fits-all approach does not work. **Place-based variation in the size of economic contraction, requires a place-based recovery response.** Post-pandemic economic recovery has to provide a supportive environment that not only re-frames the narrative around 'the central and the local' but grants regions a greater level of control over their own policymaking and development.
5. It is expected that the UK's overall productivity crisis will deepen, with 76% of local authorities not able to recover their expected level of output based on the pre-crisis trend after five years. As a result, vulnerable places will likely fall further behind. Output in the twenty most vulnerable places (places at particular risk of a prolonged economic recovery) will be an average of 18% below the expected level based on the pre-crisis trend after five years<sup>1</sup>.

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<sup>1</sup> <https://www.progressive-policy.net/publications/back-from-the-brink>

6. We therefore are seeing strong place-based variation in the size of economic contraction as a result of the Covid-19 lockdown. Moreover, some places that are hardest hit initially may not be the same places as those that struggle over the long run. This is because the initial economic hit is driven by sector concentration within local areas rather than underlying factors that support local resilience to economic shocks that we define as a high level of skills, low unemployment or a speedy recovery from a previous recession.



7. The initial hit was felt strongest in coastal towns. Research by Centre for Towns shows that coastal towns with a majority of employees in sectors such as accommodation, non-food and food retail and leisure, - e.g. Newquay in Cornwall (56%) and Skegness (55%) on the East Midlands coast – have been disproportionately affected by the lockdown<sup>2</sup>. Indeed, local authorities with seaside resorts has seen the largest rise in unemployment rates<sup>3</sup>, with claimant count increasing by 88% in Predominantly Rural areas compared with 59% for Predominantly Urban.

Figure 1 - The map details the layout of the top 5 percent worst affected towns across the country, representing a clear peripheral dimension.

8. In the long term, peripheral regions more widely will struggle to recover from the effects of Covid-19 due to lower levels of local resilience. Indeed, after the 2008 recession, it took five years for UK economic output to recover, but 26 local areas are still below pre-crisis levels of output some 12 years later. Research<sup>4</sup> suggest that it is parts of the North of England and Northern Ireland that will struggle the most over the long run.

9. This all points towards the **critical importance of adopting a place-based approach to viewing and managing the economic impacts of lockdown and Covid-19.** It is generally considered that 'trickle down' economics has not worked and targeted policies and interventions are required to improve the distribution of economic benefits. It is vital that councils have the tools they need to ensure that all our diverse communities have the best possible chance of contributing to and benefiting from economic recovery. Any post-coronavirus economic rebuilding strategy needs to integrate a more balanced economic development plan for the regions. Post-pandemic economic recovery has to provide a supportive environment that not only re-frames the narrative around 'the central and the

<sup>2</sup> <https://www.centrefortowns.org/reports/covid-19-and-our-towns/viewdocument>

<sup>3</sup> <https://ocsi.uk/2020/05/21/widespread-rises-in-unemployment-rates-show-the-economic-impact-of-covid-19/>

<sup>4</sup> <https://www.progressive-policy.net/publications/back-from-the-brink>

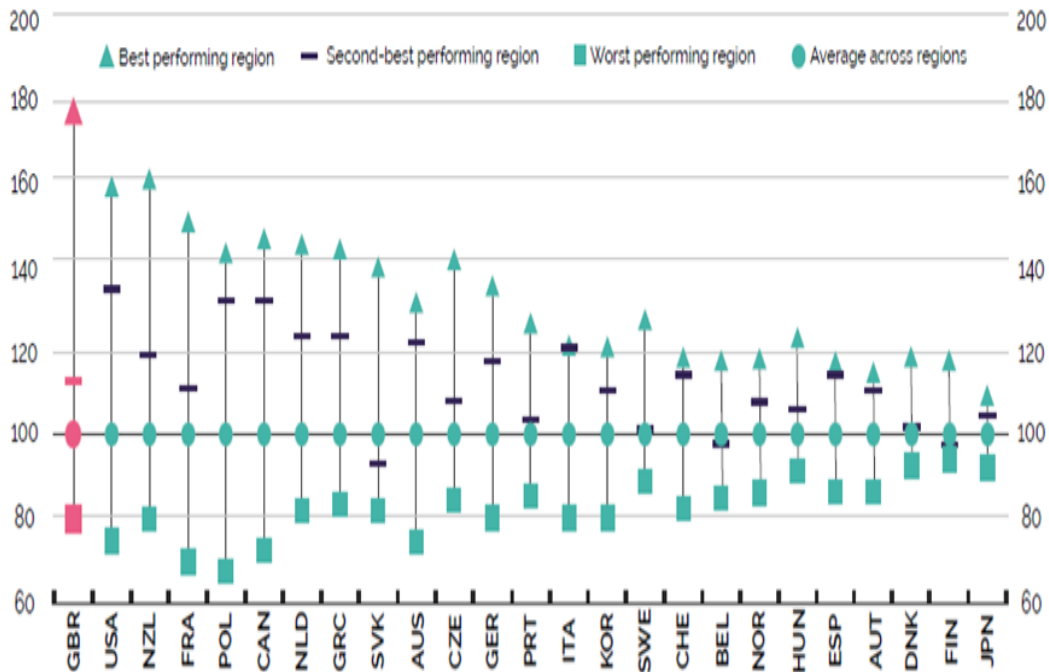
local' but grants regions a greater level of control over their own policymaking and development.

