

7 December 2021

Agenda Item: 7

REPORT OF THE CORPORATE DIRECTOR, PLACE

PROGRESS ON THE COVID-19 CRISIS ECONOMIC RECOVERY ACTION PLAN

Purpose of the Report

1. The purposes of this report are to:
 - a) Provide an update on the work the Council and its partners have undertaken in relation to the COVID-19 Crisis Economic Recovery Action Plan 2020-2022.
 - b) Summarise the revised macro-economic and public policy backdrops to partnership working in this space; and
 - c) Outline proposals for future work to evolve the present Covid-19 Recovery Plan (reviewed in Appendix A) and to outline the pertinent actions that are still relevant.

Information

2. The economic crisis caused by the COVID-19 pandemic is not over. However, it is the premise of this paper that the economy in late 2021 is different to that which existed or could be anticipated in September 2020 when the County Council's COVID-19 Crisis Economic Recovery Action Plan was launched.

The Nottinghamshire Covid-19 Recovery Action Plan

3. The COVID-19 crisis Economic Recovery Action Plan was launched in September 2020 as an ambitious mechanism to recharge the Nottinghamshire economy in the wake of the local impact of the COVID-19 pandemic. Combining actions initiated at national, regional and local levels and integrating a number of existing complementary activities, the Plan instigated swift and decisive action. This was to ensure a post COVID-19 Nottinghamshire would be more digital, greener and resilient to both current and forthcoming challenges.
4. Nottinghamshire County Council and its partners continue to make remarkable progress in achieving the Goals set out in the Recovery Action Plan. A formal progress update based on the six themes of people, business, visitor economy, infrastructure, digital connectivity and place is appended to this report. Without exception, the tables that comprise this Appendix record important achievements against predetermined Actions. Despite the successes and achievements made with the Recovery Action Plan, we must not "rest on our laurels". The external economic and policy environment is continually evolving and as such we also need the Plan to adapt and flex with it. Whilst a majority of the actions within the Plan remain

pertinent, the Appendix highlights those areas where it needs to flex to the latest economic trends.

5. Furthermore, the proposals contained within this report support the Council Plan 2022-2027, that sets the County Council main priorities over the next 5 years. They also support the case for Devolution that was recently approved at a meeting of the [City of Nottingham and Nottinghamshire Economic Prosperity Committee \(EPC\) on 29 October 2021](#).

The UK Economic Environment (source: ONS unless otherwise indicated)

6. At the time the Recovery Plan was launched, the local economy was in crisis. The spring 2020 lockdown had resulted in all but essential business shutting – with employees being furloughed or mostly working from home. One in four people (26%) who were employees during the COVID-19 pandemic were furloughed at some point between March 2020 and June 2021. Half of those were furloughed for more than three months and were less likely to be in employment by August 2021 (89% compared with 94% of those furloughed for less than three months). Of all those ever furloughed, more than one in five (22%) had switched employer and more than one in 10 (12%) moved to a new sector.
7. UK gross domestic product (GDP) – a measure of total economic activity – fell by 24% between February and April 2020. The impact of increased restrictions in subsequent lockdown periods was less severe – activity was 7.4% and 9.0% below its pre-pandemic level in November 2020 and January 2021 respectively.
8. The national economy grew sharply from its March/ April 2020 nadir, between the second and third quarters of 2020. By the third quarter it had stabilised at around 95% of its value at the same time in 2018, only gently increasing to slightly below 100% by July 2021.
9. By October 2021, the [Office for Budget Responsibility \(OBS\)](#) was forecasting an economic recovery exceeding that predicted in March:
 - GDP is expected to grow by 6.5% in 2021 and to regain its pre-pandemic level around the turn of the year. It is forecast to continue to grow by 2.1% in 2023, 1.3% in 2024 and 1.6% in 2025.
 - Unemployment is expected to peak at 5.25%. *“The relatively tight labour market reduces the risk that people will suffer long spells of unemployment that result in discouragement, skill atrophy, and greater difficulty in finding a job”*. However, OBS still predict a small increase in the share of unemployed people who are classified as long-term unemployed.
10. Of more concern are forecasts relating to inflation and public borrowing:
 - CPI inflation has risen sharply in recent months, as the rebound in consumer demand has run up against supply constraints. Inflation reached 3.1 per cent in September, up from a low of 0.3 per cent in November 2020. OBS forecasts that inflation will average 4% next year.

