

**Response from the Greater Lincolnshire LEP
Board and Officers on the BEIS Committee "Levelling up" sub enquiry
Deadline 1st September 2020**

I am writing this evidence as the Chief Executive of the Greater Lincolnshire LEP. The reason for submitting evidence to the sub enquiry on levelling up is the Greater Lincolnshire LEP is one of 38 LEP's in England whose role is four fold:

- Economic strategy for Greater Lincolnshire and identifying the actions needed to boost recovery, productivity, earning power and competitiveness,
- Allocation of funds: Identifying and developing investment opportunities; prioritising the award of government and local funding; and monitoring and evaluating the impacts of our activities to improve productivity across the local economy.
- Co-ordination: Using our convening power, for example to co-ordinate responses to economic shocks; and bringing together partners from the private, public and third sectors.
- Advocacy: Collaborating with a wide-range of local partners to act as an informed and independent voice for Greater Lincolnshire.

We are a company limited by guarantee, and we are part-funded by government grant and contributions from local partners and led by a Board of the private, public and education sector leaders. <https://www.greaterlincolnshirelep.co.uk/about/boards/lep-board/>. The LEP works with the public, private and voluntary sectors to drive sustainable economic growth and to help our businesses increase productivity and innovation, to create new employment opportunities, and develop the infrastructure solutions to support this.

We are the voice of the local business community, ensuring that the economic interests are properly represented and we know that Greater Lincolnshire is alive with opportunities, offering a truly great place to live, work and do business. LEPs have shown that by connecting people, places, businesses and ideas, and by securing investment in infrastructure and skills, together we are transforming the economy. This transformation is tangible.

Greater Lincolnshire is a predominantly rural and economically traditional economy, with concentrated areas suffering still from the effects of de-industrialisation, but areas with high ambition and potential for the future. The LEP has had many successes in bringing the business voice together with the public sector and has been a major factor in uniting the economic ambitions of all our local government organisations, key institutions and business bodies. As a result, Greater Lincolnshire has shown significant growth in many key areas, made more effective by the convening power LEPs have:

- 11.7% growth in HE qualifiers in the 3 years to 2017/18 (4.7% nationally).
- Significant improvements in infrastructure and environment: a 62.7% increase in 4G service in 3 years, a 15.4% reduction in air pollution (PM2.5)
- Significant steps relating to R&D activity with 96.2% growth in firms undertaking R&D activities (23.5% growth nationally).
- 38.5% increase in value of national grant funding over 3 years, (5.4% increase nationally)
- 151% increase in process innovators (54% nationally).

One of the largest LEP geographies, Greater Lincolnshire is a dispersed economy which is distinctive in its variety, from the world-leading offshore wind energy sector and manufacturers in the north to the centre of the UK's agricultural heartland in the south. Rural and coastal areas constitute more than 90% of Greater Lincolnshire's landmass attracting visitors to destinations such as Lincoln, Rutland, Cleethorpes and Skegness. Industrial centres like Grimsby, Gainsborough and Scunthorpe, the heritage city of Lincoln, and market towns such as Sleaford all contribute to the economy as drivers of growth and innovation, housing residents, and providing vital services.

Greater Lincolnshire is a £20.7bn economy, with ambitions to add £3.2bn to GVA by 2030. Our local industrial strategy <https://www.greaterlincolnshirelep.co.uk/priorities-and-plans/strategies-and-plans/local-industrial-strategy/> will contribute to delivering this ambition. It identifies the area's distinctive strengths, opportunities and challenges, creating a strong foundation for growth. Success will be achieved through partners working together to boost productivity in all places and all sectors, creating a productive, decarbonised and resilient Greater Lincolnshire economy recognised for its businesses, land and people.