- **How can the Government borrow and/or invest to help the UK deliver on these principles?**

10. We suggest that the government invests in local economies to build their resilience in three areas:
11. **Clean growth technologies** – Britain's Leading Edge already produced 37% of the UK's renewable energy. With the right investment we can power the future sustainable national economy. We are currently in early discussions with HMT about a strategic investment into our renewable energy infrastructure. If we want to meet our carbon neutral ambitions by 2050, we need to invest in our ageing and no longer fit for purpose energy infrastructure and connect the renewable energy reserves of Britain's Leading Edge to the national grid. This requires the regulatory and practical barriers currently constraining anticipatory investment in our energy infrastructure to be addressed rapidly, alongside a transition to a smarter grid, as part of a wider infrastructure investment strategy.
12. **Connectivity** – Transport plays a vital role in connecting people to jobs and learning opportunities. Britain's Leading Edge regions face various challenges in relation to transport affordability and reliability. Many central government transport schemes offer little in the way of support for inclusive economies, focussing primarily on routes and modes that are used primarily by higher earners in more affluent places. Rail infrastructure is vital for local economies, but poorer communities often rely heavily on bus services. This is particularly important for younger people in rural and deprived communities, for whom car ownership often represents both a substantial cost and a necessity in order to access services, employment and education. Cornwall Council is showing that with targeted investment rural areas can deliver an integrated public transport network in close partnership with its bus operators. This has resulted in a 2% year-on-year increase in patronage and a bus passenger satisfaction rate of 93%. It demonstrates that if given the opportunity, rural areas can deliver.
13. Digital working has become the mainstay of economic continuation throughout lockdown. Covid-19 has created long term disruption with many businesses no longer considering a return to traditional office working. Many will adopt the cost benefits and efficiencies of the 'new world' remote agile practice. In order to sustain this new world, added investment and equity across rural areas will be paramount. Whilst we are aware that £5bn has been committed (pre Covid-19) to enable 'gigabit' capabilities by 2025-2033, the funding will fall far short of the aspiration. Promoting the digital agenda fits the UK's aspirations to reduce carbon. The reduction in commuting and the improvement in air quality are widely considered more positive aspects of lockdown. We should build on this momentum and the behavioural change that has taken place to raise the importance of the digital agenda and promote more agile work environments. Nowhere is remote in a modern economy where commerce and communication, ideas and innovation, connect instantly.
14. In addition, the Britain's Leading Edge areas are known for its natural capital. In the UK's 'Race to Zero' our areas offer opportunities for fantastic new, and safe, cycling and walking networks which would not only provide viable alternative modes of transportation,

but also contribute to raising the profile of the UK as a 'green' tourist destination. Digital infrastructure alongside this, supporting tourists and traders alike, can only be of benefit.

15. **Shared prosperity funding** – To deliver the principles and the necessary recovery package there is an urgent need for the UK government to continue to invest in areas and regions across the UK in order to address regional inequality. As the current regional and rural development/cohesion EU programmes come to an end the significant funding they invest to stimulate our economy must be replaced on a like for like basis in focus (raising productivity and growth) and budgetary terms.