- OBS has also estimated the extent to which the pandemic has done lasting damage to the economy – also known as ‘scarring’.¹ OBS has reduced its estimate of the scarring effect of the pandemic from 3% to 2%.
- Public spending has increased from 39.8 per cent of GDP before the pandemic to 41.6 per cent of GDP in 2026-27, the largest sustained share of GDP since the late 1970s. Borrowing is anticipated to fall back below £100 billion next year, declining more slowly thereafter to stabilise at around £44 billion (1.5 per cent of GDP) in the medium term.

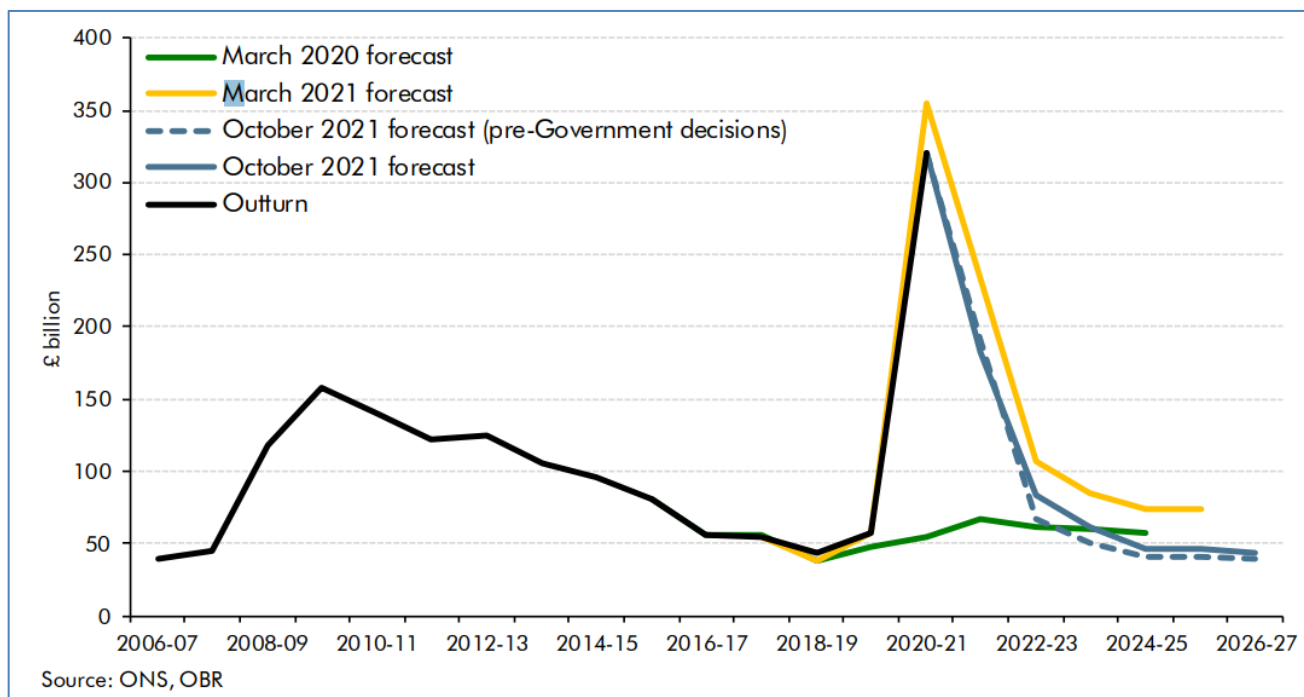


Figure 1: Public sector net borrowing (from OBR, October 2021)