Greater Lincolnshire faces real leveling up challenges around low innovation and human capital, and one of the lowest wage levels in the country but there are opportunities for growth which emerge from the evidence. The economy needs to focus on critical innovation strands in its sectors maximising links to higher education and innovation assets, as well as a focus on levelling up and respond to hyper-local challenges in skills, business growth and infrastructure. Greater Lincolnshire can and should be a location for market making innovation. There are established and emerging clusters in agrifood, energy & water, ports and logistics and defence, and potential to build links to the wider regional economy. Greater Lincolnshire is already driving innovation in agrifood, transforming the sector through robotics and automation, and is helping achieve the UK's net zero 2050 goal through innovation in offshore wind energy, industrial decarbonisation and local energy generation solutions.

More must be done to ensure Greater Lincolnshire's focused excellence in discovery translates into its application in industrial and commercial practices, and so into increased productivity. The private sector is driven by micro and small businesses with one of the highest proportions of employment in small enterprises out of all LEP areas. It has a large manufacturing base, is home to much of the country's agrifood sector - from farm to manufacture - alongside strong energy industry assets (including the burgeoning offshore wind sector) and visitor economy sectors.

Place - or perhaps stronger places - is a thread that must be a principle of leveling up. Productivity and wages are low with 32% of employees paid below the real living wage; the visitor economy and health & care are major low productivity employers. In many places post covid -19,

places high streets are in need of revitalisation to help them adapt to and overcome the challenges facing traditional bricks and mortar retail. Population density is low across the area; there is space to grow but this can only be unlocked if the area has the appropriate mix of housing, employment and skills. This is complex in such a dispersed economy, requiring local and targeted interventions and investment; there is no one size fits all response to support Greater Lincolnshire to thrive. This approach will be supplemented by efforts to raise the ambitions of Greater Lincolnshire's broader industrial base, supporting businesses of all shapes and sizes to drive innovation levels, impact and geographic spread.

The work of this Select Committee chimes well with the work being carried out by every LEP across the country in preparing industrial and Economic Recovery Plans in response to the current crisis.

You have set out 12 questions and we respond to each of these in turn.

Summary of our response

- The guiding principles in any recovery package should be: holistic levelling up, green inclusive growth, innovation and subsidiarity in local design and delivery.
- Budget 2020 set out an ambitious increase in capital investment. The increased funding envelope should be used to fund early implementation of the new Shared Prosperity Fund and/or to extend the Local Growth Programme devolved to local areas.
- Future investment should be targeted to explicitly address the levelling up agenda, targeting rural and coastal areas.
- Skills and employment interventions will be critical as is the need for locally tailored solutions within a national framework that can be co-designed with government. This needs to offer immediate routes into training and employment for young people leaving education and retraining opportunities for adults (with incentives for employers to create jobs and take on staff).
- Following on from this the government should give higher priority to environmental goals in the recovery package.
- Consumer confidence cannot be rebuilt without a programme designed to minimising unemployment as the furlough scheme winds down.
- There is scope to re-purpose existing government funding streams and introduce flexibility to support a speedy Covid-19 recovery
- As we emerge from Covid-19 there needs to be a balance in sectoral focus between: sectors offering longer productivity growth prospects and those that have the capacity to absorb large number of workers.

- LEPs need to consider a refresh of the Local Industrial Strategies to address more fully the levelling up agenda and the changes in economic and societal behaviours that are emerging as a result of Covid-19.
- LEPs have a unique role in the recovery with our business focus, broad partnership, evidence-based approach and expertise in economic development. We offer excellent value for money in terms of our role and impact. However, LEPs need clarity and certainty about funding levels so we can plan properly for the longer term.

Q1 What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?

Greater Lincolnshire LEP welcomed the Government’s agenda for economic growth set out in Budget 2020 and the announcement of major infrastructure investment. We continue to believe strongly that two of the principles set out in the Budget should inform the future recovery package: these are “levelling up”, and growing a greener and more inclusive economy.