Source: OECD report, United Kingdom: Reducing regional disparities in productivity, Jan 2018

16. Prior to the Covid 19 outbreak the OECD had already published research indicating that the UK was the nation in Europe with the greatest regional disparities (see graph) and these are likely to increase once the true impact of the Covid 19 outbreak becomes apparent, as per the reasons set out above.
17. The immense productivity gap that currently exists between the prosperous South East of England on the one hand and the rest of the country on the other must therefore be levelled-up by investing in the LEP areas and regions that are lagging behind. As outlined in the Conservative manifesto and reiterated by Government ministers and the Prime Minister this investment should happen through an adequately funded and appropriately devolved Shared Prosperity Fund (SPF).
  - **Whether the government should give a higher priority to environmental goals in future support?**
18. Focus should be on clean growth to ensure we build a resilient, sustainable future national economy. Already prior to Covid-19, clean growth has been targeted by national and local governments as an area of economic opportunity. In 2018, the UK Government projected

that the low-carbon economy could grow by 11 per cent per year up to 2030, which is substantially higher than the projected growth rate for the economy as a whole (estimated at 1-2% per year)<sup>5</sup>. As we transit to a Net Zero economy demand for green jobs will grow rapidly which will help to counter the impact of the shut down on our regions. As pointed out in a recent report by the LGA, between 2030 and 2050, the low-carbon workforce in England could increase by a further 488,569 taking the total level of jobs to over 1.18 million by 2050<sup>6</sup>. These jobs will be directly supporting the UK's commitment in achieving net zero.

19. Britain's Leading Edge already produced 37% of the UK's renewable energy. With the right investment we can power the future sustainable national economy. We are currently in early discussions with HMT about a strategic investment into our renewable energy infrastructure. If we want to meet our carbon neutral ambitions by 2050, we need to invest in our ageing and no longer fit for purpose energy infrastructure and connect the renewable energy reserves of Britain's Leading Edge to the national grid. This requires the regulatory and practical barriers currently constraining anticipatory investment in our energy infrastructure to be addressed rapidly, alongside a transition to a smarter grid, as part of a wider infrastructure investment strategy.
  - **Whether the Government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?**
  - **How can the Government best retain key skills and reskill and upskill the UK workforce to support the recovery and sustainable growth?**
20. The focus in the immediate response phase to Covid-19 has been quite rightly on those sectors hardest hit by lockdown – retail, hospitality and leisure. These sectors are often the corner stones of market towns, providing employment, viability and vitality to our town centres. Government support for local authorities that work with these sectors to adapt and evolve is crucial.
21. In the mid/long term and when considering a chance to reset the economy and create a 'new normal' that is resilient and addresses broader government priorities and global challenges, the focus should not be on certain sectors but on the challenges, goals and vision for the future economy. This will include key businesses that are best in class and capable of growth, developing new high value sectors and businesses that link to our key strengths and redoubling our efforts to work with the existing businesses in our foundational economy to achieve best in class performance. Ignoring our existing business base (in all sectors) will only continue to act as a drag on our economic performance.
22. Areas in Britain's Leading Edge have been grappling with the retention of a skilled workforce as a result of our ageing demographic and out-migration of younger professionals and families to cities. The behavioural change that we have seen as part of the lockdown presents an opportunity for rural areas. With more people working from home, there is space for a more digitised, decentralised modern economy, where Britain's

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<sup>5</sup> OBR (2020) Economic and fiscal outlook. Accessed on 6th April 2020. Available from: [https://cdn.obr.uk/EFO\\_March-2020\\_Accessible.pdf](https://cdn.obr.uk/EFO_March-2020_Accessible.pdf)

<sup>6</sup> [https://www.ecuity.com/wp-content/uploads/2020/06/Local-green-jobs-accelerating-a-sustainable-economic-recovery\\_final.pdf](https://www.ecuity.com/wp-content/uploads/2020/06/Local-green-jobs-accelerating-a-sustainable-economic-recovery_final.pdf)

Leading Edge is the natural place to stay and do business. Nowhere is remote in a modern economy where commerce and communication, ideas and innovation, connect instantly.