Behavioral changes impacted by the pandemic

11. OBS reports that “the successful rollout of highly effective vaccines, coupled with unprecedented fiscal support to households and businesses, has significantly reduced the collateral economic damage that could have resulted from the pandemic. However, coronavirus has also catalysed or accelerated a set of behavioural changes whose consequences may outlast the pandemic itself” (October 2021 report, Pp. 39-41, Box 2.2). In summary, these are:

- Working from home. The pandemic has prompted a sharp rise in the number of people regularly working from home. This rose from 12% before the pandemic to a peak of 50% in April 2020. Despite then falling back, it remained at 31% in October.
- Online shopping. The proportion of retail spending happening online rose from below 3% in 2006 to 20% on the eve of the pandemic in 2019. It then leapt to a peak of 37% in January 2021. Despite the lifting of most restrictions on high street shops in mid-April, it remained above its pre-crisis trend at around 26% in September. Footfall in retail

¹ Economic scarring is statistically defined as the shortfall in potential output relative to the pre-pandemic trajectory at the five-year forecast horizon.

destinations across the UK was still 17% below pre-pandemic levels in September, though sales were up 3% in September, as visitors spent more per visit.

- c) Sectoral composition. While total output was only 1.1% below its pre-pandemic level in August, output in the transport sector was still down 9%, and other services (including hairdressing and beauty treatments) down 18.7%, while IT and communications output was up 3.1% and health and social work was up 9.8% on pre-pandemic levels.
- d) Sectoral mismatch. OBR highlights some supply-demand mismatches in the labour market – especially in retail, transport and food services (where furloughed staff exceed vacancies) and health & social care (where vacancies exceed furloughed staff). Vacancies have risen fastest in the North East and Midlands since the start of the pandemic. These problems are apparent in Nottinghamshire – notably in the Home Care sub-sector. Catering and facilities management have also been impacted.
- e) Supply chains. Firms are considering building greater resilience into their supply chains, reversing a decades-long trend toward internationalisation of production and ‘just-in-time’ logistics. A survey of 353 companies across 77 countries found that, post-pandemic, two thirds of businesses were planning to source more locally and 20% planned to hold more inventories. This is having a notable impact upon the prices of some commodities – and in turn upon inflation (see above). In Nottinghamshire, Arc and Via report major price increases (Via calculates an average 11.2% increase across a range of products) and delays relating to imported construction materials. Via predicts that these problems will continue into 2022/23.

Additional Strategic Drivers of Large-Scale Economic Change

- 12. The government describes the UK economy as being ‘in transition’: experiencing rapid and radical change. The experience of other countries that have undertaken economic transition is that outcomes have a clear and causal relationship with the nature and quality of public sector management of the change process.

A Radical Resetting of the Country’s Economy

- 13. The UK government acknowledges that the country’s economy is ‘in transition’. It is developing a strategy to respond to the strategic drivers of change. The Prime Minister has announced his vision for a “*future defined by highly skilled workers earning higher wages*”. This would be linked to parallel increases in productivity.

Returning to the Nottinghamshire Covid-19 Recovery Action Plan

- 14. The Nottinghamshire Covid-19 Recovery Action Plan was apposite at the time of writing and has served the county well since. But – while the original themes of the Covid-19 Recovery Action Plan - of people, business, visitor economy, infrastructure, digital connectivity and place, remain pertinent – their operating economic environment and public policy context has altered radically since September 2020.
- 15. Officers have completed a review of the current Recovery Action Plan. This is included as an Appendix to this report.
- 16. Considerable progress has been made against all Actions. However, in the light of the

changes to the external economic environment and the revised policy context, Actions have been categorised for Members to review our approach, prior to evolving the plan further. The categories are as follows:

- Active. Remains pertinent (although specific Plans may require review).
- Active. Goal and/ or identified Actions require review.
- Active but paused. Goal and/ or identified Actions require review.
- Completed.