On the former principle, the Budget stated that the government was “committed to levelling up across the UK by raising productivity and growth in all nations and regions, creating opportunity for everyone, and addressing disparities in economic and social outcomes”. LEPs welcome the focus on addressing disparities in economic and social outcomes. However, it is critical to understand disparities across different parts of the UK are complex and not simply a regional. Disparities occur for example within the Greater Lincolnshire LEP area from Rutland to Gainsborough, so levelling up must be a holistic agenda applied across the Country. Clearly the impacts of Covid-19 have, unfortunately, further highlighted the disparities in social, economic and health conditions of different parts of the UK, in Greater Lincolnshire this has affected those economies reliant on retail, and the visitor economy such as Lincoln, the Coast and Rutland, and those with low economic activity such as Grimsby, Scunthorpe and the Lincolnshire Coast.

At present the term levelling up is used by the Government in a general and loose sense. We consider that in order to assess whether policies are genuinely addressing levelling up and as a tool to guide investment and policy decision that there needs to be a proper debate leading to a clear definition of what success would look like.

LEPs also welcomed the commitment to green and clean growth in the Budget and in terms of recent messages coming out of the government. As LEPs consider what a post Covid-19 world looks like there is a real opportunity to focus economic stimulus from investment in a greener economy, particularly in programmes that both reduce our carbon footprint and also create jobs. The ambitions of the Greater Lincolnshire LEP and the Humber LEP on decarbonisation could be example where productivity, jobs growth and productivity could be substantially improved. <https://www.humberlep.org/wp-content/uploads/2019/11/Humber-Clean-Growth-White-Paper.pdf>

A third guiding principle we would like to see adopted is that of “subsidiarity” in economic (and other) decision-making. Decisions really do need to be properly devolved to the most appropriate

local level, and we await the devolution and recovery white paper promised in the Autumn. What Covid-19 and the response has shown, is that there is greater power of ingenuity and innovation at the local level. While national frameworks are effective and can deliver rapid interventions, those interventions can sometimes prove blunt at the local level, where challenges are location specific. A specific and consistent role for LEPs could helpfully be articulated in the white paper.

Finally, Innovation: Recent research by the Enterprise Research Centre [ERC, (2020), R&D and innovation after Covid-19: What can we expect? A review of trends after the financial crisis] suggests that process and product/service innovation took more than six years to recover after the last recession. Given that innovation is recognized by government to be one of the five foundations of productivity, it seems key that momentum in this sphere is maintained. In the past 3 years, the proportion of firms undertaking R&D activities in Greater Lincolnshire has grown by 96.2%, compared to 23.5% in England. Innovation is also vital for future resilience, yet most areas still lag behind the government's 2.4% R&D target. Studies have shown that areas with high levels of vibrant, innovative and entrepreneurial firms are likely to be hit less hard by future external shocks. Innovation that is most likely to lead to job creation and the exploitation of new markets should be prioritised and a much more place based specific approach adopted for national organisations and devolved innovation budgets to devolved areas.

Q2 How can the Government borrow and/or invest to help the UK deliver on these principles?

The Spring Budget saw an explicit relaxation of previous fiscal rules and targets to accommodate a step change increase in extra infrastructure investment which was very welcome. Some of the investment required in recovery is revenue investment in education, skills and in business support. The Comprehensive Spending Review is an opportunity to balance capital and revenue in a coherent way across government that addresses recovery. Providing adequate revenue resource to deliver capital projects is also an obvious, but often neglected point.

Given the challenges and opportunities we face now and the key point the Greater Lincolnshire LEP would want to make is to bring forward the investment in: A) the Shared Prosperity Fund that has been promised; and B) an extended Local Growth Fund as previously requested by the LEP Network in its submission to the treasury earlier this year and which delivered a £387m commitment from the Chancellor in his Budget statement.

Q3 What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?

LEPs are considering these issues as part of their short term recovery plans, and the medium term industrial and recovery plans, and it is important to acknowledge that many issues are interwoven.