23. We welcome the government's bonus for businesses who take on apprentices. Without government support, there is a risk that in the current context, businesses otherwise prioritise other expenditure and make cost cutbacks. Although many young people face uncertainty with regards to short to medium job prospects, this is an opportunity to build programmes to work with these young people to help them into growing industries with digital skills and supporting entrepreneurial spirit.
24. Overall, we argue for a more place-based approach not only because of the place-based variation in the size of economic contraction, but also because different regions have different strengths. We believe government should set the general principles of post-pandemic economic growth, but allow for locally led, place-based variation in how these are executed to ensure regions can exploit their strengths to the benefit of the wider national economy.
  - **Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post pandemic growth?**
25. Without a refresh, we do not believe the Government's Industrial Strategy to be completely relevant to the current situation, but with a review it could be the appropriate vehicle through which to deliver post pandemic growth. Local Industrial Strategies (LIS) reviewed under a national strategic framework, or updated Industrial Strategy, with consideration to core principles and updated relevant Grand Challenges would be an appropriate vehicle through which to deliver post pandemic local growth.
26. An updated Industrial Strategy should set out the core principles and the strategic framework for addressing the inequalities within society and within communities, such as access to decent housing, healthcare and education including via digital means. This requires a recognition of geographical and societal interdependencies rather than a separation out of different strands of policy. This cohesive approach should then bring in an improvement in social mobility opportunities across the country, alongside the kinds of initiatives around green energy that form part of the offer by Britain's Leading Edge.
27. Furthermore, whilst the concept of driving up productivity remains a sensible approach, to focus primarily on productivity without adequate consideration to the climate emergency, environmental growth and social inclusion is an approach we do not fully support. In light of the UK's commitment to Net Zero and many of our local authorities having declared climate emergencies, we believe we should rebuild our local economies within the limits of the planet and our society.
28. Empowering local economies to build on their strengths and to find the solutions to local, national and global challenges, whilst supporting and driving innovation, investing into infrastructure, and training and education will ultimately give local economies an opportunity to build on their local resilience and to develop solutions that will be exportable, and improve local and UK productivity.
29. LIS are underpinned by a robust evidence base and extensive stakeholder engagement, providing a strong basis for local delivery of a recovery plan. Although many will need a

review and consideration given to the new baseline and added challenge linked to our Covid-19 response, they should be foundation to post-pandemic economic recovery.

- **What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the ‘levelling up’ agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?**
  - **What lessons should the Government learn from the pandemic about actions required to improve the UK’s resilience to future external shocks (including – but not limited to – health, financial, domestic and global supply chains and climate crises)?**
30. The pandemic is most definitely a risk to the levelling-up agenda, as existing regional inequalities may be exacerbated further (see question 1). However, it is also an opportunity to move away from centralised decision-making with a strong urban bias, and to create better synergies between the national, regional and local economies.
31. The emergency response has provided repeated demonstration of the effectiveness of local solutions over “one size fits all” central schemes, reinforcing well-rehearsed arguments for decentralising power and equipping local place leaders with the tools and levers to improve outcomes. By promoting locally-led, place-based investment, the government would deliver on its levelling up agenda and start minimising vulnerability in local areas by building on local and regional strengths thereby increasing their resilience to (external) shocks.
32. Encouragingly, the Government appears to remain committed to publishing its Devolution White Paper in the Autumn of 2020, focussed on levelling up regional inequalities through devolution to non-metropolitan areas. If Brexit and the pandemic have taught us anything, it is that decision making needs to become more inclusive and attune to the needs of local communities and that we need to refocus our efforts to a more resilient local and national economy. When considering the most appropriate models for how devolution can be furthered it is key that local variance in governance models are considered as a metro centric mayoral model clearly does not fit all, with particular focus on rural areas where needs and demands vary greatly. Positive examples can be drawn from Cornwall who remain the only solely rural authority to have a Devolution Deal (2015) and are considered to be a front runner in terms of delivery on its existing deal.
- **What opportunities exist for the UK economy post Brexit and the pandemic for export growth?**
33. COVID-19 gives us an opportunity to recover in a way which is more climate friendly, and with post Brexit trade deals expected to reach more countries than before, the UK could increase its production and exports of renewable technology. There is an opportunity for areas in Britain’s Leading Edge to become a world leader in exporting technology, skills and provision of services in renewable energy.