17. Pending a partnership review of the Covid-19 Recovery Plan, short-term priorities include but are not limited to issues a) – f), below. We will deliver these actions by working collaboratively with district and borough councils in pursuit of environmentally sustainable and equitable growth.

- People. We will work with our partners to ensure that projects and programmes established to address skills and employment dysfunctionalities in the labour market and barriers to employment, are flexed to help address changing sectoral supply-demand mismatches (ref. para. 12 d), above). This work has already started – for example through the D2N2 LEP Redeployment Triage Service.
- Business. We will continue to develop our relationships with business, with a view to securing high sustainable, value-added investment in the county, focusing on specific priority inward investment opportunities. We will deploy our spatial planning leverage and/or ownership of employment sites (such as Top Wighay) to target growth in green technology business that replaces supply chain gaps. Through the Growth Hub we will continue to support high-growth, scale-up and innovation in businesses. We will further develop our approach to business relationship management – ensuring complementarity with the work of our public sector partners.
- Visitor Economy. We will constructively engage with district and borough councils on a review of the 2019 Nottinghamshire Visitor economy Strategy. Under the leadership of the council, the outcome will be a strategic approach that complements that of the destination management partnership.
- Infrastructure. The EDAM Committee is due to receive a copy of the draft Nottinghamshire Strategic Infrastructure Plan (SIP). Following approval of this, we will begin to develop a suite of proposals awaiting calls for funding.
- Digital connectivity. We will continue to develop funded projects designed to identify ways in which 5G technology can be used to improve business productivity and small business growth. We will publicise these imaginative projects, such they inspire creativity among entrepreneurs and the boards of existing businesses.
- Place. Town centres remain critical to their areas. We will work closely with district and borough councils to ensure that proposals for the reinvigoration of these central areas optimise emerging drivers of sustainable growth. These include culture, creativity, a vibrant hospitality sector, accessibility, and more green spaces. We will use our joint leverage to ensure that large brownfield sites are redeveloped such that they make an optimal contribution to employment, environmental and renewable energy objectives.

18. It is for this reason that this report proposes the evolution of the Covid-19 Recovery Action Plan. It is important that this is undertaken in partnership with district and borough councils and other public sector partners.

Reasons for Recommendations

19. The national and local economies have changed since the publication of the Council's September 2020 Covid-19 Crisis Economic Recovery Action Plan. There is a need for the local authority to be agile in its approach and to respond, accordingly.

Statutory and Policy Implications

20. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

21. Any costs associated with the refresh of the document will be managed within existing revenue budgets.

22. Any costs associated with the actions in the revised plan will be considered in subsequent committee report (alongside the approval for the revised document).

RECOMMENDATIONS

It is recommended that the Economic Development and Asset Management Committee:

- 1) Notes progress made against the Covid-19 Crisis Economic Recovery Action Plan.
- 2) Supports the principle that this is an evolving document and as such should be able to flexibly adapt to support the economic recovery.
- 3) Agree to receive a future report to update on any further iterations and progress against the Plan.

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Constitutional Comments (LW 16/11/2021)

23. EDAM Committee is the appropriate body to consider the content of the report.

Financial Comments [RWK 17/11/2021]

24. There are no specific financial implications arising directly from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- *'Nottingham and Nottinghamshire – The Case for Devolution'* and *'Nottingham and Nottinghamshire – the Case for Devolution – Resourcing Requirements'*
The City of Nottingham and Nottinghamshire Economic Prosperity Committee, 29 October 2021.
- *'Progress on the Covid-19 Economic Crisis Action Plan 2020-2022'*
Report to Economic Development & Asset Management Committee, 21 June 2021
- *'Update on the Economy and Progress with the Economic Recovery Action Plan 2020-2022'*
Report to COVID-19 Resilience, Recovery and Renewal Committee, published on 25 January 2021

Electoral Divisions and Members Affected

- All