A lack of confidence in future employment prospects impacts on consumer spending and investment decision - the process of unravelling the furlough scheme and avoiding major redundancies is very challenging. Minimising unemployment is critical for restoring consumer confidence in hand with progress in addressing the health aspects and associated concerns from

Covid-19. A major concern for Greater Lincolnshire is the delayed knock-on effect of Covid-19 on the sustainability of many businesses in 2021E especially in the visitor economy and hospitality and food service sector. This year has been a battle of survival and so financial resources and investment are low across the sectors. This provides limited resilience. Many businesses have applied for a Bounce Back loan which has provided a lifeline. However, the process of repaying Bounce Back loans needs to be managed carefully otherwise this could be the tipping point for business failure in 6 to 12 months' time.

Areas for further consideration include:

- Focussing on sustainability throughout the supply chain
- Support to develop new markets and opportunities - with skills being invested in so that those losing their jobs can transition.
- Support to change their business model for a post-Covid world and to become more environmentally sustainable
- Support to ensure business continues to invest in its workforce, including apprentices.

Q4 Whether the government should give a higher priority to environmental goals in future support?

Covid-19 has provided the space to demonstrate what our society and natural environment could be like. The lack of congestion on roads as traffic levels fell, the lack of litter, car parking issues and crowding at beauty spots. Air quality is generally better than before with widely reported improvements in air quality in our major cities and by major roads and of course large falls in carbon emissions.

So although we must get the economy back on a strong footing, recent events have further highlighted the trade-offs between economic activity and the environment, and the need to improve these trade-offs as we progress to a zero carbon economy.

Prioritising a green approach, can also deliver significant new opportunities and new jobs. For example **Carbon capture and storage on the Humber Bank** - The Humber Bank's sizeable industrial cluster and power generation assets provide the critical mass required for large-scale deployment of carbon capture technology with transportation infrastructure. The area's close proximity to large available storage sites means there is capacity to deliver substantial reductions of carbon emissions in a relatively short period of time. With the Humber Estuary emitting more CO₂ than any other industrial cluster, introducing carbon capture and storage to in the region would make a significant contribution to reducing UK emissions.

Businesses in the region are actively developing projects that capitalise on this opportunity and support Greater Lincolnshire to achieve net zero carbon emissions, such as VPI Immingham: VPI Immingham, one of Europe's most thermally-efficient gas-fired combined heat and power plants, supplies steam and electricity to the Humber's two oil refineries, as well as up to 2.5% of UK electricity demand. Together with owner Vitol, the company is developing proposals for producing blue hydrogen and using it in its fuel mix, reducing the CO₂ footprint of VPI and the

adjacent refineries by 2.75 Mt per annum. CO2 created by the power plant, and potentially the refineries, would be captured and stored under the North Sea.

Therefore the Greater Lincolnshire LEP believes that higher priority needs to be given to environmental goals in planning for a recovery, so we do not return to the “past normal” in post Covid-19 world. In practical terms this means:

- Given extra priority to the different forms of production of clean energy in the UK and energy use reduction
- Ensuring our food production is sustainable, and more food is produced locally.
- Reduce the environmental impact of travel - so including clean technology, cycling and walking, public transport and digital connectivity.

Q5 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?

While there may be a need to see some sector prioritisation in the recovery package, the overriding goal should be to deliver increased productivity and jobs growth across the economy - which is the only sustainable way to increase standards of living. That said, more immediately there may need to be a mixed sectoral focus between:

- Sectors with higher productivity and good growth prospects. The UK’s longstanding relatively poor productivity performance pre-Covid was highlighted in a range of government documents and the 2017 Industrial Strategy was in large part in response to this. In Greater Lincolnshire this would be a focus on the renewable energy and food production.
- Sectors with high jobs absorption. There are likely to be major contractions in employment in sectors such as retailing, visitor economy, transport, food and hospitality that provide a large number of jobs, often for younger people. Work on the impact of Covid-19 and on the prevalence of the Job Retention Scheme by age has highlighted the dependency of many younger people, on these sectors¹. Any strategy that ignores these sectors as we emerge from Covid-19 has the danger of leaving a large and more permanent pool of unemployed with associated labour market “scarring” (as for instance explored by the Office for Budgetary Responsibility. Other sectors such as health and social care are not seeing the same contraction and could provide early opportunities.

A further point to make is in respect of what are future growth prospect. Covid-19 has exposed the limits of globalisation and the importance of national resilience in supply chains. The knowledge based service economy has been able to respond and adapt quickly to Covid-19 and lockdown restrictions. However, the danger of long and complex global supply chains has been

¹ Young workers in the coronavirus crisis: Findings from the Resolution Foundation’s coronavirus survey, 19 May 2020 <https://www.resolutionfoundation.org/app/uploads/2020/05/Young-workers-in-the-coronavirus-crisis.pdf>

underlined in sectors such as car manufacturing and pharmaceutical manufacture, as has the complete outsourcing abroad of mission critical products such as PPE. Many observers believe these trends were already emerging and Covid-19 will lead to a global re-think² and increased reshoring. This must feature in a greater focus on the capacity and resilience of the UK's manufacturing sector in critical areas and in food supply chains.

Q6 How can the Government best retain key skills and reskill and upskill the UK workforce to support the recovery and sustainable growth?

Work and workplaces have changed. Some of these changes will be permanent. We should expect structurally higher unemployment to endure for some time and for the burden to fall disproportionately on more deprived people and places. Some jobs lost in this crisis will not be restored. Many of those which remain will be different.

Despite the magnitude of the shock it seems fair to say that what we have witnessed so far is less of a revolution in labour markets, and more of an accelerated process of evolution. Changes in the use of digital technology and remote working which were expected to take years have instead happened in weeks. That said, people and businesses are adapting. In many instances, the pace and effectiveness of adaptation has been remarkable and suggests we should be hopeful about our capacity to meet the challenges on the road ahead.

The lockdown has affected traditional retail more than any other sector, meaning that young people as a demographic have been especially affected by the crisis' economic impacts. This comes at a time when retail sector employment is already in structural decline as more processes become automated and sales shift online. As a whole, Greater Lincolnshire's workforce has a lower level of educational attainment than the UK average, although the gap has been closing in recent years. COVID-19 risks reversing these gains and exacerbating the difference in employment outcomes for Greater Lincolnshire's residents and the country as a whole. Those already in work may find it becomes increasingly precarious. A more cautious outlook among businesses, coupled with more automation, may mean employers are less likely to offer workers permanent positions and instead favour flexibility, making more use of temporary, part-time and zero hour contracts to plug gaps until processes can be automated.

These arrangements may further entrench inequality between workers with permanent positions (which tend to be more secure, better paid, and offer other benefits like parental leave) and those without. In the longer term, it is possible that we see a shift to more part-time working, as fewer hours are spread across more workers. The impacts of the crisis will not be evenly distributed. But even for those workers who find themselves spared from the worst effects of the crisis there will be changes.

There is a national and pressing challenge that will emerge as the Furlough scheme unwinds. The LEP Network along with the Local Government Association, the Core Cities and the Metropolitan Mayors M9 has been developing new thinking about the intensive, tailored and integrated

² See for instance "World Investment Report, 2020, International Production Beyond The Pandemic" UNCTAD, https://unctad.org/en/PublicationsLibrary/wir2020_en.pdf

employment and skills support needed for Covid-19 recovery. We have collectively developed an “integrated local employment and skills offer for economic recovery and growth” that is very relevant for this question from the Select Committee.

The central premise of the paper is that skills and employment support co-ordination and delivery is, in the main, best addressed at a local level. In short, recovery planning must be tailored to the requirements of each local labour market and LEPs and local government as local bodies are best able to do this. The paper recommends the co-design of the overall parameters of the scheme with central government, but that the local priorities and delivery should be fully developed down. The areas for action include:

- A co-designed apprenticeships programme but with a place specific focus can respond flexibly to different people and places by repurposing existing funds with maximum flexibility including Skills Fund, ESF and unspent Levy.
- Young people. Investment in an extended September offer with guaranteed education, employment or training places for those due to leave school or college, with maintenance grant for the disadvantaged and those at risk of, or who are NEET, including a Higher Technical Training Scheme.

Both these measures are designed to help those young people who would otherwise leave school or college with few current jobs prospects.

The creation of new re-skilling opportunities for adults by providing flexible, adjustment courses (with maintenance grants) to retrain adults for local in-demand jobs, with additional support for over-50s.

The paper advocates roll-out requiring:

- A national Covid response panel for jobs and skills to maintain political focus urgency of action and dialogue.
- Local jobs and skills taskforces should coordinate the local plan and offer using existing structures.
- Multi-year, flexible, publicly accountable outcome funding for local areas.

These proposals can build on the foundations of the Skills Advisory Panels (SAPs) established by each LEP. SAPs have become a vital part of the economic development landscape; their increased analytical capacity has enabled LEPs with partners to drive locally evidenced planning and commissioning on the skills agenda.

Q7 Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post pandemic growth?

Absolutely, the Industrial Strategy remains relevant to the longer term challenges of the UK economy and the need to find ways of driving up productivity. Government should recognise that and make clear the role of Local Industrial Strategies in recovery. However, in the Rethink part of our “Restart, Reboot, Rethink” strategy to emerge from Covid-19 we have been considering the implications for our Local Industrial Strategy and so the national Industrial Strategy. Many LEPs are developing industrial and recovery strategies. Locally, the LIS has strong buy-in from stakeholders and is used as a primary reference point relating to activity across the area. It would be remiss, and potentially confusing for partners and business to subsequently have to refer across to a new strategy with new objectives. Therefore there is not a need for a complete re-think but certainly a rapid review and refresh to pick up the main points:

First, how the national Industrial Strategy plays into the levelling up agenda. Second, what are the implications of Covid-19 on industrial priorities and opportunities given the big shifts in behaviours and the functioning of the UK and global economies that may emerge. Industrial Strategies were not recession proofed plans and some of the sectors hit hardest were not a focus in the national strategy.

We suggest that in terms of the Grand Challenges there is a need for a re-think in certain areas:

- Putting the UK at the forefront of the AI and data revolution. Covid-19 has emphasised the benefits of AI in some areas in improving resilience in supply chains, in managing flows of people, in tracking and tracing and in delivery of education and learning. It has also highlighted data protection and privacy issues and trade-offs with AI.
- Maximise the advantages for UK industry from the global shift to clean growth. As noted elsewhere if anything this has become all the more important and needs a very strong focus.
- Meeting the needs of an ageing society. Covid-19 has highlighted some of the challenges and opportunities for better services in the health and care sector and potentially how technology and service delivery needs to be made more resilient and make better use of technology e.g. to deal with any future pandemics.
- Become a world leader in the way people, goods and services move. Covid-19 has really shaken up the transport sector, with travel to work, leisure and education dramatically reduced but greater use of delivery and logistics. In thinking about the future the potential accelerated shift toward home-based working, virtual meetings and interaction needs to be fully considered.

Q8 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?

The concept of subsidiarity is critical and the broad thrust of devolution is welcome. However, the debate has often been about the structure (eg forms of local government) rather than about the substance of the powers, budgets and tax-raising powers to be devolved. LEPs have worked well with a range of different local government structures across England, suggesting that no single structure is ideal, or necessarily better, for addressing business and economic development needs.

The LEPs have a number of distinct advantages in the organisation and some cases delivery of services to the local economy and businesses:

- We have a strong and effective business voice that feeds into a realistic assessment of local economic development priorities. Although we operate in a robust way with a strong assurance framework, we are able to work in a relatively non-bureaucratic way that businesses can engage with.
- In our role as local co-ordinators and brokers we can facilitate significant changes by working with and through others for relatively little cost. The core £19 million pa budget for the 38 LEPs in England represents extremely good value for money in the context of the large programmes we have had to administer and manage (such as the almost £13 billion Local Growth funding). The convening power of LEPs should not be underestimated.
- LEPs have an evidence-based and apolitical approach which means we are ideally placed to act as impartial brokers on the development of local strategies (eg as with our Local Industrial Strategy) and delivery arrangements. The work of LEPs is not driven in any way by local election cycles, or confined to single LA boundaries, but operates across a functional economic area and this helps us focus on the longer-term needs of our areas in a holistic way.

The capacity and capabilities of LEPs have developed very considerably over the last decade. However, moving forward the good work of LEPs and our ability to really make a difference would be considerably aided by:

- The need for adequate levels of core revenue support to manage programmes and co-ordinate the large array of local partners.
- More certainty in core revenue funding. It has been challenging to say the least to manage teams and maximise impact when funding is only confirmed for the next year often at short notice. Reliance on European funding e.g. ESF has also meant we are unable to change direction quickly in response to an emergency.
- In the LEP Network 2020 Budget input and our Five Point Plan for Recovery we called for “a multi-year settlement that is both commensurate to the role and sustainable to enable us to plan with surety and confidence to deliver growth across all parts of the country”.

Q9 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?

There are considerable funds already in play that could be redesigned and refocused locally to address the immediate needs for recovering from Covid-19. Government could devolve flexibility on how these funds are used, in terms of activities and also in terms of timing of spend. An example of this flexibility has been the redeployment of ERDF towards the £50m reopening the high street fund. These funds include but are not limited to:

- The remaining unspent Local Growth Deal monies which currently must be spent by the end of March 2021 so creating a tendency to spend on activities which are an easy and quick spend rather than having biggest impact of Covid-19 recovery.
- The £3.6 billion Town Deal fund including the £1 billion Future High Street Fund and which were launched before Covid-19 and now could and should be repurposed. This would be aided by either simplifying or removing the bidding elements.
- The £2.3 billion Housing Infrastructure Fund has or is being allocated. However, the experience is that the time from an announcement of approval in principle to allocation of funding to allow works to start is far too long.
- The £3bn National Skills Fund could provide a great boost to reorientating skills training quickly and looking again at innovative application of the apprenticeship levy, could provide early solutions.

Much greater flexibility in the use of revenue funding would assist greatly. This is particularly important in the context where our key local authority partners at county and district level are facing an unprecedented squeeze on their revenue funding as result of Covid-19 due to losses of income and pressure on spending.

The priorities associated with “the UK outside of the EU” are important and the interplay between the consequences (upside and downsides) of ending the Transition period and emerging from Covid-19 does need proper consideration. For many these two events happening in parallel present a massive challenge in terms of planning and preparing and widens the bandwidth of uncertainty. In this context, it was helpful to see the Government announce that customs checks from goods from the EU would be phased in from 1st January 2021.

There have been a range of studies looking at actual and potential vulnerability of different economies, sectors of society and communities to Covid-19. These cover both the direct health impacts and the economic impacts. It is highly likely that the economic effect of Covid-19 as the furlough scheme is unwound will focus on those in less skilled jobs and younger workers or those

working part time (often women). There are likely, without action, to be acute inequalities in the economic effects of Covid-19.

An emergency package of short to medium employment and training measures prepared as in the “integrated local employment and skills offer for economic recovery and growth” would go a long way to dealing with the challenge of finding gainful employment and training for those amongst the 9 million furloughed workers that do not have a job to return to in the next 1 to 3 months as the scheme winds down.

Q10 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)?

The experience of LEPs has been replicated elsewhere over the Covid-19 crisis and has highlighted the lack of resilience in our current economic system in relation to:

- The often complex food supply chains
- Supplies of medicines and medical/PPE equipment

There are perhaps four very specific lessons from this:

First, the need for an expert assessment at a national level of what are the key strategic supplies that need to be in place for future unforeseen events that link to basic necessities for life - food and medicines and other equipment and parts for the efficient running of households, the economy and society infrastructure.

Second, for action to be taken and a requirement that this is properly monitored and not seen as an unlikely risk.

Third, more generally that in developing a post-Covid economic policy, the Government reviews the case for a reduced reliance on imports and being totally reliant on a globalised economy. The need for and opportunities from reshoring strategic manufacturing activity would assist and also help level up the economy.

Finally, the innovation and ingenuity we’ve seen in businesses - rising to the challenge of filling needs, changing their business model at short notice. LEPs have played a critical role in supporting this activity, which is often absent in normal times.

Q11 What opportunities exist for the UK economy post Brexit and the pandemic for export growth?

While businesses outside the EU are likely to be reconsidering their supply chains, local areas have an opportunity to recalibrate their export potential, which may be useful for attracting additional investment. Improved transport links into airports or ports (such as Immingham, Grimsby and Boston and Humberside Airport) could unlock greater capacity. There is potential to address the levelling up agenda by providing a targeted export and inward investment support offer to local areas, informed and driven by local intelligence. It will also be key to incentivise leading service exporters in London (and elsewhere) to expand their operations across the UK, taking advantage of the remote working trend created by the pandemic. This could spread economic opportunity, as well as potentially support innovation through increased interaction with new businesses. We need to recalibrate the size of external markets given the global market impact of Covid 19.

As highlighted earlier, improving productivity and the quality of our offer will play a critical role here.

Q12 What role might Government play as a shareholder or investor in businesses post-pandemic and how this should be governed, actioned and held to account?

Covid-19 has led to an unprecedented level of direct financial intervention by the UK Government in business to a rate probably not seen since the 1970s. The UK government has directly or indirectly supported £43 billion in loans³ to over a million smaller business accessing the bounce back loan where it is acting a 100% guarantee of last resort to the lending banks. These loans could put unbearable stress on SMEs - damaging them when they could be growing.

There is an opportunity to act in a more strategic way and consider how some of these loans could be converted, where appropriate or necessary, to part equity stakes or very long term loans (“patient capital”). LEPs are very well placed to understand and advise government on which businesses are strategically important to justify government investment - understand the supply chain they are supporting, how the business fits with the levelling up agenda, what its growth potential is / fits with the wider LIS.

There clearly needs to be a well thought through strategy for how to deal with this direct and indirect loan book which would be very different from the government’s shareholder holdings in the large UK banks as a result of the financial crash (ie potentially lots of much smaller loans and/or equity stakes).

The Government needs to consider:

- What guidance it will agree with the lending banks in pursuing unpaid loans
- How to deal with the situation where calling in the loan would lead to default and bankruptcy
- Whether it could write off loans and, if so, on what criteria

³ Coronavirus Business Interruption Loan Scheme (CBILS) £11.1 billion and Coronavirus Large Business Interruption Loan Scheme (CLBILS) £2.33bn, Bounce Back Loan Scheme (BBLs) £29.5 billion all to 28th June 2020

- Any quid pro quos it would need from business to extend repayments or write off loans.

There is an opportunity to consider developing new thinking on the scale potentially of the Germany Landesbanken at a local level and the loan book could be transferred to new entities or existing entities where these already exist. In Germany the public banks are owned, run and managed by federal government, states, districts or cities and have a specific investment remit, for example development and infrastructure, with a long-term perspective.

As mentioned earlier, LEPs collaborating together or with local government partners could play a key role in supporting this initiative.